

Open Report on behalf of Debbie Barnes OBE, Executive Director of Children's Services

Report to:	Lincolnshire Schools' Forum
Date:	11 October 2018
Subject:	Revised Schools Budget 2018/19

Summary:

The purpose of this report is to notify the Schools Forum of the revised Schools Budget for 2018/19 and to seek support for the proposed use of the underspending from 2017/18.

Recommendation(s):

Schools Forum is asked to:

- (1) note the contents of the report, and
- (2) support the LAs proposals for use of the uncommitted sum, as outlined in section 5.

The views of the Schools Forum will be reported to Children's Services Directorate Management Team and Executive Councillor for Children's Services before final decisions are made.

Background

1. The Dedicated Schools Grant (DSG) is a ring-fenced grant that can only be spent for the purposes outlined in the Department for Education's (DfE's) School's and Early Years Finance (England) Regulations.

A revision to the Schools Budget is necessary each year to reflect the under or overspending arising on the DSG in the previous financial year and adjustment to the DSG once the Early Years figures have been confirmed. Under DfE' regulations, underspendings are carried forward automatically to the following financial year and the Local Authority (LA) must consult with the Schools Forum over its plans to utilise underspendings, or address overspendings.

The carry forward for 2017/18

2. The cumulative underspend carried forward at 31/3/18 was **£12.806m¹**. This represents c.10% of the 2018/19 DSG (£539.088m) less the delegated schools budget (£407.819m). This reflects the net underspendings of **£4.151m²** on budgets in 2017/18 held centrally within the DSG. Details are set out in Appendix A.

Existing commitments

3. A thorough review of commitments has taken place and prudent estimates of those have been made. They total **£7.462m**. Details are set out in Appendix B. Some commitments are anticipated but cannot be quantified at this stage.

Proposed developments

4. The LA has no proposals for development.

Proposals for use of the uncommitted sum

5. The cumulative underspend (£12.806m), less existing commitments (£7.462m) leaves **£5.344m**. However, as stated in paragraph 3 above, there are likely to be other commitments that arise during the year within the schools arena that the LA will be required to respond to. The £5.344m figure represents only c.4% of the 2018/19 DSG (less the delegated schools budget). The DSG continues to be at the lowest level of underspend for several years.

The DfE is continuing to review the four blocks (Schools, Central School Services, High Needs, and Early Years block) that make up the DSG. Each of the four blocks of the DSG is now determined by a separate national funding formula, which the DfE is continuing to refine. The areas of financial risk relating to centrally managed budgets include:

Schools block

- The DfE is changing the funding methodology of LA growth funding that financially supports primary and secondary schools planned reorganisations. The government plan to implement the new formulaic method based on lagged data in 2019/20. Further details are still to be shared by the DfE including the level of funding Lincolnshire will receive in 2019/20. There remains financial uncertainty for 2019/20 and future years to fulfil the current School Reorganisation policy.
- The DfE is continuing to review areas of the national funding formula that use historic spending e.g. premises, such as rates and split-site. This time lag does not take account of current year rises in costs (particularly in rates' rises) therefore such cost increases have to be managed within the existing funding.

¹ The underspend reported takes account of the agreed c.£3m one-off delegation to all schools in 2018/19.

² The in-year underspend takes into account the early years adjustment of an additional £0.292m into Lincolnshire's DSG - LA informed in July 2018.

Central Schools Services block

- The government expect existing contract commitments will reduce over time as contracts and other commitments reach their end points, and this position will be monitored. From 2020/21, the government intend to reduce the historical commitments funding allocations where LAs expenditure have not reduced to support its drive towards the move to the 'hard' national funding formula. Funding levels for historic commitments from 2020/21 remain unclear.

Early Years block

- The DfE has confirmed the intention to continue with the 'supplementary funding' until at least 2019/20 for nursery schools, whilst research is undertaken on the cost structure. A government report is planned for later in the year, however future funding levels again remain unclear. Financial certainty and stability of Lincolnshire's maintained nursery schools is needed.

High Needs block

- The DfE are reviewing hospital education spending and data to develop a new formulaic hospital education factor in the high needs national funding formula for LAs. The DfE has confirmed that planned changes would not result in LAs seeing a reduction in the hospital education factor amounts in 2019/20, however from 2020/21 the position remains unclear.
- There a number of budgets within the High Needs block that are large, demand-led, and can be difficult to estimate (e.g. Special Educational Needs & Disability (SEND) related budgets, including out of county placements, top up funding for Education Health Care plans for mainstream schools, special school placements, and meeting the education needs for pupils through alternative provision arrangements). There continues to be a growing trend in the demands for more specialist support for young people, which is having a material financial impact on the High Needs block. It is expected that it will be a much tighter financial environment going forward for high needs services. The SEND strategy has also identified a need to increase special schools capacity over the next five years to respond to the increased demands.
- In 2019/20, Lincolnshire will continue to be in receipt of protection funding when comparing the national funding formula to Lincolnshire's current High Needs block. Lincolnshire's indicative protection is planned to be £41 per pupil (£5.776m) in 2019/20. No further information has been provided from 2020/21, however the LA expects that incremental reductions (similar to the schools minimum funding guarantee) will be applied in future years for losing LAs to ensure reductions are manageable and can be planned for. This remains a financial risk, particularly at a time of increasing demands.

An increasing number of LAs are now incurring a deficit on their overall DSG account, largely because of overspends on their High Needs blocks. The department intends to tighten up the rules under which LAs have to explain to the

DfE their plans for bringing the DSG account back into balance. Lincolnshire is currently not in this position, however the position needs to be carefully and prudently managed particularly in light of the uncertainty of High Needs block protection funding post 2019/20 and the growth in demands and complexities of young people.

The LA proposes that the remaining sum is not committed and held in reserves due to the much tighter financial environment expected, and the financial uncertainties created from DfE funding changes that the LA needs to be in a position to manage. The LA has the ability to transfer up to 0.5% of the Schools block funding to an alternative block (such as High Needs) following consultation with all schools and academies, to manage unfunded cost increases. The LA would wish to retain the financial capacity within DSG reserves to temporarily manage such unfunded cost pressures (if they arise) providing time for the LA to respond in a planned manner, rather than seeking to transfer funding away from the Schools block.

The LA must act prudently and avoid overspending the DSG.

Consultation

a) Have Risks and Impact Analysis been carried out?

No

b) Risks and Impact Analysis

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Central DSG Budgets 2017/18 - explanations of major under an overspendings.
Appendix B	2017/18 DSG commitments

Background Papers

Document title	Where the document can be viewed
Revised Schools Budgets 2017/18 – October 2017	http://lincolnshire.moderngov.co.uk/documents/s19763/Revised%20Schools%20Budget%202017-18.pdf http://lincolnshire.moderngov.co.uk/documents/s19764/Revised%20Schools%20Budgets%20-%20Appendix%20A%20B.pdf

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