

MUNICIPAL YEAR 2016/2017 REPORT NO. 10

MEETING TITLE AND DATE:

Schools Forum 13th October 2016

REPORT OF:

Director of Finance, Resources &
Customer Services

Agenda – Part:

Item: 4e

**Subject: Schools Budget
2017-18**

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1. EXECUTIVE SUMMARY

- 1.1. This report provides an initial assessment of the Dedicated Schools Grant Resources (DSG) available for 2017/18 based on current information. The report then reviews the estimated pressures on these resources and determines and the overall budget position.
- 1.2. A more accurate position will be available at the December meeting when information from the October 16 census will be available and more accurate projections of income and pressures for 2017-18 will have been determined.
- 1.3. This information will be reviewed following the announcement of the DSG settlement for 2017/18 and publication of the October 2016 dataset which is expected in mid-December.

2. RECOMMENDATIONS

- 2.1 To note the contents of the report.
- 2.2 To note that updates on the 2017-18 budget position will be presented at the October 16 and January 17 meetings.

3. SCHOOLS BUDGET 2017/18

The final government funding announcements for 2017/18 have not yet been issued, however information is already available about the level of DSG funding for 2017/18. We know that funding will again be on a flat cash basis with per pupil funding remaining at the same rates with no inflation applied for the fifth year running.

The guaranteed unit of funding (GUF) for the schools block was announced in July and in August the DfE launched a consultation on the introduction of a national funding formula for the early year's element of the DSG from 2017/18. This enables initial projections of the level of DSG funding for 2017/18 to be calculated. The report then considers the budget pressures that have been identified and how these impact on the overall budget position.

3.1 SCHOOLS BLOCK

(a) Level of Funding

The introduction of a national funding formula has been postponed but as a preparation for this process the Education Funding Agency (EFA) carried out a DSG baselining exercise earlier this year to compare the use of DSG resources by block to the DSG funding allocations by block. The funding rates for 2017/18 reflect the outcome of this exercise and the GUF for Enfield is £5,050 per pupil.

The funding level has been adjusted to incorporate £838k of funding transferred to the DSG from the retained duties element of the Education Services Grant (ESG). The ESG is being discontinued and the responsibility for retained duties will need to be met from the DSG. Further information will be provided when the arrangements regarding the transfer of ESG are clearer.

The 2017/18 DSG settlement will not include any adjustment for the in year growth in free schools and academies from September 2017. These are all growing schools and the ongoing in year increase in pupil numbers will have to be funded from overall resources. This is an ongoing pressure on DSG resources.

(b) Proposed Formula Changes

(i) 6th Form Funding

The funding arrangements for 2017/18 no longer allow a 6th form factor so alternative ways of distributing this funding need to be considered. Options being considered are as follows

- Funding added to KS4 unit rate
- Funding added to KS3 and KS4 unit rates
- No adjustment to unit rates and MFG to provide protection for schools

Appendix A provides modelling to illustrate the impact of the first 2 options.

(ii) Unit Rates

No other formula changes are being considered at this stage, pending the implementation of the national funding formula but unit rates for 2017-18 will need to be reviewed to assess affordability when the DSG settlement and dataset are received. This may particularly be necessary for the IDACI and Prior Attainment factors where there will be changes to the dataset.

(c) Pro Forma

The EFA have lifted the requirement to submit a provisional funding pro forma at the end of October but the authority will be using this tool to build up the school budget position over the autumn term, pending the data set and DSG funding announcement expected in mid December. The local funding formula for schools will be reviewed and finalised based on affordability of the 2017/18 DSG settlement. The proforma (APT) detailing the final schools budget position for 2017/18 will be presented to schools forum at the January meeting prior to submission to the EFA by their required deadline of 20 January 2017.

3.2 EARLY YEARS BLOCK

At this stage the income and expenditure for early years is based on the latest 2016/17 position, pending the outcome of the Early Years consultation. DSG income for 3 and 4 year olds reflects the 2017-18 baseline position issued by the EFA and funding for 2 year olds is based on the latest 2016/17 DSG allocation.

