

17 January 2018

SCHOOLS BUDGET 2018-19

Report of the Operations Director, Education

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1. Purpose

- 1.1 To seek the support of the Forum for the 2018-19 Schools Budget proposals.

2. Summary

- 2.1 This paper covers the issues relating to the 2018-19 Schools Budget and in particular the following areas:-

- The 2018-19 DSG announcement;
- The budget pressures, savings and additional responsibilities;
- The deployment of funding from the DSG carry forward;
- The amount of available headroom.

3. Recommendations

- 3.1 The Forum is asked to support the budget proposals.

4. Background

- 4.1 Previous reports on the 2018-19 Schools Budget were considered at the September and November Forum meetings. The DfE has now announced the 2018-19 Dedicated Schools Grant (DSG) and also the data to be used to calculate 2018-19 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 2018-19.
- 4.2 Information on primary and secondary budget shares for 2018-19 has to be submitted to the DfE by 19 January 2018. 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 2018-19 Schools Budget.

5. Dedicated Schools Grant Announcement 2018-19

- 5.1 The 2018-19 DSG was announced just before Christmas.
- 5.2 The 2018-19 DSG is as follows; subject to future adjustments to the early years block to take account of census data from January 2018 and January 2019 and to the high needs block to update the import/export adjustment for the January 2018 census:-

	£m
Schools Block	
Primary (100,049 pupils @ £3,867.48 per pupil)	386.937
Secondary (66,030 pupils @ £5,076.19 per pupil)	335.181
Premises and Growth	17.191
Central School Services Block (166,079 pupils @ £34.64 per pupil)	5.753
Early Years Block	
3 and 4 year olds	
Universal Entitlement (18,900 pupils @ £3,066.60 per pupil)	57.959
Additional Hours (5,800 pupils @ 3,066.60 per pupil)	17.786
Nursery Schools Supplementary Funding	1.873
2 year olds (2,197 pupils @ £3,197.70)	7.027
EY Pupil Premium	0.598
EY Disability Access Fund	0.227
High Needs Block	107.790
Total	938.322

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. The schools block of DSG is ring-fenced for use on the schools block budget.

5.3 Schools Block

The schools block DSG allocation is calculated using the National Funding Formula (NFF). However, due to the timescale, the DfE does not recalculate the NFF budget shares using 2018-19 data. The schools block is calculated using average funding rates per pupil (for primary and secondary), derived from the NFF allocations published in the autumn and based on 2017-18 data. These per pupil funding rates are then multiplied by the pupil numbers from the October 2017 census to determine the schools block DSG.

The schools block is £1.5m less than previously estimated due to lower than projected pupil numbers. This is also reflected in a reduced cost of demography.

5.4 Central Services Schools Block

This is calculated by multiplying the total primary and secondary pupil numbers from the October 2017 census by the funding rate per pupil for the central services block. The actual allocation is £7k less than previously estimated, due to lower than projected pupil numbers.

5.5 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, 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 for 3 and 4 year olds are based on estimated pupil numbers for January 2018, while the other allocations are based on actual January 2017 pupil numbers. It is particularly difficult to estimate the pupil numbers for the additional 30 hours provision for 3 and 4 year olds with working parents. This provision only started in September 2017 and it is not clear how fast numbers will build up. Projected numbers of 3 and 4 year olds (for both the universal and additional entitlement) have been revised to take into account the latest available data.

The Early Years Block will be recalculated both in year and retrospectively to take account of actual early years' pupil numbers in the January 2018 and January 2019 censuses.

5.4 High Needs Block

The high needs block allocation has been calculated using the national funding formula for high needs. There has been an increase of £285k in the high needs block compared to the previously announced figure, as a result of updating the special school pupil numbers for the October 2017 census data. A further adjustment will be made to the 2018-19 high needs block allocation to update the import/export adjustment for the January 2018 census data.

