

**SCHOOLS FORUM**  
**12<sup>th</sup> January 2017**

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**SCHOOLS REVENUE FUNDING 2017-18 – FUNDING SETTLEMENT AND BUDGET SETTING  
PROCESS**

**Purpose of the Paper**

1. To update Schools Forum on the schools revenue funding settlement and the budget setting process for 2017-18.
2. The report will outline the funding settlement announced on 20 December 2016 and the impact on school and local authority budgets arising from the settlement. The report will also outline the decision making process for the 2017-18 budget.
3. Further detail on each of the funding blocks and the specific decisions required will be provided in separate papers on this agenda. A separate decision paper will also be provided so that decisions can be considered after all of the update reports have been discussed.

**Main Considerations**

**School Revenue Funding Settlement 2017-18**

***Dedicated Schools Grant 2017-18***

4. DfE issued the revenue funding settlement for schools on 20 December 2016. The provisional Dedicated Schools Grant (DSG) allocation for Wiltshire Council is **£330.806m**. This is an increase of £13.604m compared with 2016-17. It should be noted that some of the increase relates to the transfer of responsibilities in to DSG and therefore is not real growth in funding.
5. The DSG Blocks have been rebased to reflect 2016-17 expenditure and then additional funding for pupil growth, new responsibilities and the new Early Years funding formula have been taken in to account. The split of funding between the blocks is as follows:

**Schools Revenue Funding - DSG Settlement 2017-18**

	£
Schools Block	260,780,243
High Needs Block	45,303,569
Early Years Block	24,721,797
	<hr/>
	<b>330,805,610</b>
	<hr/>

6. The **Schools Block** has been rebased to reflect 2016-17 spend. The allocation includes growth of £4.7m compared with 2016-17 spend to reflect pupil growth of 1,105 pupils in the October 2016 census. The schools block also includes additional funding of £1.005m to

reflect the transfer of the retained rate of Education Services Grant (ESG) in to central DSG. This is not new funding but a transfer between different funding streams and as such is already committed.

7. The **High Needs block** has been rebased to reflect projected spend in 2016-17. It also includes population growth of £0.850m and an additional allocation of £1.176m to reflect payments for places in FE colleges. This is funding that was previously paid directly to the colleges by the EFA and so does not reflect growth in funding for the Council, merely the transfer of responsibility for paying place funding to colleges.
8. It should be noted that the high needs block allocation does not yet include the outcome of the place review. Wiltshire submitted requests for additional post-16 places at Wiltshire College but has yet to receive confirmation as to whether those places will be agreed.
9. The **Early Years block** has been increased to reflect the increase in hourly rate to be paid through the new national funding formula and the implementation of the entitlement to an additional 15 hours of childcare for children of working parents. In addition there is an allocation of £0.110m for the new Disability Access Fund to be paid directly to providers for children in receipt of Disability Living Allowance.
10. The funding regulations do still allow for funding to be moved between the DSG blocks in 2017-18 however the DfE's expectation is that by rebasing the blocks to reflect spend any movement would now be minimal. It should be noted, however, that all of the blocks are under considerable pressure and in order to address the many cost pressures schools forum may need to consider some movement of costs between funding blocks. Any proposals or options in relation to this will be detailed in the update reports for each block.

### ***Education Services Grant 2017-18***

11. In the funding settlement for 2017-18 the government has confirmed the changes previously announced to Education Services Grant (ESG) for 2017-18.
12. Funding for the retained duties element of ESG, to fund delivery of the local authority's responsibilities for all schools, has been transferred in to DSG. The total amount of funding transferred in to DSG is £1.005m in 2017-18.
13. The general duties rate of ESG is ending from 31 March 2017. The general duties rate has previously been allocated at £77 per pupil to fund responsibilities local authorities hold for maintained schools.
14. In 2016-17 Wiltshire Council had budgeted to receive £3.6m ESG. Prior to the announcement that the grant would cease from 2017-18 the council's medium term financial strategy (MTFS) included an assumption that the grant would reduce by £1.8m with the allocation for 2017-18 being £1.774m. Whilst £1.005m of that has now been transferred to DSG, this still leaves a shortfall in the council's budget for 2017-18 of £0.769m.
15. In the operational guidance for schools revenue funding in 2017-18 the government has redefined the responsibilities that would have been met through ESG. School Improvement has been removed from this list and the government has recently announced additional [grant funding](#) to support school improvement. Of the £50m that will be allocated to local authorities it is estimated that Wiltshire could receive up to £0.3m but individual allocations

and conditions of grant have yet to be announced. This funding is lower than the previous allocation through ESG and therefore the council will need to identify how services can be redesigned over the next year alongside the review of traded services and work on self sustaining schools.

