

SCHOOLS FORUM**8th February 2018****Report of the Strategic Director for Children's Services****Mainstream School Budgets 2018-19 and forward look****1. Purpose of the Report**

To advise the Schools Forum of the outcome of the mainstream school budget process for 2018-19.

2. Information and Analysis

At the time of writing the Authority's Cabinet is due to consider a report which, if agreed, would confirm the basis for calculating mainstream school budgets for 2018-19. The key points from that report are as follows:

Formula multipliers – these are as previously advised to the Schools Forum, all of the NFF multipliers will be adopted in Derbyshire from April 2018 except for the low prior attainment factor in primary schools which will be £600 rather than the full £1,050.

Minimum Funding Guarantee – Due to the uncertainties regarding our application to the DfE to consider a differential rate, a rate of 0% per pupil will be applied to both sectors. Had the LA risked applying the differential rates, budgets would potentially have been at risk of having to be withdrawn and re-published if our disapplication request was ultimately rejected by the DfE.

Growth funds – these will be agreed for in year increases and new free schools only and will be funded without the need to top-slice school and academy budgets.

De-delegation – the Forum's application to de-delegate funding for LA maintained schools in 2018-19 will be agreed.

Education and Skills Funding Agency – subject to the report to Cabinet being approved, the ESFA have approved the LA's proposals as being compliant with the national regulations.

2.1 Analysis

Some key statistics arising from the 2018-19 budgets are provided in the tables overleaf:

Primary Sector

Table 1a – Gains and losses including the impact of both data **and** formula changes

Prim	No. in grp	Yr on yr budget chge ex rates £k	Gains £k	No. in grp	Av gain £k	Av gain %	Losses £k	No. in grp	Av loss £k	Av loss %
NOR										
0-50	33	-168	104	10	10.4	4.66%	-272	20	-13.6	-5.65%
51-100	75	305	832	43	19.4	5.72%	-528	28	-18.8	-5.12%
101-150	60	443	809	40	20.2	4.06%	-366	19	-19.3	-3.75%
151-200	58	1,239	1,413	45	31.4	4.76%	-174	12	-14.5	-2.01%
201-250	57	1,347	1,499	50	30.0	3.78%	-152	7	-21.7	-2.58%
251-300	26	751	798	24	33.3	3.53%	-47	2	-23.5	-2.31%
301-400	32	1,686	1,713	27	63.5	5.61%	-27	5	-5.5	-0.41%
>401	9	724	724	9	80.5	5.38%	0	0	-	-
TOTAL	350	6,327	7,892	248	31.8	4.57%	-1,566	93	-16.8	-3.26%

Table 1b – Summary of MFG support and cap on gains

Primary	No. in grp	Number on MFG	MFG £k	MFG - % of budget	Av MFG per school	Capped gains £k	No. schls with a capped gain	Average capped gain per school
NOR								
0-50	33	28	433	5.66%	£15,475	-40	5	-£7,966
51-100	75	56	406	1.53%	£7,255	-97	12	-£8,092
101-150	60	15	106	0.35%	£7,053	-192	19	-£10,084
151-200	58	6	51	0.13%	£8,482	-493	40	-£12,336
201-250	57	3	21	0.04%	£6,937	-772	42	-£18,385
251-300	26	2	27	0.11%	£13,715	-404	19	-£21,273
301-400	32	0	0	0.00%	0	-564	26	-£21,706
>401	9	0	0	0.00%	0	-238	6	-£39,594
TOTAL	350	110	1,044	0.45%	£9,496	-2,800	169	-£16,569

Secondary sector

Table 2a – Gains and losses including the impact of both data **and** formula changes

Secondary	No. in grp	Yr on yr budget chge ex rates £k	Gains £k	No. in grp	Av gain £k	Av gain %	Losses £k	No. in grp	Av Loss £k	Av loss %
NOR										
0-600	9	573	674	6	112.4	0.80%	-101	3	-33.7	-0.50%
601-900	17	2,497	3,037	14	216.9	0.42%	-540	3	-179.9	-1.46%
901-1,200	16	1,989	2,102	14	150.1	0.22%	-113	2	-56.5	-0.53%
>1,201	3	884	884	3	294.7	1.42%	0	0	-	-
TOTAL	45	5,943	6,697	37	181.0	0.12%	-754	8	-94.2	-0.32%

