

Schools Forum – 27 March 2017

Schools Budget 2017-18

Recommendation

1. That the Schools Forum notes the content of this report.

Report of the Director of Finance & Resources

PART A

Why is it coming here – what decision is required?

2. The Schools Forum has a key role in the oversight of the Schools Budget.

Reasons for recommendation

3. To update the Schools Forum on the Schools Budget for 2017-18.

PART B

Central Provisions

4. The Schools Forum considered the indicative level of planned central expenditure for 2017-18 at its December meeting, giving approval to the budget provision for a range of areas, to enable the local authority to meet the DfE timescale of submitting individual school budgets to EFA in mid-January. This section of this report updates the Schools Forum with the final figures used within that approval.
5. There are four categories of centrally retained budgets within the Schools Budget:
 - De-delegated items
 - Central Services
 - Central Schools Expenditure
 - Education Functions (previously funded by the Education Services Grant)
6. De-delegated items are those which have been retained centrally to be managed by the local authority on behalf of its maintained schools following the vote of the Schools Forum. These amounts are transferred from the local authority to academies through the EFA and academies meet the related costs directly. In its annual vote on 4 October the Schools Forum voted to leave unchanged the areas which were de-delegated in 2016-17. Therefore, this funding will continue to be held centrally to meet these costs on behalf of maintained schools.
7. Central Expenditure Budgets were considered at the December 2016 Schools Forum meeting. In view of the risk to central budgets under the baseline exercise for the National Funding Formula, it was agreed that both the CERA (Compliance Testing) and Termination of Employment Costs budgets would be delegated. The table below includes the 2016-17 budgeted value, the indicative value discussed at the December meeting and the final value used to set schools budgets.

	2016-17 £	Indicative 2017-18 £	Final 2017-18 £
Admissions & appeals	786,050	786,050	786,050
Maintenance and servicing of Schools Forum	11,780	11,780	11,780
CERA (capital expenditure from revenue)	2,340,470	2,340,470	-
Prudential borrowing	924,130	924,130	924,130
Termination of Employment Costs	1,400,000	1,400,000	-
Combined Services			
Families First - Local Support Teams	1,448,000	1,448,000	1,448,000
Entrust - School Improvement Services	818,280	818,280	818,280
SEN transport	250,140	250,140	250,140
	7,978,850	7,978,850	4,238,380

8. Central Schools Expenditure areas are relatively limited and include:

	2016-17 £	Indicative 2017-18 £	Final 2017-18 £
Infant Class Size	95,000	95,000	95,000
Significant Pupil Growth / New school funding	750,000	500,000	500,000
Falling rolls fund	n/a	n/a	n/a
	845,000	595,000	595,000

