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SCHOOLS BUDGET 2019-20

Report of the Director of Children's Services

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1. Purpose

- 1.1 To seek the support of the Forum for the 2019-20 Schools Budget proposals.

2. Summary

- 2.1 This paper covers the issues relating to the 2019-20 Schools Budget and in particular the following areas:
- The 2019-20 DSG announcement;
 - The budget pressures and savings;
 - The amount of available headroom.

3. Recommendations

- 3.1 The Forum is asked:
- (i) To note the revised budget position
 - (ii) To agree that the full, increased value of Headroom should be allocated to schools as detailed in para 6.2
 - (iii) To agree the budget proposals for High Needs as set out in para 8.3, and in particular that any unspent element of the additional funding for the current year of £2.862m be carried forward to 2019-20 and ring-fenced for use to support future high level needs activity.

4. Background

- 4.1 Previous reports about the 2019-20 Schools Budget were considered at the September and November Forum meetings. The DfE has now announced the 2019-20 Dedicated Schools Grant (DSG) and the data to be used to calculate 2019-20 budget shares for primary, secondary schools and academies, under the school funding formula. This, together with the updated information on budget pressures

and savings, enables decisions to be made regarding the Schools Budget for 2019-20.

- 4.2 Information on primary and secondary budget shares for 2019-20 must be submitted to the DfE by 21st January 2019. For this to be provided on schedule, it is necessary for detailed decisions to be made at this point about the Schools Block of the 2019-20 Schools Budget.

5. Dedicated Schools Grant Announcement 2019-20

- 5.1 The 2019-20 DSG was announced just before Christmas and is as follows;

	£m
Schools Block	
Primary (100,015 pupils @ £3,911.99 per pupil)	391.256
Secondary (67,694 pupils @ £5,089.41 per pupil)	344.523
Premises and Mobility	11.126
Growth	5.806
Total Schools Block	752.711
Central School Services Block (167,709 pupils @ £34.15 per pupil)	5.727
Early Years Block	
3 and 4 year olds	
Universal Entitlement (18,609 pupils @ £3,066.60 per pupil)	57.067
Additional Hours (6,400 pupils @ £3,066.60 per pupil)	19.626
Nursery Schools Supplementary Funding	1.764
2 year olds (2,059 pupils @ £3,198 per pupil)	6.585
EY Pupil Premium	0.659
EY Disability Access Fund	0.236
Total Early Years Block	85.937
High Needs Block	
High Needs Block Before Additional Funding	111.815
Additional High Needs Funding	2.862
Total High Needs Block	114.677
Total	959.052

- 5.2 These allocations are subject to future adjustments to the early years block to take account of census data from January 2019 and January 2020 and to the high needs block to update the import/export adjustment for the January 2019 census.

The figures include the funding for academies and post-16 high needs places in special schools. However, they exclude the per place funding for non-maintained special schools, which is paid directly to institutions. The schools block of DSG is ring-fenced for use on the schools block budget.

5.3 Schools Block

The schools block DSG allocation is calculated using the National Funding Formula (NFF). However, due to the timescale, the DfE does not recalculate the NFF budget shares using 2019-20 data. The schools block is calculated using average funding rates per pupil (for primary and secondary), derived from the NFF allocations published in the autumn and based on 2018-19 data. These per pupil funding rates are then multiplied by the pupil numbers from the October 2018 census to determine the schools block DSG.

The schools block is £1.275m less than previously estimated due to lower than projected pupil numbers. This is also reflected in a reduced cost of demography.

5.4 Central School Services Block

This is calculated by multiplying the total primary and secondary pupil numbers from the October 2018 census by the funding rate per pupil for the central services block. The actual allocation is £9k less than previously estimated, due to lower than projected pupil numbers.

5.5 Early Years Block

There are a number of components of the early years block - allocations in respect of the universal entitlement for 3 and 4 year olds, additional hours for 3 and 4 year olds, protection funding for nursery schools, funding for 2 year olds, the Early Years Pupil Premium and the Disability Access Fund. The allocations shown are as per the DfE announcement except that within the overall total for 3 and 4 year olds the split between universal and additional hours has been revised to reflect estimated pupil numbers for January 2019. The other allocations are based on actual January 2018 pupil numbers.

The Early Years Block will be recalculated both in year and retrospectively to take account of actual early years' pupil numbers in the January 2019 and January 2020 censuses.

5.4 High Needs Block

The main surprise from the December DSG announcement is that the DfE is making available substantial additional resource for High Needs. The high needs block allocations calculated through the national funding formula for High Needs have been enhanced by additional allocations of £2.862m in both 2018-19 and 2019-20. A further increase in the 2019-20 High Needs DSG of £701k results from updating the data for pupil numbers in Special Schools. Thus overall there has been an increase of £3.563m in the 2019-20 High Needs block compared to the previously estimated figure. A further adjustment will be made to the 2019-20 High Needs block allocation to update the import/export adjustment for the January 2019 census data.