(The DSG announcement does not take account of applications made by local authorities to vary high needs places in academies and colleges in 2018/19. These are still under consideration by the DfE. It is therefore unclear at this stage whether Hertfordshire's application to vary high needs places at several special academies and colleges will be agreed.)

6. Overall budget position

- 6.1 The main change to the budget position since the November Forum is a reduction in MFG protection of £1.2m compared to the previous estimate. This is primarily a result of the new funding data from the October 2017 census and in particular the new free school meals data. For several years the percentage of pupils entitled to free school meals has been falling but in the October 2017 census it has risen significantly (Further details are in the separate paper on this agenda about the primary and secondary funding formula.) After taking account of other changes, the amount of unallocated

headroom available in the schools block is £5.1m (an increase of £0.9m from the £4.2m estimated at the November Forum).

- 6.2 The additional £0.3m of high needs DSG results in a corresponding increase in the unallocated headroom in the high needs budget.

7. Use of DSG Carry Forward

- 7.1 The Forum has previously agreed the budget strategy for 2018-19. This strategy comprises:

- Setting the high needs and early years budgets at the level of their respective DSG blocks,
- Setting the central school services budget at the level of the central services block, plus the use of £0.9m of DSG carry forward to fund school family workers.
- Setting the schools block budget at the level of the schools block of DSG, plus the use of carry forward to fund the Falling Rolls Fund, prior year adjustments and the element of the 2018-19 budget shares covered by the MFG exception in respect of one off funding. In total these were previously estimated at £5.5m.

In a separate paper on this agenda it is proposed to introduce a cap on Falling Rolls Fund allocations.. This will reduce the cost of the Fund by approximately £200k. Taking account of this and updating for final 2018-19 budget share data the items to be funded by carry forward are as follows:

- the Falling Rolls Fund: £1.796m,
- Funding in budget shares equivalent to the value of the MFG exception agreed by the DfE for the use of carry forward: £3.133m;
- Prior year adjustments (the main element of which relates to the new free school which opened in September 2017): £0.285m

Total	£5.214m
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It is therefore intended to reduce the use of carry forward supporting the schools block budget to £5.2m.

The Schools Budget has been prepared on this basis.

- 7.2 It is anticipated that only a limited amount of DSG carry forward will be available to support the Schools Budget in 2019-20 and the Forum, at its November meeting, supported prioritising school family workers for the future use of carry forward. Thus some of the carry forward being used in 2018-19 will not be repeated in future years. Hertfordshire has been granted by the DfE a MFG exception to exclude the £3.1m of carry forward supporting the 2018-19 budget shares from the 2018-19 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 the element of budget share being funded from 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 2018-19	£m
Schools Budget 2017-18 as at S251	918.289
Changes in Responsibilities	6.828
Pressures	34.911
Savings	(4.746)
Schools Budget before reversing out inflation	955.282
Reversal of inflation	(21.215)
Headroom	10.346
Schools Budget 2018-19	944.413

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

8.2 Headroom – schools block

The total headroom in the schools block budget is £8.3m. Of this amount £3.2m is allocated to provide a 0.5% increase in per pupil funding factors. The separate paper on this agenda about the primary and secondary funding formula provides more details about how it is proposed to allocate the remaining £5.1m, following the consultation with schools.

8.3 Headroom – high needs block

There is headroom of £2.1m which will be added to the SEN Strategy Development Fund.

9. Uncertainties/Risks

- 9.1 There are a number of uncertainties/risks in respect of the 2018-19 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. If agreed this would increase the schools block headroom;
 - The DfE's response to the Authority's request to use high needs DSG for capital work to provide new alternative provision for primary pupils;

- The further adjustment to the high needs DSG block to update the import/export adjustment for the January 2018 data. This could be either positive or negative;
- The in-year and retrospective re-calculation of all elements of the early years DSG block, which could be either positive or negative;
- Several data issues at individual schools;
- The outcome of the Authority's application to make changes to funded high needs place numbers at colleges and special academies;
- The DfE's response next year to MFG exception requests for 2019-20. (If a request to remove one off funding from the MFG calculation is rejected, then this would make it more difficult to remove the remainder of the carry forward from budget shares without attracting some additional MFG protection.)

