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Report of the Director of Children's Services

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1. Purpose

1.1 To update the Forum regarding the 2017-18 Schools Budget.

2. Summary

2.1 This paper provides an update on the Schools Budget proposals for 2017-18 and asks the Forum to agree the key principles to be adopted in finalising the budget.

3. Recommendations

3.1 The Forum is asked:

- (i) To note the present position in respect of the Schools Budget;
- (ii) To endorse the approach that £9m of the carry forward should be used to support the schools block budget in 2017-18, in order to keep primary and secondary unit funding rates in 2017-18 at their current levels;
- (iii) To endorse the approach that any additional resource which is available from this carry forward should be used for an equal percentage increase in the primary, KS3 and KS4 AWPUs;
- (iv) To endorse the approach that the high needs and early years' elements of the schools budget should be set at the level of the relevant blocks of DSG;
- (v) To support the high needs budget changes detailed within this report as the basis on which the Council should draw up the high level needs budget for 2017-18;
- (vi) To note that the detail of the 2017-18 Early Years budget is likely to be considered at the February Forum meeting, following DfE announcements and subsequent consultation with providers

4. Background

4.1 At its September meeting, the Forum considered information about the 2017-18 Schools Budget, including budget pressures and savings and the estimated resources available. The Forum was minded to support two parameters to guide further budget work. These are:

- Using the available carry forward of DSG to support the schools block in 2017-18;
- Setting the High Needs budget and Early Years budgets at the level of their respective DSG blocks.

However, a decision on this was deferred pending more information about funding for nursery schools in 2017-18 under the Early Years National Funding Formula (EYNFF).

4.2 Key information about the 2017/18 Schools Budget, such as the October 2016 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 2017-18.

5. Developments since September paper

5.1 Budget pressures and savings

Further work has been undertaken to refine the budget pressures and savings figures and the result of this work is incorporated in the budget figures detailed in Annex A. There are also a number of new pressures:

- free schools opening during 2017-18;
- the Falling Rolls Fund;
- licenses;
- school improvement and quality support for nursery classes;

plus items covered in the high needs section below.

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.

5.2 High Needs

The high needs sub group of the Forum has met twice since the September Forum Meeting and considered the High Needs Budget in more detail. The group has worked within the guideline that the high needs budget should equal the high needs DSG block.

The high needs column of the Schools Budget shown in Annex A outlines the proposed high needs budget, including items not

previously considered by the sub group. The main points to note are as follows:

a) Cost Pressures

Consideration should only be given to funding cost pressures in the high needs budget if there is an increase in the high needs DSG block in 2017-18. This will not be known until just before Christmas. Therefore in Annex A, high needs cost pressures are shown as not funded. This issue will be brought back to the January Forum meeting after the DSG announcement.

b) Allocation of additional resources

It is intended to allocate additional resources to the following areas in 2017-18:

Exceptional Needs	£574k
Primary Behaviour	£357k
Secondary Behaviour	£300k
Additional special schools places (including consequent increase in budget for top ups)	£938k
Capital expenditure to increase capacity in special schools	£2,200k
Special Schools outreach	£134k
Additional high needs places in colleges	£44k
Top ups for high needs provision in colleges	£243k

The figures shown for special school places, high needs college places and behaviour are part year, relating to the period from September 2017. There will thus be additional full year effects in 2018-19. However, the capital expenditure is expected to be a one off item in 2017-18. Separate reports on this agenda cover special school places (including outreach), exceptional needs, behaviour and post 16 high needs funding in colleges.

The resource earmarked in respect of primary and secondary behaviour would only be committed if agreements were put in place, whereby local areas assumed the responsibility for providing behaviour support and alternative provision.

c) Savings

It is intended to take savings on the following high needs budgets:

Independent placements	£1,600k
Contingency for special schools in financial difficulties	£200k
Keeping children in local provision	£50k

There is a separate report on this agenda about changes to primary SpLD bases. These changes would result in future savings.

d) SEN Strategy Development Fund

This was set up in 2016-17 to provide a resource to support new initiatives in high needs, in particular, implementing recommendations from the work streams of the SEN strategy review. It has also provided a reserve for the entire Schools Budget, especially given the large scale use of carry forward. The high needs sub group noted the usefulness of the fund in supporting new initiatives.

