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SCHOOLS BUDGET 2016-17 UPDATE

Report of the Director of Children's Services

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1. Purpose

1.1 To update the Forum regarding the 2016-17 Schools Budget.

2. Recommendation

2.1 The Forum is asked:

- (i) To note the present position in respect of the Schools Budget.
- (ii) To endorse the approach that the carry forward should be used to keep primary, secondary and early years unit funding rates in 2016-17 as close to their existing levels as possible.
- (iii) To endorse the approach that any reduction required in primary, secondary and early years budget shares should be equally apportioned between sectors, pro rata to the budget shares, and applied by reducing the AWPUs (or hourly rate in early years).

3. Background

3.1 At its September meeting, the Forum considered information about the 2016-17 Schools Budget, including budget pressures and savings and the estimated resources available. The Forum supported setting two parameters to guide further budget work. These are:

- using £10m of carry forward DSG to support the Schools Budget in 2016-17;
- setting the high needs budget at the level of the high needs DSG block;

3.2 Key information about the 2016-17 Schools Budget such as the October 2015 school census data and the final Dedicated Schools Grant announcements, are not yet available. However, there have been some developments and these are outlined below. It is also necessary to decide how the carry forward will be used in 2016-17.

4. Developments since September paper

4.1 Budget pressures and savings

Further work has been undertaken to refine the budget pressures and savings figures and the results of this work is incorporated in the budget figures detailed in Annex A. The changes include an increase in the inflation total to reflect updated inflation rates for utilities and repairs and maintenance.

Annex A also shows the split of the budget between the three blocks of schools, high needs and early years. Annex B gives further information about each of the budget items listed.

4.2 High Needs

The high needs sub group has met and considered the high needs budget in more detail. The group worked within the guideline that the high needs budget should equal the high needs DSG block. A separate high needs paper outlines the conclusions of the sub group in more detail but the main elements are as follows:

- Half of the cost of the pressures in the high needs budget in respect of inflation, teachers' pensions, national insurance and the living wage should be funded.
- Additional places in special schools and extra resource for the Exceptional Needs budget should also be funded.
- Savings identified in the budgets for Independent Placements, Keeping Children in Local Provision, Secondary Specific Learning Difficulties Bases, Special Unit places and high needs contingencies should be taken.
- The budget for nurture groups should be merged with the DSPL budget and a saving of £350k taken from the overall total of the two.
- A SEN Strategy Development Fund of £1 million should be created to provide a budget to support new initiatives.

The high needs budget shown in Annex A incorporates these changes. In summary the savings identified, in particular the £2m saving in the Independent Placements budget, provide a resource to fund 50% of the cost pressures, the demand pressures in special schools and exceptional needs and to contribute to a SEN Strategy Development Fund.

4.3 **Schools Insurance**

Work is currently taking place to review the insurance premium levels for schools in order to reflect changes to the policies held by the Council and provide greater transparency of cost. The main change has been the increase on the Locally Managed Schools (LMS) property excess from £500k to £1.5m exposing the Council to greater risk. This will result in the need to maintain higher levels of reserves in order to fund claims up to £1.5m per year. Work is ongoing to determine the appropriate costs needed to maintain reserves at the necessary levels and Forum will be updated once this has been determined

5. **Deployment of DSG Carry Forward**

No carry forward will be used to support the high needs budget, which will be set at the level of the high needs DSG block. It is therefore intended to deploy the £10m of carry forward, which will be used in 2016-17, to support the schools and early years' budgets. A similar amount of carry forward was used to support the schools and early years' budgets in 2015-16. Therefore the carry forward being used in 2016-17 does not provide for any increase in primary, secondary and early years funding rates in order to reflect budget pressures. It does, however, offer the opportunity to sustain these unit funding rates in 2016-17 at close to their current level and it is proposed that the carry forward is used for this purpose.

It is currently estimated that, even with the use of £10m of carry forward a small reduction in budget shares will be required in 2016-17 in order to balance the budget to the resources available. It is proposed that the carry forward is deployed such that any percentage reduction in budget shares will be the same for primary, secondary and early years.

It is also proposed that the reduction in budget shares is made by reducing the AWPUs (the hourly funding rate in early years). The percentage reduction in the AWPUs/hourly rate will vary between sectors. This is because the proportion of the budget shares, which is allocated through the AWPUs, varies between sectors, as illustrated in the table below.

Table 1 Reductions to schools and early years budget shares

	Primary	Secondary	Early Years	Total
Estimated 2016-17 budget shares (excluding MFG) at 2015-16 unit rates (£000)	374,050	331,614	58,604	764,269
Estimated reduction (£000)	(436)	(386)	(68)	(890)
Percentage reduction	-0.12%	-0.12%	-0.12%	-0.12%
Estimated AWPU funding at 2015-16 unit rates (£000)	264,656	278,920	54,604	598,180
Percentage reduction in AWPU	-0.16%	-0.14%	-0.13%	-0.15%

Given that the census data is not yet available and the 2016-17 DSG has not yet been announced, these figures are not yet finalised. However, it is proposed to adopt the principles outlined above in setting the final unit funding rates.

6. Conclusion

- 6.1 Annex A outlines the latest position regarding the 2016-17 Schools Budget showing the split by block. The table below summarises the position.

Table 2 Summary of Schools Budget 2016-17 (£000)

	Schools block			Early years	High needs	Total
	Delegated	Central	Total			
Schools Budget 2015-16 (as per section 251)	699,373	10,608	709,981	63,432	95,422	868,835
Less use of carry forwards re capital maintenance and EY full time places		(847)	(847)	(50)		(897)
Less Post 16 special school places commissioned by other authorities					(30)	(30)
Schools budget 2015-16 excluding additional carry forward	699,373	9,761	709,134	63,382	95,392	867,908
Pressures and additional responsibilities	31,615	546	32,161	1,290	4,549	37,999
Savings	(110)	0	(110)	(2,687)	(3,510)	(6,307)
SEN strategy development fund					1,000	1,000
Schools budget 2016-17 before reductions	730,878	10,307	741,185	61,985	97,430	900,601
Pressures not being funded	(19,991)	0	(19,991)	(1,623)	(1,323)	(22,937)
Balance of reduction	(822)		(822)	(68)		(890)
Schools budget 2016-17 after reduction	710,065	10,307	720,372	60,294	96,107	876,773
Funded by:						
Estimated 2016-17 DSG			710,853	59,813	96,107	866,773
Use of carry forward			9,519	481		10,000
Total DSG available			720,372	60,294	96,107	876,773

5.2 The Forum is asked to agree the recommendations in section 2 of this paper.