6. Overall budget position

- 6.1 The main change to the budget position since the November Forum is the additional High Needs DSG. This results in a corresponding increase in the unallocated headroom in the High Needs budget.
- 6.2 In the Schools block, after taking account of all of the updated data, the amount of unallocated headroom available is £8.9m (an increase of £0.6m from the amount estimated at the November Forum). Forum is asked to confirm that this head room will be used in full. Proposals for this are included within the accompanying report on this Agenda.

7. Use of DSG Carry Forward

- 7.1 The Forum has previously agreed the budget strategy for 2019-20. This strategy comprises of:
- Setting the high needs and early years budgets at the level of their respective DSG blocks,
 - Setting the central school services budget at the level of the central school services DSG block, plus the use of £0.9m of DSG carry forward to fund school family workers.
 - Setting the schools block budget at the level of the schools block of DSG, plus the use of £5.1m carry forward to fund an element of the budget shares covered by the MFG exception (£3.2m), the Falling Rolls Fund (£1.5m) and an element of the Growth Fund (£0.4m).

There is a retrospective adjustment for net over estimates of the pupil numbers in free schools of -£0.1m. It is anticipated that the DfE will classify this as offsetting the use of carry forward. Therefore the use of carry forward to support the Growth fund will be increased to £0.5m.

- 7.2 The Schools Budget has been prepared on this basis.

8. Summary of Schools Budget

- 8.1 Annex A gives a breakdown of the budget showing the pressures, savings and headroom, by block. Table 1 provides a summary.

Table 1 Schools Budget 2019-20	£m
Schools Budget 2018-19 as at S251	944.143
Pressures	33.953
Savings	(5.732)
Schools Budget before reversing out inflation	972.364
Reversal of inflation	(22.951)
Headroom	15.639
Schools Budget 2019-20	965.052

Annex B give further details of each budget item listed in Annex A. These include changes since the position considered at the November Forum meeting.

8.2 Headroom – Schools Block

The total headroom in the schools block budget is £8.9m. The separate paper on this agenda about the primary and secondary funding formula provides more details about how it is proposed to allocate this, following the consultation with schools.

8.3 Headroom – High Needs Block

The total amount of headroom available is £5.8m in the 2019-20 budget. Of this £2.3m will fund inflation in the High Needs Block. The remaining £3.6m will be added to the Strategy Development Fund pending further decisions about its allocation. To this can be added the £2.9m extra High Needs DSG that the DfE is allocating in 2018-19. It is proposed to carry this forward to 2019-20 and ring-fence it for high needs but it constitutes a one off resource. The table below shows the resulting balance available in the Strategy Development Fund.

HN Strategy Development Fund	£m
2018-19 SDF	1.377
Transfer to fund ESCs	(0.250)
Balance of 2019-20 Headroom after funding Inflation	3.579
Total	4.706
Additional HN DSG in 2018-19 (one off resource)	2.862
Total Resource Available including one off resource	7.568

9. Uncertainties/Risks

9.1 There are a number of uncertainties/risks in respect of the 2019-20 budget at this stage, in particular:

- The further adjustment to the high needs DSG block to update the import/export adjustment for the January 2019 data. This could be either positive or negative.
- The in-year and retrospective re-calculation of all elements of the early years DSG block, which could be either positive or negative.
- Several data issues at individual schools.
- The outcome of the Authority's application to make changes to funded high needs place numbers at colleges and special academies.
- The DfE's response next year to MFG exception requests for 2020-21. (If a request to remove one off funding from the MFG calculation is rejected, then this would make it more difficult to remove the remainder of the carry forward from budget shares without attracting some additional MFG protection.)

10. Central Budgets

- 10.1 The central budgets were agreed by the Forum in November, save that Forum noted the need to make some adjustments to the Central School Services Block to bring budgeted expenditure into line with DSG. This is dealt with in a separate report elsewhere on this Agenda.
- 10.2 A listing of the 2019-20 central budgets for the schools and central services blocks (incorporating the changes that the Forum is asked to agree at this meeting) is shown in Annex A.

11. Conclusion

- 11.1 It is necessary to finalise the schools and central services block budgets at this point, in order to finalise the information on the primary and secondary funding formula which the DfE requires by 21st January and to set central budgets.
- 11.2 It will still be possible to make detailed changes to the high needs and early years block budgets, provided that these are within the overall totals for these budgets outlined in this paper. Further information about the high needs budget (including the planned use of the SEN Strategy Development Fund) and the early years budget will be brought to the February Forum meeting.
- 11.3 The Forum is asked to agree the recommendations in section 3.