10. Central Budgets

- 10.1 The central budgets were agreed by the Forum in November. However, in the light of recent developments, the Forum is now asked to agree several changes to central budgets. These are covered in a separate paper on this agenda.
- 10.2 A listing of the 2018-19 central budgets for the schools and central services blocks (incorporating the changes that the Forum is asked to agree at this meeting) is shown in Annex A.

11. Conclusion

- 11.1 It is necessary to finalise the schools and central services block budgets at this point, in order to finalise the information on the primary and secondary funding formula which the DfE requires by January 19th and to set central budgets.
- 11.2 It will still be possible to make detailed changes to the high needs and early years block budgets, provided that these are within the overall totals for these budgets outlined in this paper. Further information about the high needs budget (including the planned use of the SEN Strategy Development Fund) and the early years budget will be brought to the February Forum meeting.
- 11.3 The Forum is asked to agree the recommendation in section 3.

Schools Budget 2018-19	Schools £000	Central Services £000	Early Years £000	High Needs £000	Total £000
Schools Budget 2017-18 (as at section 251)	727,546	6,840	79,742	104,161	918,289
Changes in Responsibilities					
Full year effect of additional hours for working parents			7,082		7,082
Funding for pupils in special units	659			(659)	0
Funding for post 16 social care costs				(146)	(146)
Lead adviser to the virtual school		(78)			(78)
Education of children in residential care		(30)			(30)
Pressures					
Inflation (including National Living Wage)	16,670	135	1,974	2,436	21,215
Demography	6,225		(1,319)		4,906
Additional special school places 2018-19				327	327
Additional top ups in special schools				193	193
Full year effect of 2017-18 increase in special school places				283	283
Additional college high needs places 2018-19				96	96
Top ups for high needs provision in colleges				115	115
Full year effect of 2017-18 increase in high needs college places				22	22
Rates	1,151		13	20	1,184
Growth in free schools	1,633				1,633
New free school opening in 2017-18	175				175
New free school opening in 2018-19	102				102
Growth Fund	315				315
Prior year adjustments	633				633
Licenses		33			33
Independent Placements				2,300	2,300
Provision of SEND support services				450	450
Full year effect (FYE) of top ups for high needs provision in colleges				174	174
FYE of increase for primary behaviour				255	255
FYE of increase for secondary behaviour				500	500
Savings					
Rates	(300)				(300)
Early Years Pupil Premium			(48)		(48)
Closing schools	(143)				(143)
Split site	(200)				(200)
LAC funding in budget shares	(177)				(177)
Minimum Funding Guarantee	(820)				(820)
Dual use sports hall	(53)				(53)
Bulge classes leaving	(315)				(315)
Falling Rolls Fund	(216)				(216)
Closure of Barnwell VI unit				(50)	(50)
Capital expenditure on increasing capacity in special schools				(2,200)	(2,200)
PNI designated schools				(103)	(103)
Boarding Pathfinder		(40)			(40)

Schools Forum budget		(10)			(10)
Appeals		(71)			(71)
Schools Budget 2018-19 before reversing out Inflation	752,885	6,779	87,444	108,174	955,282
Reversal of Inflation	(16,670)	(135)	(1,974)	(2,436)	(21,215)
Schools Budget 2018-19 after reversing out Inflation	736,215	6,644	85,470	105,738	934,067
Headroom					
0.5% increase in per pupil funding factors	3,171				3,171
Balance to be allocated	5,123			2,052	7,175
Schools Budget 2018-19 including headroom	744,509	6,644	85,470	107,790	944,413
Estimated 2018-19 DSG	739,309	5,753	85,470	107,790	938,322
Use of carry forward	5,200	891			6,091
Total DSG Available	744,509	6,644	85,470	107,790	944,413
Difference	0	0	0	0	0