16. The cost of therapies has also been removed from the list of services that should be funded from ESG. The operational guidance for 2017-18 indicates that therapies, for example speech and language therapies, should now be funded from the high needs block. This will increase the pressure on the high needs block in 2017-18 by £0.509m.
17. On 20<sup>th</sup> December 2016 the government confirmed that there will be a transitional grant to cover the period April to August 2017. This will be allocated according to the numbers of pupils in maintained schools at a rate of £27.50 per pupil in a mainstream school and £116.88 per pupil in a maintained special school. Based on the number of pupils in maintained schools in Wiltshire, adjusted for projected academy conversions, it is estimated that Wiltshire could receive up to £0.820m in transitional grant. This will support the local authority's budget in 2017-18 but the grant is only for one year.

### ***DSG Historic Commitments***

18. The DfE has also issued supplementary guidance on the treatment of local authority historic commitments to be funded from DSG. In March 2016 local authorities were asked to detail historic commitments that they expected to continue to fund from within DSG in 2017-18. As a result of this exercise the DfE guidance gives clarity on what are acceptable historic commitments under the regulations and also outlines the evidence that must be provided to schools forums to enable them to approve continued funding of historic commitments.
19. Further detail on historic commitments will be provided in the central schools block report elsewhere on this agenda however an initial review of the guidance would indicate that approx. £1.7m of spend currently funded from DSG would not meet the criteria. Delegation of this funding to schools will require the council to make equivalent savings from central services.
20. The schools block report later on this agenda will outline the individual commitments and supporting evidence.

### **Budget Setting Process 2017-18**

21. Local authorities are required to submit the proposed delegated budget for schools in their areas to the EFA by 20<sup>th</sup> January 2017. The EFA will confirm the formula is compliant with the regulations and will then confirm budgets to academies during February 2017. The LA will need to notify maintained schools of their budget shares by the end of February.
22. The DfE has revised the processes for setting the budgets for central DSG spend and confirmed the powers and responsibilities of the LA and schools forum across all areas of spend within the DSG. The following table confirms the new arrangements for schools forum to approve central spend:

Approval required	Services covered (and funding block)
Schools forum approval is <b>not</b> required (although they should be consulted)	<ul style="list-style-type: none"> <li>• high needs block provision</li> <li>• central licences negotiated by the Secretary of State</li> </ul>
Schools forum approval is required on a <b>line-by-line</b> basis	<ul style="list-style-type: none"> <li>• early years block provision</li> <li>• funding to enable all schools to meet the infant class size requirement (growth fund)</li> <li>• back-pay for equal pay claims</li> <li>• remission of boarding fees at maintained schools and academies</li> <li>• places in independent schools for non-SEN pupils</li> <li>• services previously funded by the retained rate of the ESG</li> <li>• admissions</li> <li>• servicing of schools forum</li> </ul>
<p>Historic Commitments: Schools forum approval is required on a <b>line-by-line</b> basis. The budget cannot exceed the value agreed in the previous funding period and no new commitments can be entered into</p> <hr/>	<ul style="list-style-type: none"> <li>• capital expenditure funded from revenue – projects must have been planned and decided on prior to April 2013 so no new projects can be charged</li> <li>• contribution to combined budgets – this is where the schools forum agreed prior to April 2013 a contribution from the schools budget to services which would otherwise be funded from other sources</li> <li>• existing termination of employment costs (costs for specific individuals must have been approved prior to April 2013 so no new redundancy costs can be charged)</li> <li>• prudential borrowing costs – the commitment must have been approved prior to April 2013</li> </ul>
Schools forum approval is required on a line-by-line basis, including approval of the criteria for allocating funds to schools	<ul style="list-style-type: none"> <li>• funding for significant pre-16 <a href="#">pupil growth</a>, including new schools set up to meet basic need, whether maintained or academy</li> <li>• funding for good or outstanding schools with <a href="#">falling rolls</a> where growth in pupil numbers is expected within three years</li> </ul>

23. Budget proposals within the papers under consideration will be categorised to ensure that these requirements can be met. A summary of the overall powers and responsibilities for schools forum is attached at Appendix 1 to this report.
24. The update reports will show that many of the decisions in relation to individual funding blocks will impact on the affordability, or otherwise, of other proposals and this will be important to take in to account when considering the final decision paper.

**Proposal**

25. Schools Forum is asked to note the report.

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