In view of the scale of the priorities identified above for 2017-18, it will be necessary to use the whole of the Strategy Development Fund to resource them. The change in the SEN Strategy Development Fund is therefore as follows:

2016-17 budget	£3.647m
Adjustment to fund net cost of high needs budget changes	(£3.647m)
2017-18 budget	£0

However, the sums earmarked for behaviour and special schools capital are unlikely to be committed in their entirety during 2017-18. This may provide an uncommitted resource which could fulfil some of the function provided by the Strategy Development Fund in 2016-17. If an opportunity emerges to bid for capital funding from the DfE, the Authority will take this up.

e) Link to early years budget

The DfE is encouraging local authorities to use resources flexibly between the high needs and early years' DSG blocks, when funding early years SEN. The Authority will be reviewing the most appropriate place to fund early years SEN from, in the light of the emerging Regulations and guidance. As a first step, it is proposed to switch the funding for the Ludwick Enrichment Group (based at Ludwick Nursery School) from the high needs to the early years block. There will be further consideration as to whether it is appropriate to fund other early years SEN provision from the early years, rather than the high needs, DSG block.

Annex C provides a detailed breakdown of the high needs budget.

5.3 Early Years

As reported to the September Forum, the government has announced that the introduction of the EYNFF will provide significant additional resource for Hertfordshire, estimated at £8.1m on the basis of the DfE consultation published in the summer. It is anticipated that the additional resource will enable the 2017-18 cost pressures to be funded as well as providing approximately £7m of headroom above this.

However, final details of the EYNFF arrangements have still not been confirmed by the DfE. The Authority is reviewing its early years funding and developing proposals for allocating the additional resource but this process cannot be finalised until final DfE guidance is available. The Authority will in due course consult with providers on how the extra resources will be used (including changes to the early years funding formula), once final details have been received from the DfE. Therefore, the headroom in the Early Years Budget shown in Annex A is still to be allocated and it is anticipated that the detail of the early years budget will not be finalised until the February Forum meeting.

Further work has been done on the impact of the EYNFF on funding for nursery schools. This has concluded that although there is uncertainty over nursery schools' longer term funding, the protection funding provided by the DfE, plus the general increase in the hourly rate across all providers, should ensure that nursery schools do not experience any significant reduction in funding in 2017-18.

5.4 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. 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.

6. Cost pressures

- 6.1 The main cost pressures identified in the budget are inflation (including the impact of the national living wage) and the apprenticeship levy. The pressure for inflation has been calculated using the same method as in the rest of the County Council's budget. However, this may understate the cost pressures on schools, particularly in the light of the higher inflation predicted following the recent devaluation of the pound.

2017-18 will be the second consecutive year in which cost pressures will not be funded in the schools and high needs budgets, causing severe financial pressure on schools.

- 6.2 In addition the general element of the Education Services Grant (ESG) will be withdrawn by the DfE from September 2017. This is currently worth £77 per pupil and is paid directly to academies. The ESG in respect of maintained schools is paid to the Authority, which provides services on their behalf, in particular school improvement. A separate item on this agenda covers the introduction of a contribution from maintained schools towards the services currently funded from ESG.
- 6.3 To try to mitigate slightly the financial pressures on schools, the County Council has tried to identify and deliver efficiency savings, in particular the rates saving resulting from the conversion of community schools to foundation status (which is included in the budget savings in Annex A).

Officers also support individual schools in financial difficulty via Financial Action Groups.

