

FINANCE UPDATE

REPORT OF THE COUNY TREASURER AND CHIEF OFFICER FOR CHILDREN'S SERVICES

Recommendations

It is recommended that DEF:

- a) Note the Dedicated Schools Grant (DSG) 2017-18 announcement on 20th December 2016 as set out in sections 1
All to note
- b) Note the Schools Block, High Needs Block and Early Years funding for 2017-18 as set out in section 2 to 4
All to note
- c) Schools Forum is asked to approve funding for these statutory retained services as set out in section 5
All to vote
- d) Note the Apprenticeship Levy and Other Schools Grants for 2017-18 as set out in sections 6 & 7.
All to note
- e) Note month 8 DSG monitoring position as set out in section 8
All to note

Dedicated Schools Grant 2017/18: Budget Planning

1. Introduction

On the 20th December 2016 the Education Funding Agency announced the Schools Funding allocations for 2017/18.

There are no significant changes in approach from 2016/17, although the per pupil funding rate has been increased by £3.89 (as announced in July 2016) to take account the realignment of the baselines ahead of the National Funding Formula and Retained ESG duties.

The notional blocks are set out in Table 1 below. Note that the final allocations will be adjusted through the year for recoupment academies and the updated early year's census. Individual maintained school budget allocations will be confirmed by 28th February 2017 following ratification by the EFA; Academies will receive their notifications directly from the EFA

Table 1: Notional Block Allocation at 20th December 2016

	Per pupil funding rate	No of pupils	2017/18 Allocation £m	2016/17 Final Allocation £m
DSG Schools Block				
Schools budgets, including Academies	£4,349.62	89,340	388.595	382.707
Induction for Newly Qualified Teachers			0	0.128
Notional Block Total			388.595	382.835

	Per pupil funding rate	No of pupils	2017/18 Allocation £m	2016/17 Final Allocation £m
Early Years Block				
3 & 4 year olds	£2,451.00	10338.61	25.340	22.403
3 & 4 year olds additional 15hrs	£2,451.00	2273.6	5.573	0
2 year olds	£2,964.00	1715.06	5.083	4.299
Maintained Nursery School				
Supplementary Funding			0.117	0
Disability Access Fund			0.129	0
Early Years Pupil Premium			0.304	0.425
			36.546	27.127

	2017/18 Allocation £m	2016/17 Final Allocation £m
High Needs Block		
Baseline allocation	63.481	60.395
Deduction for direct funding of high needs places by EFA	(6.174)	(4.718)
	57.307	55.677

Total DSG settlement	482.448	465.639
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2. Schools Block

The Dedicated Schools Block allocation for 2017/18 is £388.6m, which is an additional funding of £5.76m from 2016/17. As mentioned above this is in part due to the rise in per pupil funding as the authority has seen a rise in pupil numbers, mainly within the primary sector.

With consideration of the revised local formula factors per the new underlying data the schools block has additional funding available to meet the High Needs Pressures without affecting growth and inflation.

The consultation back in October highlighted there was a need to transfer £55 per pupil funding from Schools Block to High Needs Block to recognise budget pressures for High Needs. Due to work undertaken by the Task Group along with work with the budget holders a paper will be presented to Cabinet on 11th January 2017 recommending that Cabinet approve the transfer of £2.22 millions funding from Individual Schools Budgets to the High Needs budget. This being a reduction in the Age Weighted Pupil Unit (AWPU) of £33.

162 schools will receive Minimum Funding Guarantee (MFG); this compares to 76 in 2016/17 although note that 51 of these receive MFG of less than £3,000 (or in other words, less than one pupil's worth of AWPU)

3. High Needs Block

The EFA has identified an additional £130m nationally for high needs funding, and Devon's share of this is £1.5m. The high needs block is under considerable budgetary pressure in 2016-17, and before any management action or identification of savings the total additional budget requirement for 2017/18 is £4.721m.

At the time of writing, using the latest information available, it is expected that High Needs will be overspent at outturn for 2016/17 by £4.3 millions.

Within the EFA Schools Funding allocations announced on the 20th December 2016 for 2017/18 the High Needs block has increase by £1.514 millions (£514,000 more than anticipated).

When further plans to contain spending are taken into account, the Officers' recommendation to Cabinet on 11 January 2017 indicate that a permanent injection of £2.22 millions is needed in the 2017/18 budget to bring the expected deficit down to zero by outturn 2018/19 – i.e. to pay back the expected carried forward overspend over the next 2 years.

This is lower than the limit figure of “up to £4.5 million” proposed to DEF which translated to a reduction of £55 in the Age Weighted Pupil Unit (AWPU). The transfer of £2.22 millions translates to £33 reduction in AWPU.

