

13 January 2016

SCHOOLS BUDGET 2016-17

Report of the Director of Children's Services

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1. Purpose

- 1.1 To seek the support of the Forum for the 2016-17 Schools Budget proposals.

2. Summary

- 2.1 This paper covers the issues relating to the 2016-17 Schools Budget and in particular the following areas:

- the 2016-17 DSG announcement;
- the budget pressures, savings and additional responsibilities;
- the deployment of funding from the DSG carry-forward.

3. Recommendations

- 3.1 The Forum is asked:
- to support the budget proposals;
 - to agree the change to central budgets outlined in Section 16;
 - to support the Authority's application to the DfE to agree the increase in the admissions budget, described in section 16.

4. Background

- 4.1 Previous reports on the 2016-17 Schools Budget, were considered at the September and November Forum meetings. The DfE has now announced the 2016-17 Dedicated Schools Grant (DSG) and also the data to be used to calculate 2015-16 budget shares for primary and secondary schools and academies, under the school funding formula. This, together with the updated

information on budget pressures and savings, enables decisions to be made regarding the Schools Budget for 2016-17.

- 4.2 Information on primary and secondary budget shares for 2016-17 has to be submitted to the DfE by 21 January 2016. In order for this to be provided on schedule, it is necessary for detailed decisions to be made at this point about the Schools Block of the 2016-17 Schools Budget.

5. Dedicated Schools Grant Announcement 2016-17

- 5.1 The 2016-17 DSG was announced just before Christmas.
- 5.2 The 2016-17 DSG is as follows; subject to future adjustments to the early years block to take account of census data during 2016-17:

	£m
Schools Block (161,653 pupils @ £4,397.18 per pupil)	710.817
Adjustment re NQTs	0.234
Early Years Block	
3 + 4 year olds (11,541 FTE pupils @ £4,596.16 per pupil)	53.044
2 year olds (1,400 FTE Pupils @ £4978.00 per pupil)	6.969
Estimated Early Years Pupil Premium	0.703
High Needs Block	97.858
Total	869.625

The figures include the funding for academies and post-16 high needs places in special schools. However, they exclude the per place funding for high needs places in colleges and in non-maintained special schools, which is paid directly to institutions. DSG is not ring-fenced within the three blocks.

5.3 Schools Block

The allocation is very close to previous estimates. It had been anticipated that the additional adjustment in respect of NQTs would cease but it has been continued in 2016-17.

5.4 Early Years Block

There are three components of the early years block, allocations in respect of 3 and 4 year olds, 2 year olds and the Early Years Pupil Premium. Within the early years block total announced by the DfE, the balance between 3 & 4 year olds and 2 year olds has been adjusted in the table above to better reflect the estimated pupil numbers at January 2016. Budgeted spend on 2 year olds has continued to be set to equal the amount of DSG for 2 year olds.

The Early Years Block will be recalculated in year to take account of early years' pupil numbers in the January 2016 and January 2017 censuses.

5.5 High Needs Block

The High Needs Block has been increased by £1.751m above the 2015-16 allocation. This is the net result of the following changes:

- a) Hertfordshire's share of a general distribution of additional resource by the DfE: £2.078m.
- b) An allocation for the full year effect of the place changes agreed by the DfE for 2015-16: £0.008m.
- c) An adjustment for the full year effect of the change from residency of pupil to location of school in the responsibility for funding high needs places: £0.065m
- d) A deduction to remove place funding for non-maintained special schools, which will now be an EFA responsibility: -£0.400

The DfE had previously indicated that authorities should assume no cash change in the high needs block between 2015-16 and 2016-17. Thus, excluding the impact of changes in responsibilities, an extra £2.086m has been made available.

The DSG announcement does not take account of applications made by local authorities to vary high needs places in academies in 2016/17. These are still under consideration by the DfE. It is therefore unclear at this stage whether Hertfordshire's application to reduce high needs places at several academies will be agreed.

6. **Overall budget position**

The main change to the funding position since the November Forum is the additional £2.1m of high needs block DSG mentioned above. This is approximately equivalent to uplifting the high needs block for demographic growth and means that all elements of the DSG have been adjusted for changes in pupil numbers, but have not been uprated for cost pressures. Thus it remains the case that there is insufficient resource to fund cost pressures across the Schools Budget in 2016-17.

It is proposed to use the additional £2.086m of high needs DSG as follows:

- a) To fund half the cost pressures in the high needs block: £1.324m.

The high needs sub group proposed that 50% of the cost pressures in the high needs budget should be funded. Given the position that cost pressures in the schools and early years block were not able to be funded, the Forum concluded at its November meeting that, to ensure consistency, cost pressures in high needs should also not be funded. However, in view of the extra resource now available in the high needs

block it is proposed to adopt the original approach and fund half the high needs cost pressures.