3.3 HIGH NEEDS BLOCK

At this stage authorities have been advised by the DfE to assume the same level of high needs funding as 2016/17, adjusted for the outcome of the baselining exercise. The funding has been adjusted to incorporate a transfer of funding in respect of high needs college places which amounts to £102k. These places will now be funded from the DSG rather than direct funding to the colleges from the EFA.

There is expected to be an uplift to the High Needs Block in the December DSG announcement but no indications have been given about the level of additional resources that will be provided.

Appendix 2 gives an initial forecast of DSG resources for 2017/18 based on estimated October 2016 census data and growth in academies, compared to the latest DSG allocation for 2016/17.

4. PRESSURES & SAVINGS

4.1 SCHOOLS BLOCK

(a) Demographic Pressures

Estimated changes in pupil numbers have been reflected in both the income and expenditure allocations above. In primary there is estimated growth of 440 pupils and in secondary estimated growth of 170 pupils.

More accurate calculations will be made when we have internal data from the October 2016 census.

(b) Other School Factors

(i) Rates

5 schools have converted to academy status during 2016/17 which reduces their rates liability as they receive 80% mandatory relief. This has resulted in a reduction in rates funding of £504k. This reduction is slightly offset by the estimated inflationary increase in the cost of rates bills of £67k. 2017/18 is a revaluations year for rateable values so this could create a pressure if rateable values are increased. Updates will be provided when further information available.

(ii) School Amalgamations

At 2 schools the infant and primary schools amalgamated with effect from April 2016. In the first year following amalgamation the block funding element of

their funding is partially protected but with effect from 2017/18 they are only entitled to one block allocation for each amalgamated school which results in a saving of £277k.

(iii) Growth Fund

The demand on the growth fund for 2017/18 is still being assessed as officers project pupil numbers and determine the additional provision that will be required, At this stage it is assumed that the same number of new classes will be required in September 2017 as was required in 2016. The reduction of £180k included in the table reflects the completion of 3 permanent school expansions, reducing the funding required for in year pupil adjustments.

The authority has recently responded to a DfE consultation exercise regarding a change to the arrangements for funding new free schools. The consultation proposes that local authorities will have to fund these from the year of opening, whereas we currently fund from the second year. This is an additional risk being transferred to the authority as often information on pupil numbers can be uncertain in the year of opening and we will receive no additional funding to cover this additional cost. An update on the outcome of the consultation will be provided when this is available.

4.2 EARLY YEARS BLOCK

At this stage the income and expenditure projections for both 2 and 3 and 4 year olds has been based on the 2016/17 position, pending the outcome of the Early Years consultation. Details of the new funding arrangements will be provided at a future meeting.

4.3 HIGH NEEDS BLOCK

Based on the 2016/17 budget monitoring exercise several pressures have been identified which will have an ongoing effect in 2017/18.

(a) Exceptional Needs Funding

The number of Education, Health and Care Plans (EHCP) for pupils in maintained schools continues to increase and the level of support included in the plans is also increasing, reflecting an increase in the complexity of need.

The latest monitoring position for 2016/17 indicates an overspend of £300k based on changes during the summer term. The full year effect of these changes is £750k and this is reflected in the table above.

	Summer 2015	Summer 2016
Number EHCP	532	614
Average Level of Support (hours per week)	23.06	24.03

There will be further changes over the next 2 terms with new cohorts joining the education system and additional plans being agreed. Updates on the financial impact of these changes will be reported at future meetings as soon as data is available.

As the overall budget position is assessed, there is a need to consider the sustainability of the current arrangements for exceptional needs pupils. Enfield's arrangements are not in line with other local authorities, who only provide the top up funding for exceptional needs pupils. From the information published to date, going forward this arrangement will not be allowed when the national funding formula is implemented.

The local arrangement were reviewed a couple of years ago and the decision on implementation was postponed, but now there may be a need to reconsider the previous decision regarding implementation.