7. Deployment of DSG Carry Forward

- 7.1 As outlined in the September budget paper, it is not intended to use any carry forward to support the early years or high needs blocks. The high needs budget was set at the level of the high needs DSG block in 2016-17 and it is intended to continue with this approach in 2017-18.
- 7.2 Considerable additional DSG is being made available for early years in 2017-18, as a result of the introduction of the EYNFF. In view of this, it is not intended to use any carry forward to support the early years' budget in 2017-18.
- 7.3 It is proposed that all the usable carry forward of DSG should be deployed in 2017-18 to support the schools block. The DSG carry forward into 2017-18 is estimated at £16m. In view of the severe financial pressures on schools it is proposed to deploy £9m of this to support the schools block in 2017-18.
- 6.4 £10m of carry forward was used to support the schools block budget in 2016-17. Therefore the carry forward being used in 2017-18 does not provide for an increase in primary and secondary funding rates to reflect budget pressures. It does, however, offer the opportunity to sustain the unit funding rates in 2017-18 at their current level, as well as funding the central budgets within the schools block, such as the Growth and Falling Rolls Funds. Potentially, this may also be enough resource for a minor increase in primary and secondary budget shares. If this is possible, it is proposed to deliver it via an equal percentage increase in the primary, KS3 and KS4 AWPUs.

8. Conclusion

- 8.1 Annex A outlines the latest position regarding the 2017-18 Schools Budget showing the split between the schools, early years and high needs blocks.
- 8.2 The proposed final schools block budget and unit funding values for primary and secondary budget shares for 2017-18 will be brought to the January Forum meeting, prior to submission to the DfE. However, the Forum is asked to agree now some of the key parameters for setting the final schools block budget, which are:
- the use of carry forward outlined above;
 - the level of central budgets, which is covered by a separate paper on this agenda;
- 8.3 The Forum is asked to agree the recommendations in section 3 of this paper.

	Schools £000			Early Years £000	High Needs £000	Total £000
	Delegated	Central Budget	Total			
Schools Budget 2016-17 (as per section 251)	710,206	10,794	721,000	61,581	97,858	880,439
Changes in Responsibilities						
Demography (primary, secondary and early years)	8,003		8,003	(618)		7,385
Retained Duties ESG		2,798	2,798			2,798
High Needs College Places					2,646	2,646
Additional Hours for Working Parents				10,704		10,704
Ludwick Enrichment Group				55	(55)	0
Pressures						
Inflation (including impact of National Living Wage)	8,860		8,860	756	1,204	10,820
Special school meals					280	280
Rates inflation	174		174	23	3	200
Apprenticeship Levy	2,470		2,470	237	341	3,048
Growth in Existing Free Schools	1,243		1,243			1,243
New free schools opening in 2016-17	320		320			320
New free schools opening in 2017-18	660		660			660
High Needs items funded from ESG					183	183
Minimum Funding Guarantee	1,000		1,000			1,000
Falling Rolls Fund		492	492			492
Licenses		18	18			18
School improvement and quality support for nursery classes				250		250
Exceptional Needs					574	574
Primary Behaviour					357	357
Secondary Behaviour					300	300
Additional Special School Places in 2017/18					938	938
Capital expenditure to increase capacity in special schools					2,200	2,200
Special Schools outreach					134	134
Additional high needs places in colleges					44	44
Top Ups for high needs provision in colleges					243	243
Autism					407	407
Quality Offer Rollout					34	34
Full year effect of increase in special school places in 2016/17					46	46

Savings						
Rates	(1,100)		(1,100)			(1,100)
Historic Commitments		(537)	(537)			(537)
Early Years Pupil Premium				(232)		(232)
Closing Schools	(200)		(200)			(200)
Special Unit Places					(66)	(66)
Secondary SpLD Bases					(125)	(125)
Independent Placements					(1,600)	(1,600)
Contingency for special schools in financial difficulty					(200)	(200)
Keeping children in local provision					(50)	(50)
Schools Budget 2017-18 before adjustments to match resources available						
	731,636	13,565	745,201	72,756	105,696	923,653
Adjustments to match budget to resources available						
Reverse out inflation and apprenticeship levy	(11,330)		(11,330)		(1,545)	(12,875)
Adjustment to SEN Strategy Development Fund					(3,647)	(3,647)
Headroom to be allocated	941		941	6,969		7,910
Schools Budget 2017-18 after adjustments to match resources available						
	721,247	13,565	734,812	79,725	100,504	915,041
Estimated 2017-18 DSG						
			725,812	79,725	100,504	906,041
Use of carry forward						
			9,000	0	0	9,000
Total DSG Available						
			734,812	79,725	100,504	915,041
Difference						
			0	0	0	0