- b) To offset lower savings in 2016-17 on the reduction in special unit places: £0.184m

It is now anticipated that all the reduction in other special unit places will be made from September rather than April. Also, there will need to be continuing support arrangements, for pupils who would otherwise have continued their education within the Barnwell SpLD base.

- c) To reduce the saving taken in the budget for Independent Placements : £0.578m

It is intended to take a more cautious view on the saving available from the Independent Placements budget.

7. Use of DSG Carry Forward

- 7.1 The Forum has previously agreed the budget strategy for 2016-17 of using an element of the DSG carry forward to maintain unit funding rates for schools and early years' budget shares in 2016-17 at the same level as in 2015-16.

There is a slight reduction from the previous estimate in the amount of carry forward required to maintain unit funding rates, due to slight reductions in the cost of MFG protection, rates and free school growth compared to the previous projection. However, an amount of carry forward is being used to resource an increase in the falling rolls fund.

The total use of carry forward DSG in 2016-17 is £10.8m of the estimated £20m available. This is a higher proportion of the total than would normally be considered. However, it is intended that the SEN strategy development fund and the residual underspend in the Independent Placements budget will provided a reserve for the whole schools budget, thus permitting a high use of DSG carry forward in 2016-17.

- 7.2 It is unclear what the school funding arrangements will be in 2017-18 but it is anticipated that DSG carry forward will continue to be used to support the Schools Budget in 2017-18, with the amount reducing from the 2016-17 level. Thus an element of the carry forward being used in 2016-17 is a one off. Hertfordshire has been granted by the DfE a MFG exception to exclude a portion (£3m) of the carried forward being used in 2016-17 from the 2016-17 MFG calculations. There is some evidence that, having acknowledged that funding is outside the MFG in one year, the DfE will agree to exclude it from the MFG in the next. This would prevent this element of the carry forward forming part of the MFG baseline for future years.

8. Summary of Schools Budget

- 8.1 Annex A gives an breakdown of the budget showing additional responsibilities, pressures and savings, by block. Table 1 provides a summary.

Table 1 Schools Budget 2016-17	£m
Schools Budget 2015-16 as per S251	868.835
Less one-off use of carry forward re capital maintenance and EY full time places, plus OLA special school places.	(0.927)
Schools Budget 2015-16 (excluding one off carry forward)	867.908
Changes in Responsibilities	(0.205)
Pressures	37.938
Savings	(4.589)
SEN Strategy Development Fund	2.323
Schools Budget Before Reduction	903.375
Reduction to match resource available	(22.936)
Schools Budget After Reduction	880.439

The sections below give details of each budget item listed in Annex A. These include changes since the position considered at the November Forum meeting.

9. Changes in Responsibilities

9.1 High needs places commissioned by other authorities

A technical change by the DfE means that authorities have to fund all high needs places according to the location of the school, rather than according to the home area of the pupil occupying the place. This results in a net extra cost which is funded by an equivalent increase in high needs DSG.

9.2 Place funding for non-maintained special schools

The DfE will pay place funding directly to non-maintained special schools in 2016-17. This results in a saving to the Schools Budget, which is matched by an equivalent reduction in High Needs DSG.

10. Pressures

10.1 Inflation on pay and prices

This is based on a general 1% increase in pay and prices, with specific inflation rates for utilities and repairs and maintenance.

10.2 National Living Wage (NLW)

The Government has announced significant increases in the Minimum Wage, starting with a rise to £7.20 per hour on 1st April 2016. The pressure shown does not take account of the potential additional costs resulting from amendments to salary scales to keep grade differentiation, or from increasing costs of providers being passed on.

10.3 Teachers pensions

The rate of employers' oncost in respect of the Teachers' Pension Scheme has increased from 14.1% to 16.48% from September 2015. The budget pressure shown represents the full year effect of this pressure, covering the period April to August 2016.

10.4 National Insurance- ending of contracted out rebate

The lower national insurance contribution rates for staff in employers' pension schemes, such as the teachers and local government pension schemes, will cease from April 2016.

10.5 Rates

This pressure includes both the estimated change in rates costs resulting from revaluations and inflation on rates.

10.6 Demography – Primary, Secondary and Early years

This constitutes the impact of increases in pupil numbers on AWPU and other pupil led funding in the schools and early years budget shares. Where the DfE required pupil numbers to be estimated in 2015-16 budget shares, there are retrospective adjustments to correct for the difference between estimates and actuals.

10.7 Special Schools

Increases in per place and top up funding to reflect the growth in the number of pupils in special schools. This is the net increase, after redistributing places from schools with vacancies to those with additional demand.

10.8 Contingency for special schools in financial difficulty

This contingency will assist any special schools facing financial difficulty as a result of reductions in place numbers.