Schools Budget 2019-20

Annex A

	Schools £000	Central Services £000	Early Years £000	High Needs £000	Total £000
Schools Budget 2018-19 (as at section 251)	744,239	6,644	85,470	107,790	944,143
Pressures					
Demography	6,303		(459)		5,844
Inflation of Pay and Prices	17,506	133	2,525	2,787	22,951
Employers Contribution to Teachers Pension				112	112
Additional Special School Places 2019-20				683	683
Full Year Effect of 2018-19 Increase in Special School Places				233	233
Additional College Places 2019-20				132	132
Full Year Effect of 2018-19 Increase in High Needs College Places				48	48
Visual Impairment Service				190	190
Placements in Out of County state schools				400	400
Education in Private Hospitals				200	200
Exceptional Needs				612	612
Education Support Centres				250	250
Rates	160				160
Growth in Existing Free Schools	936				936
New Free School opening in 2019-20	441				441
Top Ups for High Needs Provision in Colleges 2019-20				540	540
Full Year Effect of 2018-19 Increase in Top Ups for High Needs Provision in Colleges				58	58
Licenses		38			38
Split Site Factor	100				100
SACRE		25			25
Pressures Total	25,446	196	2,066	6,245	33,953
Savings					
Rates	(300)				(300)
Growth Fund	(1,000)				(1,000)
Amalgamations	(47)				(47)
Building Schools for the Future	(165)				(165)
Bulge Classes Leaving	(650)				(650)
Capital Expenditure on Primary Alternative Provision				(750)	(750)
Special Unit Places				(60)	(60)
Closed Special Units				(100)	(100)
SpLD Places				(775)	(775)
Special School Residential Provision				(269)	(269)
Quality Offer Rollout				(34)	(34)
Counselling Service				(123)	(123)
Prior Year Adjustments	(345)				(345)
Falling Rolls Fund	(296)				(296)
Minimum Funding Guarantee	(427)				(427)
Appeals		(89)			(89)

	Schools £000	Central Services £000	Early Years £000	High Needs £000	Total £000
Early Support Project				(52)	(52)
Transfer from SEN Strategy Development Fund				(250)	(250)
Savings Total	(3,230)	(89)	0	(2,413)	(5,732)
Schools Budget 2019-20 Before Reversing Out Inflation	766,455	6,751	87,536	111,622	972,364
Reversal of Pressures for Inflation and Teachers' Pension	(17,506)	(133)	(2,525)	(2,787)	(22,951)
Schools Budget 2019-20 After Reversing Out Inflation	748,949	6,618	85,011	108,835	949,413
Headroom					
Inflation in High Needs Block				2,263	2,263
To Be Allocated	8,871		926	3,579	13,376
Schools Budget 2019-20 Including Headroom	757,820	6,618	85,937	114,677	965,052
Estimated 2019-20 DSG	752,711	5,727	85,937	114,677	959,052
Use of Carry Forward	5,109	891			6,000
Total DSG Available	757,820	6,618	85,937	114,677	965,052
Difference	0	0	0	0	0

Breakdown of Schools and Central Services Blocks	£000	£000
Schools block		
Primary and Secondary Budget Shares in APT	751,934	
Growth Fund	4,386	
Falling Rolls Fund	1,500	
Central School Services block		
Former retained duties ESG		2,823
Admissions and Appeals		1,897
Boarding Pathfinder		12
Combined Services		
Family Support Workers		891
Servicing of Schools Forum		30
DfE arranged Licences		965
Total	757,820	6,618

Pressures**B.1 Demography**

This constitutes the impact of increases in pupil numbers (excluding growth in free school numbers) on AWPUs and other pupil led funding in the schools and early years budget shares.

B.2 Inflation on Pay and Prices

This is based on the following estimated increases:

- Teachers Pay
This assumes a 1% increase from the September 2018 pay award (on the basis that the increase above this will be met from the separate teachers' pay grant). A 2% increase from the September 2019 pay award is assumed, with no grant funding towards the additional costs of this award.
- Non-Teachers Pay
Increases as per the local government pay award for April 2019 with +2% for grades H8 and above and higher increases for grades below H8.
- Non-Pay
2% general inflation but with specific inflation increases for energy

The pressure shown does not take account of increasing costs of the national living wage being passed on by service providers.

B.3 Employers Contribution to Teachers' Pensions

The rate of employers' on-costs for the teachers' pension scheme is expected to increase in September 2019 from 16.48% to 23.6%. However, the DfE has announced that it will fund this increase for schools. The pressure shown is therefore the estimated cost of the pension increase for centrally employed teachers in the SEN specialist support teams.

B.4 Additional Special School Places

This allows for an additional 117 places from September 2019, making a total of 2,428 in special schools.