Pressures and Changes in Responsibilities

Changes in Responsibilities

- B.1 Demography (Primary, Secondary and Early Years)
This constitutes the impact of increases in pupil numbers (excluding growth in free school numbers) on AWPU and other pupil led funding in the schools and early years budget shares. The pupil numbers used in the calculation will be updated when the autumn term 2016 census data is available.
- B.2 Retained Duties element of Education Services Grant (ESG)
The ESG is being discontinued in 2017-18. The retained duties element of ESG has provided funding for responsibilities that local authorities have for all schools and academies (such as attendance and some statutory duties). The retained duties element of ESG, and the requirement to deliver the associated responsibilities, is being transferred to DSG.
- B.3 High Needs Places in Colleges
The allocation to colleges of £6k per high needs place is currently funded by the DfE separately from the DSG. This resource, along with the responsibility to fund high needs college places, is being transferred to DSG.
- B.4 Additional Hours for 3 and 4 year olds
From September 2017 working parents will be entitled to up to 30 hours per week of 3 and 4 year olds provision. This is an increase from the current universal entitlement of 15 hours per week. Extra funding will be added to the Authority's DSG to reflect the cost of extending this provision.
- B5 Ludwick Enrichment Group
It is intended to fund the Ludwick Enrichment Group from the Early Years budget, rather than from High Needs.

Pressures

- B.6 Inflation (including National Living Wage)

This reflects the impact of the following:

- estimated 1% increase in teachers' pay;
- local government staff pay award for 2017-18, comprising a general 1% increase but higher increases for grades H3 and below in response to the National Living Wage (NLW);

- specific inflation increases for repairs and maintenance and utilities but no other non-pay inflation.

The pressure shown does not take account of increasing costs of the NLW being passed on from providers.

B.7 Special school meals

An increase in the cost charged to special schools for school meals, due to the need to end cross subsidisation from the primary sector.

B.8 Rates

Estimated inflation on school rates costs.

B.9 Apprenticeship Levy

The estimated cost shown assumes that all types of maintained school and academy will be subject to the levy. It does not take account of any rebates or income that may be received from the scheme.

B.10 Growth in existing free schools

The DSG will not take account of the additional cohort starting in free schools in September 2017. The Authority will, however, have to fund this cohort and this constitutes a budget pressure. The amount includes the additional cohort at the free schools which have opened in 2016-17.

B.11 New free schools opening in 2016-17

Two new free schools have opened in September 2016. From 2017-18 these will be funded via DSG. This pressure constitutes the lump sum allocations for these two schools.

B.12 New free schools opening in 2017-18

The DfE has announced its intention, from 2017-18, to charge to DSG the budget shares of new free schools in their first year of opening. This pressure comprises the estimated part year budget shares of the two free schools scheduled to open in 2017-18.

B.13 High needs budgets funded from ESG

The Communications and Autism and Physical and Sensory Impairment teams are funded from the high needs block. However, a small element of costs relating to these teams has historically been charged to the Authority's budget. To address this anomaly, these costs will be switched to the high needs block.

B.14 Minimum Funding Guarantee (MFG)

There is expected to be an increase of £0.5m in the amount of MFG recouped from the Authority in respect of Samuel Ryder academy. In

addition it is estimated that there will be a general increase of approximately £0.5m in the level of MFG protection resulting from the changes in additional needs data (such as free school meal numbers) between years.