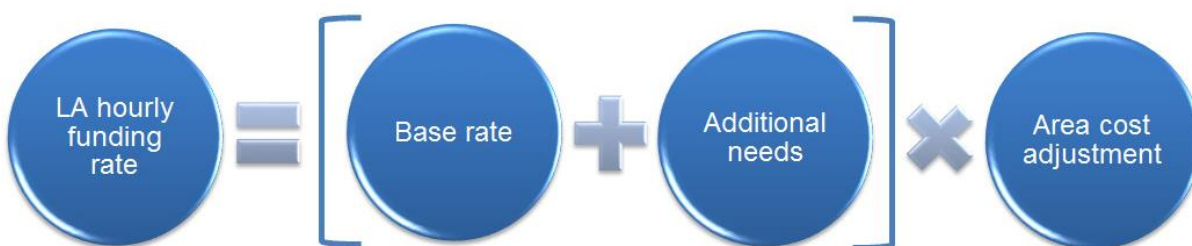
Individual School Budgets

9. This element of the schools' budget represents by far the largest part of the funding for the majority of schools. It is based on the formula that Cabinet approved at the beginning of 2014. Delegating the budgets for Termination of Employment Costs and CERA has added £34.55 to the basic per pupil level of funding.
10. At the January Schools Forum meeting, Maintained School members agreed to a levy of £46.64 to fund services previously funded by the general duties element of ESG, Termination of Employment Costs and CERA. Since this meeting, the budget for Termination of Employment Costs has been reviewed and reduced. This has led to a reduced levy of £35.70 per pupil being necessary. This reduction was approved by the Chairman of Schools Forum, the Director of Finance & Resources, and the Deputy Chief Executive & Director of Families and Communities.
11. There have been no other significant changes introduced into the funding system this year and the overall the level of funding available has remained constant with a cash flat grant settlement.
12. Individual Schools continue to be protected against significant reductions in funding per pupil through the national Minimum Funding Guarantee. This prevents schools from seeing more than a 1.5% reduction in funding per pupil. This protection will cost £3m in 2017-18, and has been largely funded by 100% cap on schools with gains.
13. A combination of a DSG cash flat settlement and the continued pressures on the High Needs funding block has resulted in no headroom within the Schools Budget funding block.

14. Prior attainment funding continues to be based on EYFSP and KS2 results as in 2016-17. However, as the 2016 KS2 assessments were the first to assess the new more challenging curriculum, a national weighting has been used to ensure this does not have a disproportionate effect on secondary prior attainment funding.
15. Members should be aware that some difficult decisions will be necessary in order to set the 2018-19 School Budgets. Transitional funding for ESG will cease in 2018-19, and this will mean a considerable increase in the ESG levy will be needed in order for the LA to continue to provide the same level of services. It is also likely that in 2018-19 there will not be enough schools with gains per pupil to fund the MFG. If this is the case, basic per pupil funding will need to be reduced to create the headroom to fund the MFG.
16. A summary of School Budgets for 2017-18 with a comparison to 2016-17 budgets has been included in Appendix 1. Sixth form funding has been excluded.

Early Years Funding

17. The Government has introduced a new national Early Years Funding Formula to replace the disparity in hourly rates paid to providers of 3 and 4 year old places by different Local Authorities.
18. The Early Years budget consists of the following areas of expenditure:
 - Pupils in Private, Voluntary and Independent (PVI) providers
 - Pupils in Primary schools
 - Pupils in Nursery schools
 - 2 year olds
 - Central expenditure
19. The new early years national funding formula allocates funding to local authorities for the existing 15-hour entitlement for all three and four year olds and the additional 15 hours for three and four year children of eligible working parents. It will consist of a base rate and an uplift for additional needs, based on measures of free school meals; Disability Living Allowance and English as an additional language.
20. The formula also includes an area cost adjustment multiplier to reflect variations in local costs. This will use the general labour market measure to reflect staff costs and the Nursery Rates Cost Adjustment (NRCA) to reflect premises costs.



21. The formula will include a minimum funding rate of £4.30 per hour to local authorities and all local authorities should be 'on formula' by 2019-20. Staffordshire County Council has been awarded the minimum national funding rate.

22. There will be a new Disability Access Fund (DAF) equivalent to £615 per child per year to support access to the free entitlements. This Fund will be for three- and four-year olds who are taking up their free entitlement and are in receipt of Disability Living Allowance.
23. The Early Years Pupil Premium (EYPP) will continue. In future, the government will review the delivery mechanism for the EYPP alongside the DAF.
24. Local authorities are required to pass 93% in 2017-18 then 95% from 2018-19 onwards of early years funding to providers. The early years funding central expenditure was approved by School Forum on 7 December 2016.
25. Currently, Staffordshire pays a variable hourly rate to different early years providers. The new national formula requires LAs to set a universal base rate for all providers by 2019-20.
26. Between December and January, Staffordshire completed a month-long consultation on those elements of the new formula where LAs have discretion and, based upon the consultation responses, have decided to change the hourly funding rate from April 2017. The rate for 3 and 4 year olds has been set at £3.85 per hour per child and this rate will also apply for 30 hour entitlements from September 2017. The rate for 2 year olds has been set at £5 per hour per child.
27. Local authorities must have a mandatory “deprivation supplement” but have discretion over the percentage of funding allocated. The current formula allocates 4%. The new higher universal base rate for all providers allocates approximately 2.5% for deprivation. The rates for deprivation have been set at:
 - a. An additional £0.20 (per hour/per child for every funded 3 and 4 year old in attendance) if between 10-32% of funded children reside in areas of disadvantage.
 - b. An additional £0.30 (per hour/per child for every funded 3 and 4 year old in attendance) if between 33-100% of funded children reside in areas of disadvantage.
28. An estimated 85.3% of providers will receive a higher rate than their current rate. Around 14.7% of providers (122 of 831) will receive a lower rate, with around a third of these down by around 3p per hour, based on our initial projections.
29. A contingency fund has also been set up to manage fluctuations in census figures from year to year of 1% for 3 and 4 year olds and 3.85% for 2 year olds. This will be reviewed in subsequent years depending upon take up of the scheme. This contingency is ring-fenced for Early Years.

