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SCHOOLS BUDGET 2015-16 UPDATE

Report of the Director of Children's Services

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1. Purpose

- 1.1 To update the Forum regarding the 2015-16 Schools Budget.

2. Recommendation

- 2.1 The Forum is asked:
- (i) To note the present position in respect of the Schools Budget.
 - (ii) To consider further in January any exceptional cases for funding growth, only in respect of Early Years and High Level Needs .
 - (iii) To endorse the approach that the additional funding in 2015-16 for budget pressures should be allocated in primary and secondary budget shares through the AWPUs.

3. Background

- 3.1 At its October meeting, the Forum considered information about the 2015-16 Schools Budget, including pressures, savings and the proposed budget strategy. The Forum supported Option A in that paper – using the carry forward to fund pressures across all sectors.
- 3.2 Key information about the 2015-16 Schools Budget, such as the October 2014 school census data and the Dedicated Schools Grant announcements, are not yet available. However, there have been some developments and these are outlined below.

4. Budget changes since October paper

4.1 Minimum Funding Guarantee

The MFG exception application in respect of historic falling rolls protection funding has been rejected by the DfE. This is because the Authority had requested that it should not be applied to Samuel Ryder's

GAG allocation. This results in an estimated increase in MFG protection of £678k.

4.2 DfE Arranged Licenses

The budget for 2015-16 has been reduced to reflect the actual charge in 2014-15, resulting in a saving of £116k.

4.3 2014- 15 Underspend

The 2014-15 Quarter 2 Monitor indicates that the in-year underspend in 2014-15 (excluding additional DSG) has increased by approximately £1m from the £5.5m reported in the October budget paper, largely reflecting anticipated underspending in the Growth Fund.

4.4 2015-16 Dedicated Schools Grant (DSG) for 2 Year Olds.

The DfE has notified the Authority of the hourly rate of DSG funding for 2 year olds in 2015-16. This is almost identical to the 2014-15 hourly rate. DSG will be calculated in 2015-16 based on the actual take up of provision rather than estimated numbers, and whilst this is difficult to predict accurately it will have limited wider impact on the Schools Budget as changes in expenditure will broadly match changes in grant.

4.5 Growth Fund

There is a pressure of £350k to fund the additional element of the Growth Fund in respect of the £7k lump sum allocation for schools taking a bulge class for the first time. This reflects the proposal agreed by the Forum in October.

4.6 September 2015 Cohort in Free Schools

The DfE has announced that the 2015-16 DSG will be increased to reflect the additional cost of this cohort. Therefore the pressure of £1m in relation to this has been removed. The change in responsibility total and the DSG estimate have been increased by £1.2m, reflecting an updated estimate of numbers.

4.7 Other Changes

There has been an update to the figure for the Fund for small secondary schools in areas of future demographic growth and a minor increase in the saving from early years central budgets.

4.8 Summary position

The net effect of the changes set out above has been to increase the forecast Schools Budget and DSG by almost identical amounts, so that the required use of carry-forwards in 2015-16 has changed only from £9.553m (as at October) to £9.513m now. Details are set out in Appendix A.

After the use of £9.513m to support the Schools Budget for 2015/16, the carry forward sum remaining has increased by £1m to £14.3m, as a

consequence of the increased forecast underspending -- see para 4.3, above.

5. Schools' budget position and outlook for 2016-17 and later years

- 5.1 At the last meeting of Forum, we set out a projected budget shortfall for the Schools Budget of £21m in 2016-17, after providing for inflation and other identified pressures. There is no reason currently to change this figure. It is, however, a "best case" in that it does depend on a continuation of the current ostensible protection of the schools budget, nationally, from cuts in cash terms. It remains to be seen if this will hold true for the next Parliament.

The authority regularly monitors the financial health of maintained schools. Appendix B gives a summary of the most recent analysis. A key finding of the analysis is that a large number of schools are utilising balances to support their budgets and therefore are likely to face financial challenges in future years. It is historically the case that schools often plan to run down balances to some degree each year and often do not, but the scale of proposals this year is different.

It is also interesting that the secondary maintained sector (which comprises disproportionately smaller and less popular schools) is particularly hard hit. This matches the information received from last summer's survey and our detailed knowledge of the position of a number of maintained secondary schools.

6. Expenditure by DSG Block and budget bids

- 6.1 Appendix A forecasts expenditure for 2015-16 by DSG Block. It can be seen that spending on High Level Needs is forecast as almost exactly in line with DSG. Early Years expenditure is 1.4% (£0.8m) below incoming DSG and Schools Block expenditure is 1.5% (£10.4m) above

A bid for additional funding has been received from the early years sector, as described below, and high needs budget bids are also under development.

