

Schools Funding Settlement and Budget Proposals for 2016-17

Purpose of report

1. To outline the detail of the schools funding settlement for 2016-17 and to consider the implications for the Wiltshire schools budget.
2. To present budget proposals for 2016-17 for the overall schools budget including cost pressures and savings proposals.

Background

3. The Department for Education (DfE) published the 2016-17 financial settlement for schools on 17th December 2015. The settlement includes details of:
 - The Dedicated Schools Grant
4. A link to the details of the DSG settlement can be found [here](https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2016-to-2017).
(<https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2016-to-2017>)
5. No detail has been received in relation to maintenance funding or Devolved Formula Capital.

Main considerations for Schools Forum

The Pupil Premium

6. The pupil premium is to be continued in 2016-17, with the rates protected at:
 - a. Primary pupils who are currently eligible for free school meals or have been eligible in the past 6 years (FSM 'Ever 6') will attract £1,320 and secondary FSM 'Ever 6' pupils will attract £935.
 - b. Looked-after children and eligible pupils who have been adopted from care or leaving care under a special guardianship or child arrangements (formerly known as residence order) will attract a premium of £1,900.
 - c. The service premium will be paid to schools at the rate of £300 per pupil.
7. Based on the January 2016 census data it is estimated that the total pupil premium grant allocated to Wiltshire schools will exceed £14 million in 2016-17.
8. As in previous years it is proposed that the DfE school by school figures (using January 2015 census data) will be used on the funding certificates to give a provisional allocation for each school and these allocations will be updated when the final allocation is received during the financial year.

The HCSS Forward Planning Software will be updated with estimated rates for future years.

Dedicated Schools Grant – Overview

9. A one year settlement has been allocated for 2016-17 and so no indication of future years funding has been received. There has been an announcement about a proposed National Funding Formula, for the 2017-18 financial year. At this stage, the consultation on the proposed National Funding Formula is still awaited but is due out in the spring of 2016. This was announced as part of the Chancellor’s Comprehensive Spending Review in late 2015.
10. It was confirmed in a written ministerial statement issued on the 16th July 2015 that the extra £390 million fairer funding uplift would continue into 2016-17, in effect base lining the £390 million extra funding. This equates to the £5.7 million additional fairer funding awarded to Wiltshire for 2015-16 continuing to be built into the base funding for 2016-17.
11. The DSG has been allocated in three separate blocks for 2016-17, the blocks are not ring fenced. The total provisional DSG allocation for Wiltshire is £311.246 million broken down as follows:

DSG Funding 2016-17	£m
Schools Block – final allocation based on October 2015 school census	260.156
Early Years Block – provisional allocation based on January 2015 census	18.988
High Needs Block – allocation based on baseline 2015-16 data agreed with EFA (see para’s 14-18 below)	32.014
Addition non-block funding (NQT)	0.088
Total	311.246

12. The settlement appears to represent a cash decrease of £1.751m compared with 2015-16 however there are a number of upward and downward adjustments which are detailed within the body of this report.
13. The Early Years block will be updated after the start of the financial year for the January 2016 census and again after the end of the financial year for the January 2017 census.
14. The final value of the High Needs Block will be confirmed in March 2016. Values have been adjusted for placements in non-maintained special schools (NMSS) and for final numbers of post-16 placements, funded directly by the EFA.
15. The manner in which the DSG is reported this year has been amended, in particular the High Needs Block and therefore there needs to be some caution exercised when making comparisons. The EFA are reporting the net DSG High Needs allocation, after taking account of all of the places and funding which they will pay directly to institutions in 2016-17.

16. The true DSG High Needs Block before the deductions for their direct funding is £38.131million. If this were reflected in the table for comparative purposes, the funding position would appear as below.

	16-17 £m	15-16 £m	14-15 £m
Schools Block – final allocation based on October 2015 school census	260.156	256.535	249.094
Early Years Block – provisional allocation based on January 2015 census	18.988	18.988	16.027
High Needs Block – allocation based on baseline 2015-16 data agreed with EFA (see para 17 below)	38.131	37.385	37.120
Addition non-block funding (NQT)	0.088	0.089	3.349
Total	317.275	312.997	302.241

17. The breakdown of the final High Needs Block allocation awarded to the LA is set out below;

2015-16 Final Block Allocation		37.385
Exceptions Process - extra places summer term	0.063	
Change from residency to location basis – NMSS	-0.140	-0.077
Indicative High Needs Block 2016-17		37.308
Additional High Needs Top-Up Funding (para. 39)		0.823
High Needs Block prior to deductions		38.131
Recoupment Academies - Post-16 SEN places	-3.786	
Special Academies – Pre and Post-16 places	-1.970	
Free Schools – Pre-16 places	-0.004	
Maintained Special Schools – Post-16 places	-0.350	
Maintained Schools – Post-16 places	-0.006	-6.116
High Needs Block after deductions		32.014