High Needs Funding

30. The Schools Forum has a consultative role in the financial arrangements for pupils with Special Education Needs (SEN). Unlike in recent years there have not been any significant changes to the funding arrangements.

31. The number of high needs places commissioned has previously been submitted to the EFA each year which are considered against the overall level of funding available nationally. In 2015-16 the Department for Education agreed to roll over the September 2014 places to September 2015 and authorities were asked to submit bids where they could evidence exceptional growth in places. Staffordshire applied for funding for an additional 148 places but funding was only approved for 18 of these. In 2016-17 the EFA did not permit bids for growth in maintained schools. However, Staffordshire received an additional £1.354m from its share of the £92.5m national funding made available to fund the increased demand in top up funding caused by both an increase in pupils and the needs of those pupils. In 2017-18 the EFA have again not permitted bids for growth. However, the EFA have allocated £1.4m population based uplift to Staffordshire.
32. The Minimum Funding Guarantee continues to apply to special schools and prevents the top-up element of a schools' budget from reducing by more than 1.5% based on the same pupil numbers and profile of needs. Access to high needs funding for pupils in mainstream schools and early years settings remains unchanged. Over time with the introduction of education, health and care plans funding for high needs pupils will be linked to the outcomes detailed in the plans.
33. The budget has needed to deal with pressure on independent school fees. This cost is anticipated to be around £400,000 in 2017-18. This is as a result of growth of about 20% in independent special school places, with an average cost of approximately £31,500 per placement. This is partly the result of the outcome of SEND tribunal rulings placing children at these schools, and identified gaps in the authority's provision which will be addressed.
34. Pupil Referral Units (PRUs) continue to be funded as school-like entities on a place plus basis, the value of which is £10,000. One pupil referral units provides hospital-based tuition and receives a set payment to reflect these costs. The total budget allocation for hospital based tuition at a PRU setting is £184,000.
35. Following a review of the Post-16 high needs budgets for colleges and independent providers it was concluded that the budget is sufficient. However, there does remain a risk that there could be further pressure on this budget due to the impact of the SEND reforms which mean that young people up to the age of 25 are now able to access education which could increase the number of required places.
36. Staffordshire has two primary schools which have speech and language centres attached to their schools and receive a devolved budget to manage the costs. The funding is based on an agreed number of places at £10,000 per place. There is no top-up funding available. The number of places for 2017-18 remains the same as in previous years.
37. Due to the underfunding of High Needs, a contribution from the DSG balances continues to support the overall budget. The SEND review will be considering how this can be managed in the future, as unless Staffordshire receives higher funding from a new fairer funding system the situation is not sustainable in the long term.

Report author:

Author's Name: Will Wilkes
Ext. No.: 01785 278157
Room No.: Staffordshire Place 2, Floor 2

List of background papers:

Schools Forum 7 December 2016: Item 4 - Schools Budget 2017-18 Central Expenditure
Schools Forum 11 January 2017: Item 3 – Implementation of the Department for
Education's Education Services Grant Guidance