10.9 Demography- Exceptional Needs

This comprises a general demographic increase in the exceptional needs budget of £0.1m, plus a £0.2m increase in the budget for multiple cases.

10.10 Growth Fund

There is expected to be an increase in the cost of the Growth Fund, due to the ongoing impact of the school expansions programme.

10.11 Growth in existing free schools

The DSG does not take account of the additional cohort starting in free schools in September 2016. The Authority will, however, have to fund this cohort and this constitutes a budget pressure.

10.12 Falling Rolls Fund

The pressure is the result of the following:

- updates to funding data;
- additional schools being eligible for the Fund as a result of being classified by Ofsted as Good or Outstanding;
- an increase in the level of funding allocated through the Fund, in order to assist small secondary schools facing financial difficulties.

10.13 AP Free Schools

The Authority is now required to pay the DfE for any places in AP Free Schools outside Hertfordshire, which are occupied by Hertfordshire pupils.

10.14 Minimum Funding Guarantee

There are three elements within this pressure:

- an increase of £0.5m in the amount of MFG recouped from the Authority in respect of Samuel Ryder academy;
- an increase of £0.3m resulting from the discontinuation of capping;
- a net £0.3m increase in MFG resulting from data changes.

10.15 Licenses

There is an increase in the charge for school licenses made by the DfE.

10.16 Appeals

Following information recently received from the DfE, it is expected that the Authority will have to fund admission appeals at all voluntary aided and foundation schools, including those which currently arrange their own appeals.

11. Savings

11.1 Amalgamations

There is a saving in lump sum funding in budget shares due to the amalgamation of Peartree Spring Infants and juniors.

11.2 2 year olds

Due to eligible children not taking up their full entitlement of hours, there will be a reduction in the budget for 2 year olds provision

11.3 Independent Placements

There is an existing underspend in the budget for placements in independent and non-maintained special schools and it is proposed to take a saving in this budget.

11.4 Secondary SpLD Bases

It is proposed to close the two secondary SpLD bases at Francis Combe and Barnwell with effect from September 2016.

11.5 Reduction in special unit places

It is proposed to remove some of the spare capacity at a number of the other special units and bases.

11.6 Keeping Children in Local Provision (KCLP)

The KCLP initiative has provided support to maintain local placements for pupils with complex needs at risk of being placed out of county. This approach is now established and it is proposed that the budget is reduced.

11.7 SpLD Training and Advice

It is proposed to reduce the budget for SpLD training and advice. The reduced budget will support any ongoing accredited training requirements or commitments.

11.8 High Needs Contingencies

It is proposed to take these budgets as a saving.

11.9 DSPL and Nurture Groups

It is proposed that the budgets for DSPL area groups and for nurture groups are merged and a proposed reduction of 50% of the value of the nurture group budget applied.

12. New initiatives

12.1 SEN Strategy Development Fund

The Fund will be available to support new initiatives, including key priorities within the SEND strategy. As an uncommitted resource, the fund will provide useful flexibility in managing budget risks, both in high needs and the other sectors, including those arising from the use of carry forward and from potential future reductions in the high needs block.

13. Reductions to match budget to DSG available

13.1 Pressures not being funded

Given the resources available it is not possible to fund the pressures for inflation, national insurance, teachers' pension and the NLW in the schools and early years block. In the high needs block half of these pressures are funded.

14. Uncertainties/Risks

There are a number of uncertainties/risks in respect of the 2016-17 budget at this stage, in particular:

- the in year re-calculation of all elements of the DSG early years block,
- several data issues at individual schools;
- the outcome of the Authority's application to make reductions to funded high needs place numbers in certain academies;
- the DfE response next year to MFG exception requests for 2017-18 and other changes to the school funding system expected in 2017-18.

15. Capping schools gaining in the school funding formula

The Forum has previously agreed to cease the capping of gains in budget shares between years. There is thus no capping in 2016-17 budget shares.

16. Central Budgets

The central budgets were agreed by the Forum in November. However, in the light of recent developments, the Forum is now asked to agree the following changes:

- DfE Arranged Licenses – 2016-17 Central Budget: £872k
This constitutes an increase in this budget of £5k to reflect the slightly higher charge for 2016-17 that the Authority has been notified of by the DfE.

- Falling Rolls Fund – 2016-17 Central Budget: £1.408m
An increase in this budget of £422k above the figure agreed at the November Forum is requested. A separate paper on this agenda gives the background to this.
- Admissions – 2016-17 Central Budget: £2.057m
An increase of £60k in this budget is requested to enable the Authority to comply with instructions recently received from the DfE to fund the cost of appeals in all voluntary aided and foundation schools, (including those which have historically opted to handle their own appeals).