(b) Outborough SEN Placements

Although the authority is working hard to develop more in borough high needs provision, as detailed in the High Needs Report, there is an ongoing pressure on the outborough placements budget as pupils are placed in specialist day and residential provision. The latest monitoring position for 2016/17 indicates an overspend of £624k to the end of August. If this trend continues the estimated full year effect will total £1.3m. The position will continue to be closely monitored and updates of the position will be brought to future meetings.

(c) Special School Places

As detailed in the High Needs Report, 2 special schools, Durants and Waverley, have been expanded during 2016/17 to admit additional pupils. The 2017/18 cost of these expansions is as follows

- Durants £115k (5 places)
- Waverley £480k (13 places Sept 16 increasing to 24 places Sept 17)

(d) High Needs College Places

The pressure included in the table above reflects the transfer of responsibility from the EFA to the local authority for these pupils

4.4 CENTRAL SERVICES

Central services funded from the DSG continue to be funded on a flat cash basis less any savings agreed during the 2016/17 budget setting process. Any pressures or savings relating to central services have not been included in the above table are subject to a separate review exercise.

5. DSG BALANCES

As reported in the 2015/16 Outturn Report, the DSG balance brought forward at 01 April 2016 was £1.204m of which £1.060 is already earmarked for specific projects as detailed in the 2015/16 Outturn Report. This leaves an uncommitted balance of £144k available.

The £800k autism fund is committed to fund the adaptation works at Durants, the 2016/17 cost of the Waverley expansion and the balance of funding for the autism advisory provision. There is a remaining balance of just under £100k.

The DSG monitoring position to the end of July indicated an overspend of £29k which will be funded from this uncommitted balance. Due to ongoing high needs pressures this

overspend is likely to increase during the financial year. Any overspend on the 2016.17 DSG will be funded from the 2017/18 allocation.

The DSG will continue to be closely monitored and updates on the updated outturn position will be brought to future meetings.

6. RISKS & UNCERTAINTIES

At this early stage there are still a number of uncertainties in respect of the 2017/18 budget. These include

- 2016/17 Outturn position
- Outcome of recoupment consultation exercise
- The final 2017-18 DSG settlement, particularly in respect of High Needs
- Outcome of Early Years consultation exercise and 2017-18 funding
- Pupil data from the October 16 (schools) and January 17 (early years) census
- Discontinuation of the general element of the ESG from September 2017

Updates on all these issues will be included in future reports as soon as information becomes available.

Draft DSG and Budget 2017/18

	£'000
2016/17	
Latest Allocation from DfE (pre recoupment)	307,062
EFA Funded HN Places	1,234
Latest DSG Funding 2016/17 (July 16)	308,296
Early Years Pupil Premium	169
TOTAL DSG Funding 2016/17	308,465
2017/18 Estimated DSG	
Early Years (3-4 Year Olds) – Jan16 Census	13,644
Early Years - 2 year olds – Jan16	4,444
Schools (5-15 Year Olds) – estimated Oct 16 census	253,815
High Needs Block (indicative 2017/18)	40,320
Estimated DSG 2017/18	312,223
Early Years Pupil Premium	169
TOTAL Estimated DSG Funding 2017/18	312,392
Estimated Variation in DSG	3,927
(ESG trf 838, HN College trf 102, Pupil Nos 2,987)	
Known Pressures/ Saving:	
Early Years	
Early Years - 3 and 4 year old provision – tbc	0
Early Years - 2 year old provision – tbc	0
Schools Pressures	
Pupil Numbers – Est Oct 16 Census	2,900
Academy Growth	1,280
Retained Duties Element of DSG	838
Rates	-437
School Amalgamations – reduced Block Funding	-277
Growth Fund	-180
High Needs Pressures	
Special School Places	595
Exceptional Needs	750
Outborough SEN Placements	1,300
High Needs College Placements	102
Total Pressures	6,871
Total Projected Budget Deficit	2,944