Table 2b – Summary of MFG support and cap on gains

Secondary	No. in grp	Number on MFG	MFG £k	MFG - % of budget	Av MFG per school £	Capped gains £k	No. schls with a capped gain	Average capped gain per school £
NOR								
0-600	9	5	70	0.33%	£13,969	0	0	0
601-900	17	9	485	0.73%	£53,872	0	0	0
901-1,200	16	6	199	0.25%	£33,084	0	0	0
>1,201	3	0	0	0.00%	0	0	0	0
TOTAL	45	20	754	0.40%	£37,660	0	0	0

In deriving the year on year changes, the 2018-19 budget excluding rates has been compared with the equivalent 2017-18 budget, less the one off funding agreed by the Schools Forum. This includes the funding to help schools meet the costs of redundancy and school improvement costs and, in the case of the secondary sector, the £2m allocated from reserves to help offset the impact of falling rolls. It was made clear to schools that these additional allocations were for one year only and couldn't be maintained going forward. The above tables therefore compare the 2017-18 and 2018-19 budgets supported by core DSG budget.

It should be noted that the tables reflect the impact of both formula changes and changes in the data used. For example, the £272k loss incurred by primary schools with fewer than 50 pupils on roll includes the impact of a net NOR reduction of 59 pupils in those schools. This demographic change alone drives £0.156m of the reduction. It should also be remembered that MFG is a per pupil calculation and therefore does not protect schools from reductions in NOR.

In terms of the primary MFG protection (£1.044m), this breaks down as follows:

- 39 schools will receive up to £5k – total £90k
- 29 schools will receive between £5k and £10k - total £228k
- 33 schools will receive between £10k and £20k - total £448k
- 6 schools will receive between £20k and £30k - total £140k
- 3 schools will receive above £30k - total £138k

The MFG bill will be reduced in 2019-20 as the sector's funding total is set to rise.

In the secondary sector the total MFG bill (£0.753m) breaks down as follows:

- 4 schools will receive up to £20k – total £24k
- 11 schools will receive between £20k and £50k - total £387k
- 5 schools will receive above £50k - total £342k

The secondary MFG bill will reduce slightly when the full minimum threshold of £4,800 is applied in 2019-20. Further reductions are likely to require a negative MFG rate to be applied if costs are to be reduced in the medium term. There are no capped gains in the secondary sector in 2018-19.

2.2 Initial impact – LA maintained schools

The allocations resulting from the formula decisions for 2018-19 are currently being applied to the School Support Finance spreadsheets. Budgets and costs have been extrapolated for 2018-19 and 2019-20 to derive an estimated balance for LA maintained schools for each year. In doing so assumptions have had to be made around possible future changes in multipliers, rates of inflation, income from other funding stream e.g. post 16, early years etc.

At this point in the year schools' governing bodies have not yet met to decide their spending plans for the coming year. Consequently, the calculation of future years' balances is based on 2017-18 spending levels, meaning the results for many schools represents a worst case scenario.

Notwithstanding the above, the analysis indicates that schools' balances at the end of 2017-18 are set to fall to around £20m, down from £34.6m at the end of 2016-17. Of the current 348 LA maintained schools, for 2018-19 146 (42%) are expected to have a shortfall in resources to deal with. For 2019-20 this figure is could rise to around 239 (69%).

It's clear that the financial pressures in the mainstream sector remain a major concern. Pay and prices inflation in 2018-19 is likely to be circa 2% and only around half of mainstream schools will see an increase in budget in excess of this figure. Schools will therefore need to cover any shortfall by reducing costs and/or using balances. 2016-17 saw the largest reduction in schools' balances for many years, with aggregate balances falling from £39.77m to £34.61m, a fall of £5.16m (~13%) and this trend is set to continue.

The Authority will continue to support and advise schools to ensure that they use their budgets as effectively as possible. The Team Around The School (TATS) process will continue to be available for those schools that require more intensive support. The Authority is also working with a group of heads and governors to explore alternative school organisational models and new ways of working to identify how costs might be reduced. Further reports on this issue will be brought to the Schools Forum as work develops.

3. Other Considerations

In preparing this report the relevance of the following factors has been considered: prevention of crime & disorder, equality of opportunity, social value, human resources, legal & human rights, environmental, financial, health, property and transport considerations.

4. Background Papers

Papers held in Children's Services Finance.

5. Officer's Recommendations

Schools Forum is asked to note the report.

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