A point to note with the admissions budget is that the regulations prevent it from increasing between years without specific DfE approval. The DfE has suggested that authorities could request approval for a budget increase in order to comply with the requirements on funding appeals. Hertfordshire has therefore requested DfE approval for a £60k increase in the admissions budget and the Forum is asked to support this request.

A listing of the 2016-17 schools block central budgets is shown in Annex A.

Growth Fund Review

The DfE has indicated that it will be introducing a school level national funding formula from 2017-18. It is unclear what the effect of this will be on the Growth Fund, which is funded from the schools block of DSG. In view of this uncertainty it is intended to defer further consideration of the proposals arising from the Growth Fund Review until further information has been received about the changes to school funding. It is therefore likely that changes to the Growth Fund arising from the review would not be implemented until 2017-18, if still appropriate under the new funding regime.

17. Conclusion

- 17.1 It is necessary to finalise the Schools Budget in order to prepare the information on the primary and secondary funding formula which the DfE requires later in January.
- 17.2 The Forum is asked to agree the recommendations in section 3.

	Para.	Schools Block			Early Years Block £000	High Needs Block £000	Total £000
		Delegated £000	Central Budgets £000	Total £000			
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 adj re 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
Changes in responsibilities							
High needs places commissioned by other authorities	9.1					195	195
Place funding for non-maintained special schools	9.2					(400)	(400)
Total						(205)	(205)
Pressures							
Inflation on pay and prices	10.1	7,512		7,512	695	1,030	9,237
National living wage	10.2	211		211	12	54	277
Teachers pensions	10.3	2,812		2,812	159	346	3,317
National insurance- ending of contracted out rebate	10.4	9,456		9,456	756	1,217	11,429
Rates	10.5	114		114	16	2	132
Demography – Primary and Secondary	10.6	8,715		8,715			8,715
Demography – Prior Year Adjustments	10.6	(227)		(227)			(227)
Demography – Early Years	10.6				(100)		(100)
Demography – Special Schools	10.7					1,020	1,020
Contingency for Special Schools in Financial Difficulty	10.8					400	400
Demography – Exceptional Needs	10.9					300	300
Growth Fund	10.10		200	200			200
Growth in existing free schools	10.11	1,230		1,230			1,230
Falling Rolls Fund	10.12		768	768			768
AP Free Schools	10.13					50	50
Minimum Funding Guarantee	10.14	1,125		1,125			1,125
Licences	10.15		5	5			5
Appeals	10.16		60	60			60
Total		30,948	1,033	31,981	1,538	4,419	37,938
Savings							
Amalgamations	11.1	(110)		(110)			(110)
2 year olds	11.2				(1,731)		(1,731)
Independent Placements	11.3					(1,422)	(1,422)
Secondary SpLD Bases	11.4					(120)	(120)

Reduction in special unit places	11.5					(93)	(93)
	Para.	Schools Block			Early Years Block £000	High Needs Block £000	Total £000
		Delegated £000	Central Budgets £000	Total £000			
Keeping Children in Local Provision	11.6					(203)	(203)
SpLD Training and Advice	11.7					(126)	(126)
High Needs Contingencies	11.8					(434)	(434)
DSPL and Nurture Groups	11.9					(350)	(350)
Total		(110)	0	(110)	(1,731)	(2,748)	(4,589)
SEN Strategy Development Fund	12.1					2,323	2,323
Schools Budget 2016-17 before reduction		730,211	10,794	741,005	63,189	99,181	903,375
Reductions to match budget to resources available							
Pressures not being funded	13.1						
Inflation on pay and prices		(7,512)		(7,512)	(695)	(515)	(8,722)
National Living Wage		(211)		(211)	(12)	(27)	(250)
Teachers pensions		(2,812)		(2,812)	(159)	(173)	(3,144)
National Insurance – ending of contracted out rebate		(9,456)		(9,456)	(756)	(608)	(10,820)
		(19,991)	0	(19,991)	(1,622)	(1,323)	(22,936)
Schools Budget 2016-17 after reduction		710,220	10,794	721,014	61,567	97,858	880,439
Estimated 2016-17 Dedicated Schools Grant				711,051	60,716	97,858	869,625
Use of carry forward				9,963	851		10,814
Total DSG available				721,014	61,567	97,858	880,439
Difference				0	0	0	0

Breakdown of Schools Block	£000	£000
Primary and Secondary Budget Shares	710,220	
Central Budgets		
Admissions and Appeals		2,057
Boarding Pathfinder		52
Combined Services		
Family Support Workers		1,141
Lead Advisor to Virtual School		78
Miscellaneous		
School Workforce Census		14
Education of Children in Residential Care		61
Servicing of Schools Forum		40
DfE arranged Licences		872
Growth Fund		5,071
Falling Rolls Fund		1,408
Total	710,220	10,794