A verbal update to the Cabinet decision will be given at Devon Education Forum.

4. Early Years Block

A new early years national funding formula for 3 and 4 year olds was announced on 1 December 2016 after consulting nationally through April and June 2016.

The new formula allocates funding to local authorities for the existing 15-hour entitlement for all 3 and 4 year olds and the additional 15 hours for 3 and 4 year old children of eligible working parents. The funding rates for both entitlements are the same.

Funding in 2017-18 for the additional 15-hour entitlement (the 30 hour childcare policy) is for part of the financial year, reflecting the fact that this policy begins in September 2017.

From April 2017 Devon will be funded £4.30 per hour for 3 and 4 year olds (national average of £4.78) and £5.20 for 2 year olds (national average of £5.39).

As a result of the current increase to the funding, the authority seek agreement to the following proposals

- increase the hourly provider rate for 3 and 4 year olds from April 2017 to £3.98 and when the 30 hour entitlement commences in September 2017
- increase the hourly provider rate for 2 year olds from April 2017 to £4.90

5. Education Services Grant

In the 2015 spending review, savings of £600m from the ESG general funding rate by 2019-20 were announced. This will now be removed in one stage, from September 2017 with the local authority receiving transitional ESG funding from April – August 2017.

The ESG transitional grant funding rate for local authorities is set at a financial year rate of £66 per pupil in mainstream schools, £280.50 per place in special schools and £247.50 per place in pupil referral units (PRUs). As the grant is for the period April to August 2017, the rates to be paid are 5/12ths of the financial year amount – £27.50 per pupil, £116.88 per place and £103.13 per place respectively.

From 2017-18 funding previously allocated for ESG retained duties (equivalent to £15 per pupil) will be included within the schools block. The authority shall top-slice the £15 per pupil for maintained schools to cover the statutory duties by the local authority.

The new arrangements mean that schools forum needs to approve the retention of schools block funding for these duties funded by ESG Retained duties rate.

The LA has experienced considerable reduction in funding (nearly 40% in real terms) and has made £174m savings over the last 5 years. We will have to find at least a further £86m over the next 4 years.

5.1 Recommendation

Schools Forum is asked to approve funding for these statutory ESG retained services
All to vote

6. Apprenticeship Levy

The Apprenticeship Levy was announced in the Summer Budget 2015 and the Autumn Statement 2015. The announcement stated it would come into effect in April 2017. The Government are promoting the creation of apprenticeships in organisations of 250+ employees where a 0.5% levy is to be taken from these organisations' payroll bill.

Maintained Schools will form part of the local authority category and therefore will be required to fund their proportion of the total payroll bill and calculated using NOR. This will also mean that Multi-Academy Trusts will be liable for the levy.

A separate item on the DEF agenda DEF/17/04 will provide more detail on the levy.

7. Other Schools Grants

Pupil Premium

The funding rates for Pupil Premium remain the same as for 2016-17 and the illustrative budget is as per 2016-17. Allocations for 2017-18 are expected to be announced by the EFA in June 2017.

Universal Infant Free School Meals (UIFSM) Grant

The grant for universal infant free school meals (UIFSM) continues at a meal rate of £2.30 for the 2017 to 2018 academic year. We will be notified of further details by the EFA in the new year. The illustrative budget is based on the latest available data for 2016-17.

PE & Sports Grant

No change is expected for 2017-18. The illustrative budget is based on the latest available data for 2016-17.

School Improvement monitoring and Brokering Grant

This was announced on 30 November 2016. This grant of £30 million (pro rata of £50 million per annum) will be allocated to local authorities from September 2017. Local authorities will receive an allocation of at least £1,800 per the number of maintained schools in their authority as at September 2017, subject to a total minimum allocation of £50,000 for each authority.

8. Month 8 DSG budget monitoring position

- 8.1** Since completion of the month 8 report the DSG settlement has been received and it is clear that we will not receive any uplift to the High Needs that already received for 2016-17. The Month 8 report included an additional £1m uplift which we will now not be receiving and therefore outturn forecast will be £4.3m as opposed to the £3.3m reported at that time. For clarity the following section has been amended to reflect accordingly.
- 8.2** The Month 8 forecast for the DSG is an overspend of £924,000. DEF and Cabinet have approved the £29.13m in carry forward from 2015/16 (£21.2m of which is schools balances) and has been included as budget for 2016-17.