Breakdown of Schools and Central Services Blocks	£000	£000
Schools block		
Primary and Secondary Budget Shares in APT	737,327	
Growth Fund	5,386	
Falling Rolls Fund	1,796	
Central School Services block		
Former retained duties ESG		2,798
Admissions and Appeals		1,986
Boarding Pathfinder		12
Combined Services		
Family Support Workers		891
Servicing of Schools Forum		30
DfE arranged Licences		927
Total	744,509	6,644

Changes in responsibilities

B.1 Full year effect of Additional Hours for 3 and 4 year olds

From September 2017 working parents are 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. This cost shown is the full year effect of funding this entitlement, after adjusting for an updated projection of take up.

Extra funding will be added to the Authority's DSG to reflect the full year effect of the cost of extending this provision.

B.2 Funding for pupils in special units

The DfE is changing the arrangements for funding special units in 2018-19. Pupils occupying special unit places will attract AWPUP and other pupil led funding through the schools block budget shares. Correspondingly, high needs funding for occupied special unit places will reduce from £10k to £6k per place. As a consequence there is a transfer of cost from the high needs to the schools block budget which will be matched by a transfer of DSG from the high needs block to the schools block.

B.3 Funding for post 16 social care costs

Funding for young people (16-19) care costs to be transferred to social care.

B.4 Lead Adviser to the Virtual School

It is proposed to transfer this budget to the County Council budget.

B.5 Education of Children in Residential Care

It is proposed to transfer this budget to the County Council budget.

Budget Pressures

B.6 Inflation (including National Living Wage)

This reflects the impact of the following:

- estimated 2% increase in teachers' pay,
- estimated 2.7% increase in local government pay, comprising a general 2% increase but higher increases for grades H4 and below in response to the National Living Wage (NLW),
- non pay inflation of 2% but with specific inflation increases for utilities.

B.7 Demography (Primary, Secondary and Early Years)

This constitutes the impact of changes in pupil numbers (excluding growth in free school numbers) on AWPUP and other pupil led funding in the schools and early years budget shares.

B.8 Additional special school places

This allows for an additional 56 places making a total of 2,302 funded places in special schools from September 2018.

B.9 Additional top ups in special schools

An increase in funding in the top up budget for additional placements above the funded number.

B.10 Full year effect of 2017/18 increase in special school places

The full year effect of the increases in special school places made in September 2017.

B.11 Additional high needs college places

This provides for an additional net 24 places from August 2018.

B.12 Top ups for high needs provision in colleges

An increase in the top up budget for current budget pressures as a result of increased complexity of need.

B.13 Full year effect of increase in high needs places in colleges

This is the full year effect of the increase in place numbers from September 2017.

B.14 Rates

Increases in rates costs including from inflation and revaluations.

B.15 Growth in free schools

The DSG will not take account of the additional cohort starting in free schools in September 2018. The Authority will, however, have to fund this cohort and this constitutes a budget pressure. The amount includes the new cohort at the free school which is expected to open during 2018-19.

B.16 New free school opening in 2017-18

One new free school opened in September 2017. This pressure constitutes the lump sum allocation for this school.

B.17 New free school opening in 2018-19

This pressure comprises the estimated part year lump sum of the free school scheduled to open in 2018-19.

B.18 Growth Fund

It is intended to increase the Growth Fund budget to reflect the new arrangements for recovering funding when a bulge class leaves, whereby the saving accrues to the budget shares rather than the Growth Fund.

B.19 Prior Year adjustments (excluding rates)

This pressure comprises:

- 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.

- providing for the 2017-18 funding of the new free school which has opened in September 2017. This will be recouped retrospectively by the DfE as part of the 2018-19 budget shares.

B.20 Licenses

The DfE has indicated that there will be an increase in the cost of licenses for schools.