18. Additional funding for the High Needs Top Up funding of £0.823m has been awarded and included in the table above.

19. More detail is provided on each of these items outlined above later in this report.

20. A minimum funding guarantee (MFG) of 1.5% is to be applied to the delegated schools budget meaning that no school has a reduction in funding of more than 1.5% per pupil before any pupil premium is added. Schools Forum has previously agreed that the cost of the MFG will be met through limiting the gains for those schools who would receive increases in funding through the new funding model. Limits to gains are also applied on a per pupil basis.

Early Years Block

21. The Early Years block largely funds the Early Years Single Funding Formula (EYSFF) which allocates funding to early years providers, including nursery classes within maintained schools and academies, for the provision of the free entitlement for 3 and 4 year olds. The provisional allocation of funding is based on the January 2015 census and therefore includes no funding for increased take up, or demographic growth. The DSG settlement will be adjusted once the January 2016 early years census data has been verified.
22. There are risks associated with the Early Years estimate as it is difficult to accurately project the take up of places based on the January census. It is recommended that any increase in DSG arising from the January early year's census is allocated to the EYSFF budget to support increases in population and take up of places.

Early Years Block – Agreed at Schools Forum March 2015

3&4 Year Old Funding

23. At Schools Forum's meeting in March 2015, changes to the funding values were proposed and agreed to the EYSFF for 3 & 4 year olds. The DfE had made it clear that it is for LAs to agree an hourly rate with providers.
24. The current levels of funding were unaffordable and therefore it was agreed to have a transition arrangement whereby the rates were moved towards a single funding rate. The agreement was that the prevailing 2014-15 rates would be reduced from September 2015 and then reduced to a single rate from April 2016. The rate changes are detailed below;

	1st April 15	1st Sept 15	1st April 16
Childminder	£6.50	£5.16	£3.81
Private	£3.71	£3.76	£3.81
Voluntary	£3.71	£3.76	£3.81
Independent	£3.71	£3.76	£3.81
Maintained	£4.04	£3.90	£3.81

2 Year Old Funding

25. In 2013-14 and 2014-15 Wiltshire had funded 2 year old places at an hourly rate of £5.43. The rate was set at a level higher than the funding allocation on the basis that there would be approximately 92% take up of places.
26. In October 2014, the DfE published funding rates for the early education entitlement for 2 year olds and the rate for Wiltshire has been confirmed as £4.97 per hour.

27. From April 2015 the funding of places moved to a full participation model meaning that LAs are funded on actual take up of places and Wiltshire implemented the rate of £4.97 per hour.
28. In 2016-17 initial funding for the two-year-old programme will be allocated to local authorities in June 2016 using the January 2016 census data. To make sure local authorities are accurately funded as the take-up of the entitlement increases over the year, the DfE will use a mid-year second data count in the autumn term to adjust funding in-year to reflect any significant increases in take-up of the entitlement.

Schools Block

29. The schools block has been set at £260.156 million which is an increase of £3.621m on the 2015-16 funding level. The increase is accounted for by the pupil growth of 841 pupils in Wiltshire from;
 - 2015-16 – 59,626 pupils
 - 2016-17 – 60,467 pupils
30. The removal of schools from the CRC scheme is intended to be cost neutral to the Exchequer. A deduction has therefore been made from the DSG for 2016-17 to compensate the Exchequer for the loss of revenue resulting from local authorities no longer needing to meet the costs of purchasing carbon credits for schools under the scheme.
31. Modelling work is now being undertaken to calculate individual school budgets in order to meet the EFA deadline of 21st January 2016 and an update will be brought to the Schools Forum meeting. Currently the following assumptions are being made:
 - a. Age Weighted Pupil Unit (AWPU) rates reflect the increases from the Fairer Schools Funding, as previously agreed with Schools Forum;
 - b. Lump sum allocations are unchanged at £85,000 for primary schools and £175,000 for secondary schools;
 - c. Total funding allocations for English as an Additional Language (EAL), Prior Attainment and Deprivation remain unchanged and funding rates are scaled accordingly;
 - d. Costs of the MFG are met through limiting the increases to schools gaining from the formulaic changes.
32. Initial modelling indicates that the schools budget is affordable with these assumptions. However the numbers of pupils eligible for free school meals, and pupils with English as an additional language, have increased and so unit rates for these pupils have reduced. The pupil numbers with low attainment have fallen so unit rates for these pupils have increased. An alternative approach would be to leave unit rates for EAL, FSM unchanged but this would need to be funded through reductions in the AWPU.

