

16 January 2017

SCHOOLS BUDGET 2017-18

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 2017-18 Schools Budget proposals.

2. Summary

- 2.1 This paper covers the issues relating to the 2017-18 Schools Budget and in particular the following areas:

- The 2017-18 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:

- (i) To support the budget proposals
- (ii) To agree to use the additional available high needs DSG as detailed in Section 6, as follows:
 - a) To fund the cost pressures in the high needs block for inflation and the apprenticeship levy: £1.545m.
 - b) To increase the following high needs budget pressures to better reflect the needs identified by the workstreams:
Exceptional Needs, increase by £31k to £605k,
Secondary behaviour, increase by £400k to £700k
Total increase: £431k.

- c) To rebuild the SEN Strategy Development Fund (SDF) with the balance of the high needs DSG: £1.961m.
- (iii) To agree the changes to central budgets outlined in Section 15, and in consequence to add £146,000 to central budgets.

4. Background

- 4.1 Previous reports on the 2017-18 Schools Budget were considered at the September and December Forum meetings. The DfE has now announced the 2017-18 Dedicated Schools Grant (DSG) and also the data to be used to calculate 2017-18 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 2017-18.
- 4.2 Information on primary and secondary budget shares for 2017-18 has to be submitted to the DfE by 20 January 2017. 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 2017-18 Schools Budget.

5. Dedicated Schools Grant Announcement 2017-18

- 5.1 The 2017-18 DSG was announced just before Christmas.
- 5.2 The 2017-18 DSG is as follows; subject to future adjustments to the early years block to take account of census data during 2017-18:-

	£m
Schools Block (164,365 pupils @ £4,415.94 per pupil)	725.826
Early Years Block	
3 and 4 year olds	
Universal Entitlement (19,128 pupils @ £3,066.60 per pupil)	58.659
Additional Hours (3,491 pupils @ 3,066.60 per pupil)	10.704
Nursery Schools Supplementary Funding	1.795
2 year olds (2,411 pupils @ £3,197.70)	7.711
EY Pupil Premium	0.646
EY Disability Access Fund	0.227
High Needs Block	104.161
Total	909.729

The figures include the funding for academies and post-16 high needs places in special schools. However, they exclude the per place funding for

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. The funding rate per pupil is the same as in 2016-17 except for an uplift to incorporate funding transferred from the former retained duties element of Education Services Grant (ESG).

5.4 Early Years Block

There are a number of components of the early years block, allocations in respect of the universal entitlement for 3 and 4 year olds, funding for additional hours for 3 and 4 year olds, protection funding for nursery schools, funding for 2 year olds, the Early Years Pupil Premium and the Disability Access Fund. The allocations shown are based on estimated pupil numbers for January 2017.

The Early Years Block will be recalculated in year to take account of early years' pupil numbers in the January 2017 and January 2018 censuses.

5.5 High Needs Block

The high needs block has been increased by £3.657m above the figure previously indicated by the DfE. This is the net result of the following changes:

- a) Hertfordshire's share of a national distribution of additional resource by the DfE, based on the population of 2 to 18 year olds: £2.183m;
- b) Hertfordshire's share of additional resource based on the increase in the population of 2 to 18 year olds: £1.474m.

The DfE had previously indicated that authorities should assume no change in the high needs block between 2016-17 and 2017-18 (other than the adjustment for changes in responsibilities). Thus, extra resource not previously taken into account in the budget 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 increase high needs places at several special academies will be agreed.)

6. Overall budget position

The main change to the funding position since the December Forum is the additional £3.657m of high needs block DSG mentioned above. This is approximately equivalent to uplifting the high needs block for demographic growth and cost pressures. In addition the £280k budget pressure in

respect of special school meals has been removed so that the total extra resource in the high needs budget is £3.937m.

It is proposed to use this amount as follows:

- a) To fund the cost pressures in the high needs block for inflation and the apprenticeship levy: £1.545m

The high needs sub group proposed that consideration should only be given to funding cost pressures in the high needs budgets if there was an increase in the high needs DSG block between 2016-17 and 2017-18. Given the size of the increase in Hertfordshire's high needs block now announced by the DfE, it is proposed to fund the high needs cost pressures.

- b) To increase the following high needs budget pressures to better reflect the needs identified by the workstreams:

Exceptional Needs, increase by £31k to £605k,
Secondary behaviour, increase by £400k to £700k
Total increase: £431k

- c) To rebuild the SEN Strategy Development Fund (SDF) with the balance of the high needs DSG: £1.961m.

The December budget paper indicated that the whole of the SEN SDF would be required to fund the priorities identified. Given the increase in high needs DSG there is now a balance of resource available and it is proposed to allocate this to the SDF.

7. Use of DSG Carry Forward

- 7.1 The Forum has previously agreed the budget strategy for 2017-18. This strategy comprises:

- setting the high needs and early years budgets at the level of their respective DSG blocks;
- using £9m of the DSG carry forward to support the schools block, in order to maintain funding rates for primary and secondary budget shares in 2017-18 at their current level and provide a small uplift per pupil.

The Schools Budget has been prepared on this basis.