B.15 Falling Rolls Fund

There is an increase in the cost of the Fund, mainly due to an additional school becoming eligible.

B.16 Licenses

It is anticipated that there will be a small increase in the cost of licenses for schools charged by the DfE due to the increase in pupil numbers.

B.17 School Improvement and Quality Support for Nursery Classes

This has previously been funded from the general element of Education Services Grant (ESG). ESG will be discontinued in 2017-18.

B.18 Exceptional Needs

The pressure represents the cost of implementing the recommendations of the Exceptional Needs workstream review as part of the SEND Strategy.

B.19 Primary Behaviour

The pressure represents the cost of implementing the initial recommendation of the Behaviour workstream review covering the primary sector. This resource would only be committed if agreements were put in place, whereby local areas assumed the responsibility for providing behaviour support and alternative provision.

B.20 Secondary Behaviour

The pressure represents the cost of implementing the recommendation of the Behaviour workstream review covering the secondary sector. This resource would only be committed if agreements were put in place, whereby local areas assumed the responsibility for providing behaviour support and alternative provision.

B.21 Additional special school places

The cost of increasing the number of special school places (including a corresponding increase in the budget for per pupil top up funding in special schools) in order to reflect demand for places.

B.22 Capital expenditure to increase capacity in special schools

This relates to capital schemes at several SLD and SEMH schools, in order to provide for the demand for places and reduce the need for high cost placements in independent special schools. DSG can only be

used for capital with DfE approval and applications regarding these schemes have been submitted to the DfE. A response is awaited.

B.23 Special school outreach

An increase, in order to provide for demand for this service

B.24 Additional high needs places in colleges

This provides for an additional 11 places from September 2017.

B.25 Top Ups for high needs provision in colleges

The pressure relates to an increase in the number and complexity of high needs students in colleges and independent specialist providers

B.26 Autism

The pressure represents the cost of implementing the recommendations of the Autism workstream review.

B.27 Quality Offer Rollout

The pressure represents the cost of implementing the recommendations of the Quality Offer workstream review.

Savings

B.28 Rates

There is a saving in rates funding in budget shares due to the conversion of schools from community to foundation or academy status.

B.29 Historical Commitments Budgets

To comply with DfE regulations, it is necessary to reduce these budgets to take account of staff turnover.

B.30 Early Years Pupil Premium

The saving mainly relates to a change in the count date for determining DSG funding for the EYPP. This has now been moved from the Autumn Term to January. January early years' pupil numbers represent a good average for the financial year. Therefore the additional funding included in this budget to allow for underfunding of the EYPP through the DSG can be removed.

B.31 Closing schools

The Da Vinci schools in Stevenage and Letchworth will be closing in August 2017. The saving comprises the lump sum funding in their budget shares for the period September to March.

B.32 Reduction in special unit places

This is the full year effect of the reduction in special unit places from September 2016.

B.33 Secondary SpLD Bases

This is the full year effect of the saving from the closure of the bases in September 2016.

B.34 Independent Placements

It is intended to take a saving in this budget, which is underspending.

B.35 Contingency for special schools in financial difficulty

This was established in 2016-17 to support schools which had large reductions in their place numbers from September 2016. It is intended to take half this budget as a saving in 2017-18.

B.36 Keeping Children in local Provision

This budget is no longer required and will be taken as a saving.

Adjustments to match budget to DSG available

B.37 Pressures not being funded

Given the resources available it is not possible to fund the pressures for inflation and the apprenticeship levy in the schools and high needs blocks.

B.38 SEN Strategy Development Fund

The net cost of changes in the high needs budget has been met by taking the budget of the SEN Strategy Development Fund as a saving.

B.39 Headroom

In the early years block this is the balance of the additional resources provided through the EYNFF. This resource is still to be allocated pending final announcements about the EYNFF changes from the DfE. In the schools block this is the balance of the carry forward not required for maintaining unit funding rates at their current level.