Also shown is the full year effect of the increases in special school places made in September 2018.

B.5 Additional High Needs Places in Colleges

This provides for an additional net 33 places from August 2019.

Also shown is the full year effect of the increase in place numbers from September 2018.

B.6 Visual Impairment Service

There is a need to expand the team of Curriculum Access Specialists within the Visual Impairment Service to reflect an increase in the number of tactile learners (braille users).

B.7 High Needs Placements in out county state schools

There has been an increase in the number of high needs placements in out county state schools.

B.8 Education in Private Hospitals

This relates to the cost of education for children placed for medical reasons in private hospitals or clinics.

B.9 Exceptional Needs

This relates to cost increases resulting from growth in caseload and demography and to ensure exceptional needs entitlements are provided for tactile learners (braillists).

B.10 Education Support Centres (ESCs)

An allocation to address pressures in ESC funding (in particular with regard to split sites, movers in and day 6 provision).

B.11 Rates

Increases in rates costs, from inflation and revaluations

B.12 Growth in Existing Free Schools

This pressure relates to the additional cohort starting in free schools in September 2019.

B.13 New Free School Opening in 2019-20

One new free school is expected to open in September 2019. This pressure constitutes the estimated pupil led funding for this school for the period September 2019 to March 2020.

B.14 Top Ups for High Needs Provision in Colleges

The increase is due to the increasing number and complexity of high needs students in colleges and independent specialist providers. Also shown is the full year effect of last year's pressure.

B.15 Licenses

The DfE has announced an increase in the cost of the licenses it arranges for schools.

B.16 Split Site Factor

An increase in the value of the Secondary split site factor to reflect costs.

B.17 SACRE

This is to reflect the agreed contribution for SACRE for 2019-20.

Savings

B.18 Rates for Converting Academies

There is a saving in rates funding in budget shares due to the conversion of schools from community to academy status.

B.19 Growth Fund

As reported in the monitor there is an underspend in the Growth Fund budget and it is proposed to take this as a saving.

B.20 Amalgamations

Redbourne Infants and Juniors amalgamated in April 2018. This results in a reduction in funding through the lump sum factor.

B.21 Building Schools for the Future (BSF) funding

Nobel school has decided to discontinue its BSF facilities management contract and manage its own premises. The school will therefore no longer receive an allocation from the BSF funding factor.

B.22 Bulge Classes Leaving

The DfE has agreed Hertfordshire's request to reduce the budget shares of schools where bulge classes will be leaving in Summer 2019, in order to reflect the reductions in the number of pupils on roll. The saving that results is shown.

B.23 Capital Expenditure on Primary Alternative provision

This budget relates to particular schemes and is not expected to be required going forward. The DfE has made available a capital grant for high needs, to run for three years from 2018-19.

B.24 Reduction in Special Unit Places

The saving relates to proposed reductions in special unit places to better match the supply of places to demand.

B.25 Closed Special Units

There is a phasing out of transitional funding following the closure of special units.

B.26 Specific Learning Difficulties (SpLD) Bases

This is the full year saving that will result from the introduction of new arrangements for SpLD provision.

B.27 Special School Residential Provision

The saving relates to the expected closure of residential provision at Larwood special school.

B.28 Quality Offer Rollout

This has been completed and the budget will be taken as a saving.

B.29 Counselling Service

This savings results from a reduction in the overhead costs charged to the service.

B.30 Prior year adjustments

The prior year adjustment in 2018-19 largely related to a new free school which had opened the previous year. This situation is not expected to reoccur in 2019-20. An additional element of the saving is retrospective reductions in funding in order to correct for over estimates of pupil numbers in recently opened free schools.

B.31 Falling Rolls Fund

There is projected to be a reduction in the number of schools eligible for the Fund.

B.32 Minimum Funding Guarantee

There is an estimated reduction in the cost of the Minimum Funding Guarantee due to the impact of the additional funding from headroom.

B.33 Appeals

The saving would be achieved through a review of the charging arrangement for appeals.

B.34 Early Support Project

This has ended and it is intended to take the budget as a saving.

B.35 Transfer from SEN Strategy Development Fund

The pressure for education support centres is met by a transfer from the SEN Strategy Development Fund.

Adjustments to Match Budget to DSG Available

B.36 Reversal of Pressure for Inflation

The resources available are insufficient in most blocks to fund inflation. Also, the Schools Forum has previously indicated that it does not favour the automatic funding of inflation without scrutiny of the business case. Therefore, the pressure for inflation has been reversed out before calculating the headroom funding available.

B.37 Headroom

The headroom is calculated as the resource available after taking account of budget pressures and savings, except inflation. It is intended to transfer the remaining balance of the headroom amount in the high needs budget (after the contribution towards funding inflation) to the SEN Strategy Development Fund.