- 7.2 In order to calculate baselines for the National Funding Formula the DfE will require the Authority to provide details of exactly which elements of the 2017-18 schools block budget are supported by carry forward. Historically the Authority has not differentiated between the use of the annual DSG allocation and the use of carry forward DSG when setting the schools block budget. However, all local authorities were required during 2016-17 to

supply information to the DfE about the use of carry forward. Hertfordshire made the assumption that in 2016-17 the carry forward was used to fund the following:

- a) Central budgets relating to historical commitments and therefore expected by the DfE to phase out over time (Family Support Workers, Lead adviser to the virtual school and Education of children in residential care).
- b) Part of the Falling Rolls Fund.
- c) AWPUP funding in primary and secondary budget shares covered by the MFG exception agreed by the DfE in respect of one off funding.
- d) For the balance of the carry forward, a further amount of AWPUP funding in primary and secondary budget shares not covered by the MFG exception.

It is intended to adopt a similar approach in identifying the use of carry forward in 2017-18.

- 7.3 It is anticipated that DSG carry forward will continue to be used to support the Schools Budget in 2018-19, with the amount reducing from the 2017-18 level. Thus an element of the carry forward being used in 2017-18 is a one off. Hertfordshire has been granted by the DfE a MFG exception to exclude a portion (£3.1m) of the carried forward being used in 2017-18 from the 2017-18 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 2017-18	£m
Schools Budget 2016-17 as per S251	880.439
Changes in Responsibilities	16.375
Pressures	31.744
Savings	(4.520)
Schools Budget before adjustment	924.038
Adjustment to match budget to resources available	(5.309)
Schools Budget after adjustment to match resources available	918.729

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

9. Changes in Responsibilities

9.1 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.

9.2 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.

9.3 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.

9.4 Ludwick Enrichment Group

It is intended to fund the Ludwick Enrichment Group from the Early Years budget, rather than from High Needs.

9.5 Early Years Disability Access Fund

The Disability Access Fund, which has been introduced by the DfE, will aid access to early years places by, for example, supporting providers in making reasonable adjustments to their settings and/or building capacity.

10. Pressures

10.1 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.

10.2 Rates

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

10.3 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.

10.4 Demography (Primary, Secondary and Early Years)

This constitutes the impact of changes in pupil numbers on AWPU and other pupil led funding in the schools and early years budget shares.

10.5 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 during 2016-17.

10.6 New free school 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.

10.7 New free school 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 share of the free school scheduled to open in 2017-18. It is not intended to commit this resource until it is necessary to do so.

10.8 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.

10.9 Minimum Funding Guarantee (MFG)

There are two elements to this pressure:

- An increase of £0.5m in the amount of MFG recouped from the Authority in respect of Samuel Ryder academy (an MFG exception application has been made to the DfE in respect of Samuel Ryder but it is anticipated that this will be rejected).
- A net £0.1m increase in MFG resulting from data changes.

10.10 Falling Rolls Fund

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

10.11 Licences

The DfE has indicated that there will be a small increase in the cost of licenses for schools due to the increase in pupil numbers.

10.12 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.

10.13 Exceptional Needs

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

10.14 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.

10.15 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.

10.16 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.

10.17 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.

10.18 Special School Outreach

An increase to provide for demand for this service.

10.19 Additional high needs places in colleges

This provides for an additional 11 places from September 2017.

10.20 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.

10.21 Autism

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

10.22 Quality Offer Rollout

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

11. Savings

11.1 Rates

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

11.2 Historical Commitments Budgets

To comply with DfE regulations, it is necessary to make certain reductions to these budgets.

11.3 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.

11.4 Closing Schools

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

11.5 Reduction in special unit places

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

11.6 Secondary SpLD Bases

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

11.7 Independent Placements

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

11.8 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.

11.9 Keeping Children in Local Provision

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

11.10 Prior year adjustments

The change between years in the retrospective adjustments to budget shares to correct for under or over estimates of pupil numbers at schools where the Authority is required by the DfE to estimate pupil numbers.

12. **Adjustments to match budget to DSG available**

12.1 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 block budget.

12.2 SEN Strategy Development Fund

The net cost of changes in the high needs budget has been met by reducing the SEN Strategy Development Fund.

12.3 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 consultation with early years' providers and the Schools Forum.

In the schools block this is the balance of the carry forward not required for maintaining funding rates at their current level.

13. **Uncertainties/Risks**

There are a number of uncertainties/risks in respect of the 2017-18 budget at this stage, in particular:

- The DfE's response to a MFG exception application in respect of historic falling rolls protection at Samuel Ryder Academy;
- The DfE's response to the Authority's request to use high needs DSG for capital work to increase capacity at special schools;
- The in-year re-calculation of all elements of the DSG early years block;
- Whether the new free school will open in September 2017;
- Several data issues at individual schools;
- The outcome of the Authority's application to make changes to funded high needs place numbers in certain special academies;
- The DfE's response next year to MFG exception requests for 2018-19.