B.21 Independent Placements

There are several components to this pressure:

- an increase in education placements: £960k
- an increase in the contribution to social care from DSG - this relates to placements of children with EHCPs whose needs could be met from in-county provision were it not for the social placement requirements. The number of these placements has increased to 70 whereas the contribution to social care has been calculated on a historic figure of 20 placements. The estimated average top up has also increased from £10k to £12k giving a total increase of £640k:
- an increase in the contribution to social care so that it includes the place funding of £10k (as well as top up funding) for the 70 placements: £700k.

B.22 SEND Support Services

This funding was agreed in 2017-18 from the Strategy Development Fund and is now to be incorporated in the support services budget

B.23 Full year effect of top ups for high needs provision in colleges

The full year effect of last year's budget pressure, relating to an increase in the number and complexity of high needs students in colleges and independent specialist providers.

B.24 Full year effect of increase for primary behaviour

The full year effect of the additional resource for primary behaviour which was provided for in the 2017-18 budget. This resource will only be committed when agreements are in place, whereby local areas assume the responsibility for providing behaviour support and alternative provision.

B.25 Full year effect of increase for secondary behaviour

The full year effect of the additional resource for primary behaviour which was provided for in the 2017-18 budget. This resource will only be committed when agreements are in place, whereby local areas assume the responsibility for providing behaviour support and alternative provision.

Savings

B.26 Rates

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

- B.27 Early Years Pupil Premium**
This saving reflects the slight reduction in the number of children eligible for the early years' pupil premium.
- B.28 Closing schools**
The Da Vinci schools in Stevenage and Letchworth closed in August 2017. The saving comprises the lump sum element of their budget shares for the period April to August.
- B.29 Split Site**
Hertswood has moved to one site and thus there is a saving on its split site allocation.
- B.30 Looked after children (LAC) funding in budget shares**
It is intended to reduce the LAC funding in budget shares by £400 per eligible pupil to reflect the increase in Pupil Premium funding for looked after children in 2018-19. The DfE has switched resource for LAC from DSG to the Pupil Premium.
- B.31 Minimum Funding Guarantee**
There is a reduction in the cost of the Minimum Funding Guarantee due to the impact of updating for 2018-19 data and the additional funding from headroom.
- B.32 Dual Use**
As part of its site moves, Hertswood school has ceased to operate its dual use sports hall.
- B.33 Bulge classes leaving**
The DfE has approved a pupil number variation to reduce budget shares to reflect the departure of bulge classes from September 2018.
- B.34 Falling Rolls Fund**
It is proposed to introduce a cap on allocations from the Fund which would result in a saving.
- B.35 Closure of Barnwell VI unit**
This unit has closed in August 2017. The saving shown is net of transitional funding for remaining pupils.
- B.36 Capital expenditure on increasing capacity in special schools**
The DfE has announced a new capital grant for high needs, to run for three years from 2018-19. Hertfordshire's allocation is approximately £2m per year. It is therefore intended to take the current revenue budget supporting high needs capital as a saving.
- B.37 PNI designated schools**
The separate funding allocation paid to PNI designated schools has been discontinued from September 2017.

B.38 Boarding Pathfinder

Currently free places have been negotiated and this budget is only required to provide additional support costs. It is therefore underspending and it is proposed to take a saving.

B.39 Schools Forum

The element of this budget relating to travel costs is underspending and it is proposed to take a saving.

B.40 Appeals

This saving relates to the conversion of schools to academy status, potentially including an increase in the charge to academies opting to buy back the appeals service.

Adjustments to match budget to DSG available

B.41 Reversal of pressure for inflation

The resources available are insufficient in most blocks to fund inflation. Also the Schools Forum has previously indicated that it does not favour the automatic funding of inflation without scrutiny of the business case. Therefore the pressure for inflation has been reversed out before calculating the headroom funding available.

B.42 Headroom

The headroom is calculated as the resource available after taking account of budget pressures and savings, except inflation. The increase of 0.5% in pupil led funding factors is the first commitment against the headroom in the schools block budget. It is intended to transfer the headroom amount in the high needs budget to the SEN Strategy Development Fund.