33. Further detail of the overall delegated budget will be discussed at the meeting and Schools Forum will be asked to confirm the assumptions to be applied within the calculation of the delegated budget.

Schools Block – Growth Fund

34. At the December 2013 meeting Schools Forum confirmed the criteria for the Pupil Growth Fund which has been held centrally since April 2013. Wiltshire's Growth Fund has been confirmed as compliant with the EFA and no changes to it are being proposed. A separate report relating to the Growth Fund will be presented to Schools Forum.

Schools Block – Falling Rolls Fund

35. Since 2014-15, the regulations allow for local authorities to top slice DSG to provide a targeted fund to support schools with falling rolls if they meet certain criteria. The requirement for any school accessing funding to be judged Good or Outstanding is mandatory but authorities may agree other criteria to allocate funding to schools within their area.
36. Schools Forum previously considered the merits of a Falling Rolls Fund in January 2014 and concluded that it would not implement a Falling Rolls Fund to support schools with a falling roll and consequently opted not to develop a Falling Rolls Policy.

High Needs Block

37. The High Needs Block covers expenditure on provision for pupils and students with high needs from ages 0 to 25 and support services for pupils covering early year's provision to FE college provision. The responsibility to fund provision for students in FE colleges and Independent Specialist Providers (ISPs) up to the age of 25 years is a new responsibility for local authorities and funding was transferred in to DSG for 2013-14 to support this, based on previous learner numbers. The high needs block also covers the cost of alternative provision and hospital education services.
38. The allocation of the high needs block is based on agreed planned place numbers and historical spend rather than on specific school census data. The final High Needs Block allocations will be notified in March 2016.
39. The final funding arrangement announced for 2016-17 confirmed the provision of an additional £92.5 million for the DSG High Needs Block. Wiltshire's share of the £92.5 million is £0.823 million, as detailed in the table at paragraph 17. The additional funding is in recognition of the significant cost pressures within the High Needs sector nationally. This is very welcome funding but will not address all of the funding issues in the High Needs block.
40. In line with Schools Forum's principle's, it is proposed that the additional funding will be allocated wholly to the High Needs Block.

Wiltshire High Needs Provision

41. A basket of cost savings proposals was presented to Schools Forum in March 2015, which were approved for implementation in the 2015-16 financial year. The most contentious of these proposals was the recoupmnt of place funding for unfilled high needs places in both Resource bases and ELP provisions.

42. Members of the SFWG and Schools Forum are familiar with the journey for this recouplement and have been ultimately very supportive throughout the process. During the 2015-16 year, the EFA have enabled authorities to revise the numbers of High Needs places for the 2016-17 academic year. This will ensure that Wiltshire retains the majority of its High Needs places, whilst minimising the number of unfilled planned places.
43. As in 2015-16 it is proposed that the budget for High Needs be set at the level allocated within the funding settlement.
44. Given the current cost pressures within the high needs block, further modelling and work is being carried out, looking at all areas of the service. There is an underlying assumption that changes and services must be managed within the existing budget level.

Overall Schools Budget

45. It is proposed that the overall schools budget be set at the level of the provisional funding allocation of £311.246 million, with further adjustments to be made once notification is received of any further adjustment to the Early Years and High Needs blocks.

DSG Reserve

46. A reserve of £1.490 million is currently held arising from underspends in previous years.

<u>DSG Reserve 2015-16</u>	
Balance b/f from 14-15	1.490
Commitments 15-16 (TTO)	(0.100)
Projected DSG Reserve	1.390

47. No assumptions have yet been made about whether this reserve should be utilised in any way to support the 2016-17 budget or to support additional, one off, developments. Balances can be used to support expenditure within all blocks or any of the blocks.

Proposal

48. It is proposed that:
- a. Any increase in DSG arising from the January early years census is allocated to the EYSFF budget to support increases in population and take up of places;
 - b. There should be no change to the hourly rate for 2 year old places;
 - c. The previously agreed hourly rate for 3 & 4 year olds be implemented from April 2016;
 - d. Agreement regarding the assumptions to be used in calculating the delegated budget, detailed in para. 31;
 - e. The extra £0.823m allocated for the High Needs Block be retained within the High Needs Block;
 - f. That the overall schools budget is set at £311.246 million.

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