- 6.2 Early Years:
The Early Years Consultative Executive Group has requested that Schools Forum consider the following requests for additional funding:

-A continuation of the additional £150k that was agreed for 2014-15, for the full time places scheme for vulnerable three and four year olds. (Children are identified by Children Centre's and/or early education providers to access an additional 15 hours of free early education to support the child's family in receiving additional support from professionals).

-A one off pressure to support early education providers to implement the new Early Years Pupil Premium. Additional funding is sought to enable best practice to be disseminated by HfL and ISL in a number of ways including conferences, one to one support and workshops, it is anticipated that this will cost approximately £250k.

-A further £100k is requested in a bid to ensure that a system of smooth transitions are established between early education providers and reception classes. This funding would enable a good practice framework to be established and disseminated to ensure the best possible transitions are enabled across the whole of Hertfordshire.

- 6.3 It is not proposed to take a view on these bids at this stage. Forum can consider in January both Early Years and High Level Needs; but by then it will be difficult to make any further changes to the Schools Block save in relation to the value of the AWPU itself.

Having said that, though, we will be expecting to advise Forum that the budget outlook – the £21m gap – suggests minimal if any further use of one-off money in 2015-16; and the level of expenditure on Schools Block (in particular) and High Level Needs as against DSG would also militate against any further increase in those areas other than redistribution within existing total budgets.

7. Conclusion

- 7.1 Appendix A outlines the latest position regarding the 2015-16 Schools Budget split by block, including changes in responsibility, pressures and savings. This takes account of the information in the Schools Budget paper considered at the October Forum, as well as the developments outlined in this paper.

Appendix A: Schools Budget 2015-16 (£000)

	School Block			Early Years Block	High Needs Block	Total
	Budget Shares	Central Budgets	Total			
2014-15 Schools Budget as per S251 (excluding carry forwards re LSUs, EY f/t places and special schools DSPL)	667,995	13,164	681,158	62,113	92,997	836,268
Change in Responsibilities						
Demography	6,331		6,331	1,043		7,374
Free Schools	8,700		8,700			8,700
Delegation of CERA	4,096	-4,224	-128		128	0
Budget Pressures						
Inflation on Pay and Prices	8,194		8,194	714	1,337	10,245
Teachers' Pension Scheme	3,595		3,595	170	267	4,032
Minimum Funding Guarantee	678		678			678
Growth Fund Increase		350	350			350
Falling Rolls Fund		240	240			240
Savings						
2 year old – provision				-1,655		-1,655
2 year old – central budgets				-469		-469
Licenses		-116	-116			-116
Estimated Schools Budget 2015-16 including academies	699,589	9,414	709,002	61,916	94,729	865,647
Estimated DSG 2015-16			698,622	62,764	94,748	856,134
Use of Carry Forward DSG in 2015-16						9,513
Total Estimated DSG						865,647

Appendix B:

Monitoring reports are produced at significant points in the accounting calendar; this report incorporates Schools Summer Term Financial Forecasts for 2014/15 and includes responses received from schools following enquiries made relating to schools submissions in the July Report.

The overall ratings (risk levels) for individual schools are based on the outcomes of indicators, and analysis of submitted financial data. Of Hertfordshire County Council's 438 schools,

336 Schools have submitted In Year Deficit forecasts (ie are utilising balances to support their 2014-15 expenditure, including spend on planned projects).

45 of the In Year deficits are less than £10,000.

1 School has a formally approved Licence Deficit.

2 Schools have submitted applications for Licence Deficit

3 Schools are expected to submit Licence Deficit Applications for 2015/16

29 Schools are now rated RED. Of these, 17 schools have received RED ratings as a result of responses received from the investigations into Balances under the Balance Control Mechanism and Approved Budget Returns, where the school has identified an unsustainable spend. For the purpose of this report unsustainable spend has received a RED rating.

Table 3 below shows a summary of the overall ratings by sector.

Table 3: Analysis of RAG ratings by sector

	Primary / Nursery		Secondary / Middle		Special / ESC		Total	
Risk Level	No	%	No	%	No	%	No	%
Red	16	4.0	11	50.0	2	7.0	29	7.0
Amber	233	60.0	8	36.0	10	34.0	251	57.0
Green	138	36.0	3	14.0	17	59.0	158	36.0
Total	387	100	22	100	29	100	438	100