Table 2: Summary of Month 8 forecast position and major variations:

Education and Learning (DSG)							
	Final Approved Net Budget £'000	Mth 8 Net Spend £'000	Forecast at Mth 8 £'000	Variance before MA £'000	Mgt Action £'000	Variance after MA £'000	Movement from previous month £'000
Schools delegated budget	262,306	165,888	262,302	(4)		(4)	0
DSG and School funding	(335,957)	(227,909)	(335,669)	288		288	0
De-delegated budgets	5,812	2,914	4,814	(998)		(998)	(56)
Total DSG/delegated budgets	(67,839)	(59,107)	(68,553)	(714)	0	(714)	(56)
Central Provision within Schools Budget	6,555	2,195	4,649	(1,906)		(1,906)	(226)
High Needs Funding	60,600	40,649	64,918	4,318		4,318	(404)
Early Years & Childcare Services	29,810	18,749	29,036	(774)		(774)	3
Total DSG central budgets	96,965	61,593	98,603	1,638	0	1,638	(627)
Overall Net DSG budget	29,126	2,486	30,050	924	0	924	(683)

8.3 Schools and de-delegated budgets

The DSG schools block budget is based upon pupil numbers as at the October 2015 census. It also includes the Pupil Premium Grant and will include adjustments to the budgets in year to reflect Academy Recoupment. Based on final pupil numbers and High Needs Place adjustments, the DSG allocation including 2 year old funding for 2016/17 is £335.96m

De-delegated budgets are forecasting an under spend of £998,000 due to anticipated savings against a range of services; however, this does include rates rebates of £528,000. This is offset in part by a projected reduction in the Early Years funding at the January 2017 census of £288,000.

8.4 Central Provision within Schools

The issue of providing revenue funding for “basic need” growth and diseconomy costs of new schools is well rehearsed. A ring-fenced carry forward to 2017/18 of £1.67m in respect of projected growth over the next few years, explains the forecast under spend.

The remaining central provision budgets are currently projecting to have an under spend of £232,000, of which £90,000 relates to MFEP funding now sitting under the Central block (previously reported under High Needs)

8.5 Early Years

A projected underspend of £774,000 for outturn is due to unallocated budget (savings) against 3 and 4 year old provider payments plus a reduction in payments of £305,000 for 2gether funding through a decrease in numbers per the latest DWP data.

The carry forwards from 2015/16 of £286,000 have been allocated as agreed previously. However, the carried forward for delay in 2 year reduction is no longer required and budget was vired to the High Needs block as part of Management action to help offset significant funding pressures

8.6 High Needs

Table 3 shows the High Needs budget is currently forecasting to over spend at year end by £4.32m for 2016/17. It is likely this adverse variance will need to be carried forward in to 2017/18.

Despite management action of £1.9m (included in forecasts above), the growing demand on services continues to exceed the funding allocated. The main factors behind the increased costs are:

- High cost placements in the independent sector
- Expansion of the Maintained Special schools to meet demand
- Increasing costs and numbers of personalised education packages, EHCPs and MyPlans
- Increased exclusions
- Demand for Medical AP and independent hospital placements

Table 3: Summary of High Needs budgets and forecast position as at Month 8

Activity Description	Base budget 2016/17 after recoupment	C/fwd from 15/16	Revised Net budget at month 8	Forecast spend at outturn	Current Month Variance	Movement from Previous Month
Alternative Provision incl Hospital school	1,922	130	2,052	2,514	462	233
LDP Inclusion & Safeguarding	3,267	7	3,274	3,180	(94)	(59)
Nursery Plus	1,164	15	1,179	1,163	(16)	0
SEN Mainstream	11,383	892	12,275	11,751	(524)	202
SEN Services	1,219	0	1,219	1,219	0	0
Independent Sp.Schools & Recoupment	12,343	0	12,343	14,588	2,245	(754)
Decrease in Assumed Additional Uplift	0	0	0	1,000	1,000	1,000
Maintained Special Schools	23,422	1,897	25,319	26,400	1,081	(26)
Early Help	236	231	467	467	0	0
MFEP	0	0	0	0	0	0
Support Centres and PSPs	2,172	300	2,472	2,636	164	0
TOTAL	57,128	3,472	60,600	64,918	4,318	(158)

8.7 Carry Forward decisions

Carry forward decisions would not normally be dealt with until much later, but in this instance, it is recommended that a proposal is taken to DEF at its meeting on 15th March, by early March the outturn position will be far more certain than at present

The carry forward of a deficit in the Central Expenditure element of DSG can be proposed by the Local Authority but is decided by the Schools Forum (DEF). If it is not approved it can be adjudicated by the Secretary of State.

In previous years, a decision by DEF has not been needed as the Central Expenditure element has been in overall surplus.

8.8 Recommendation

Schools Forum is asked to note the update as set out in section 10 above

All to note

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