14. **Central Budgets**

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

- DfE Arranged Licenses: 2017-18 Central Budget: £894k
This constitutes an increase of £4k to the previously agreed budget, to reflect the slightly higher charge for 2017-18 that the Authority has now been notified of by the DfE.
- Falling Rolls Fund: 2017-18 Central Budget: £2.012m
An increase in this budget of £112k above the figure agreed at the December Forum is requested. This is to reflect changes to the allocations as a result of updating them for the 2017-18 budget share data.
- Education of Children in residential care: 2017-18 Central Budget: £30k
As indicated at the December Forum this budget, which comes under the miscellaneous heading within historical commitments, has been reviewed.

Children in residential care are some of the most complex in the Hertfordshire education system. A specialist approach has been adopted that now has a proven track record to enable these hard to place children to succeed in education and in end of key stage examinations.

The current £61k budget funds the following:

- a) a part time Education Adviser working only with the children from the residential homes in Hertfordshire. The post is managed by the Virtual School.
- b) an additional resource located at the North Herts Secondary Centre (NHESC) that provides GCSE English and maths tuition, additional subjects at GCSE level and bespoke learning support. The provision is called "Bridge 29".

The contribution to Bridge 29 can be funded from high needs budget. Therefore the Forum is only asked to agree the continuation of that element of the budget relating to the part time education adviser, which is £30k.

A listing of the 2017-18 schools block central budgets is shown in Annex A.

15. Conclusion

- 15.1 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.
- 15.2 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 2016-17 (as per Section 251)		710,206	10,794	721,000	61,581	97,858	880,439
Changes in Responsibility							
Retained Duties ESG	9.1		2,798	2,798			2,798
High Needs College Places	9.2					2,646	2,646
Additional Hours for Working Parents	9.3				10,704		10,704
Ludwick Enrichment Group	9.4				55	(55)	0
Early Years Disability Access Fund	9.5				227		227
Pressures							
Inflation (including impact of National Living Wage)	10.1	8,860		8,860	756	1,204	10,820
Rates Inflation	10.2	752		752	23	3	778
Apprenticeship Levy	10.3	2,470		2,470	237	341	3,048
Demography – Primary, Secondary and Early Years	10.4	8,079		8,079	(360)		7,719
Growth in existing free schools	10.5	1,242		1,242			1,242
New free schools opening in 2016-17	10.6	320		320			320
New free school opening in 2017-18	10.7	440		440			440
High Needs items funded from ESG	10.8					183	183
Minimum Funding Guarantee	10.9	610		610			610
Falling Rolls Fund	10.10		604	604			604
Licenses	10.11		22	22			22
School Improvement and quality support for nursery classes	10.12				250		250
Exceptional Needs	10.13					605	605
Primary Behaviour	10.14					357	357
Secondary Behaviour	10.15					700	700
Additional Special School Places in 2017/18	10.16					938	938
Full year effect of increase in special school places in 2016/17	10.16					46	46
Capital expenditure to increase capacity in special schools	10.17					2,200	2,200
Special Schools Outreach	10.18					134	134
Additional high needs places in colleges	10.19					44	44
Top Ups for high needs provision in colleges	10.20					243	243
Autism	10.21					407	407
Quality Offer Rollout	10.22					34	34
Savings							
Rates	11.1	(1,194)		(1,194)			(1,194)
Historic Commitments	11.2		(295)	(295)			(295)

	Para.	Schools Block			Early Years Block £000	High Needs Block £000	Total £000
		Delegated £000	Central Budgets £000	Total £000			
Early Years Pupil Premium	11.3				(232)		(232)
Closing Schools	11.4	(538)		(538)			(538)
Special Unit Places	11.5					(66)	(66)
Secondary SpLD Bases	11.6					(125)	(125)
Independent Placements	11.7					(1,600)	(1,600)
Contingency for special schools in financial difficulty	11.8					(200)	(200)
Keeping children in local provision	11.9					(50)	(50)
Prior year adjustments	11.10	(220)		(220)			(220)
Schools Budget 2017-18 before adjustments to match resources available		731,027	13,923	744,950	73,241	105,847	924,038
Adjustments to match budget to resources available							
Reverse out inflation and apprenticeship levy	12.1	(11,330)		(11,330)			(11,330)
Adjustment to SEN Strategy Development Fund	12.2					(1,686)	(1,686)
Headroom to be allocated	12.3	1,206		1,206	6,501		7,707
Schools Budget 2017-18 after adjustments to match resources available		720,903	13,923	734,826	79,742	104,161	918,729
Estimated 2017-18 DSG				725,826	79,742	104,161	909,729
Use of carry forward				9,000	0	0	9,000
Total DSG Available				734,826	79,742	104,161	918,729
Difference				0	0	0	0

Breakdown of Schools Block	£000	£000
Primary and Secondary Budget Shares in APT	720,463	
New free school opening in 2017-18	440	
Central Budgets		
Former retained duties ESG		2,798
Admissions and Appeals		2,057
Boarding Pathfinder		52
Combined Services		
Family Support Workers		891
Lead Advisor to Virtual School		78
Miscellaneous		
Education of Children in Residential Care		30
Servicing of Schools Forum		40
DfE arranged Licences		894
Growth Fund		5,071
Falling Rolls Fund		2,012
Total	720,903	13,923