Schools Forum Report

Agenda Item 8 – De Delegation Contingency Fund Outturn and Forecast

**Date Prepared: 25th September 2024**

**Date to present the paper to Schools Forum: 9th October 2024**

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**Details on who has been consulted with on this paper to date: Sara Walsingham**

**Executive Summary**

This report sets out how the contingency fund is managed to provide schools with an overview and a range of options to consider in advance of a decision for the 2025-26 funding year.

**Details of recommendations and timescales for decisions:**

Schools Forum is asked to:

1. Note the contents of this report

**1 Background**

1.1 At budget setting time each year, Schools Forum is asked to approve the de-delegation of funding for centrally provided support in the following areas:

* Contingency Fund
* Free School Meals (FSM) Eligibility Assessment
* Trade Union Facilities Agreement (TUFA) Time
* Behaviour Support
* Additional School Improvement

1.2 De-delegation is agreed by Schools Forum as a contribution from maintained schools to fund the aforementioned centrally supported activities based on a per pupil formula, which is considered by the DfE to be a fair way of accounting for the size of the school and its budget.

1.3 The Contingency Fund provides for unforeseen expenses in schools during the year, which can include:

* Exceptional unforeseen costs which it would be unreasonable to expect governing bodies to meet
* Schools Sustainability Group costs to assist maintained schools in financial difficulty
* Additional costs relating to reorganised or closing schools

1.4 Without a central fund, individual schools facing an unforeseen significant cost may find themselves unable to operate within their delegated budgets. Individual schools may not by themselves be able to build up sufficient contingency to cover this.

**2 2023-2024 Contingency Fund Budget and Outturn Position**

2.1 The agreed rate per pupil agreed with Schools Forum to be charged to mainstream schools via de-delegation was £15.89 per pupil for both primary and secondary schools, creating a total contingency fund budget of £442,662 for 2023-2024 to be managed by the local authority on behalf of Schools Forum.

2.2 Contingency Fund expenditure of £126,522 was incurred in 2023-2024, producing an underspend against budget of £316,142.

2.3 At the June 2024 Schools Forum meeting, the Chair asked what would happen to the underspend and a reply was communicated by Schools Finance stating that the underspend across all four Dedicated Schools Grant (DSG) blocks would offset the overspend in the DSG High Needs Block.

**3 2024-2025 Contingency Fund Budget and Outturn Position**

3.1The agreed rate per pupil agreed with Schools Forum to be charged to mainstream schools via de-delegation was £16.19 per pupil for both primary and secondary schools, creating a total contingency fund budget of £439,607 for 2024-2025 to be managed by the local authority on behalf of Schools Forum.

3.2 Contingency Fund Expenditure for 2024-2025 will include:

* Schools Sustainability Group external consultancy fees
* Early retirement ongoing costs (pension strain)
* Professional fees - post 16 review

3.3 In the minutes of the June 2024 Schools Forum meeting, it was stated that it was anticipated that the expenditure would be higher for 2024-2025.

3.4 Projected expenditure for 2024-2025 is currently £231,927, resulting in a projected underspend of £207,680.

3.5 The nature of a contingency fund is to fund unforeseen expenditure, so it is advised that a degree of caution is undertaken when considering the in-year projections quoted.

3.6 With regards to the deficit on the High Needs Block which is pertinent to most local authorities, the Local Authority and schools via the DSG allocation have a collective responsibility to attempt to provide solutions to mitigate the overspend and deficit.

3.7 The combined revenue surplus of the 74 maintained schools in the London Borough of Tower Hamlets at 31st March 2024 was £32.7 million, despite 9 of those schools being in a deficit position. It was found that 34 of the 74 schools were holding excess surpluses in that they were holding reserves in excess of 8% of annual funding for primaries and special schools and 5% for secondary schools. Under DfE guidelines and the Scheme for Financing Schools, the Local Authority has the option to claw this back.

3.8 The reduction or cessation of the de-delegated schools contingency budget would require the Local Authority to look at all other options available to mitigate the overspend and deficit on the High Needs Block in addition to the mitigations that are already being explored and undertaken.

**4 2025-2026 Contingency Fund**

4.1 The National Funding Formula for schools is expected to be published in October or November 2024 for 2025-2026, in which Schools Finance will consult with schools and Schools Forum to propose and agree de-delegation rates for 2025-2026.

4.2 With regards to the de-delegation for the contingency fund, it is expected that the per-pupil rate will rise in line with Consumer Prices Index (CPI) inflation, which is currently 3.1%. This would increase the per rate pupil for both primary and secondary schools from the 2024-2025 rate of £16.19 to £16.69 per pupil for 2025-2026.

**5** **Next Steps and Consultation**

5.1 A consultation email will be sent to schools in October with the de-delegation options which will include proposals on the contingency fund for 2025-2026.

5.2 The minutes of this Schools Forum meeting will be used to determine the wishes of schools and Schools Forum with regards to the treatment of the Contingency Fund for this financial year and to inform the proposals that are put forward by Schools Finance for 2025-2026.