

SCHOOLS FORUM

Third Draft Schools Budget and Proforma Submission 2016/17

Purpose of the Report

- 1 The purpose of this report is to consider a Schools Budget for 2016/17 found in Appendix D

Suggested Action

- 2 Members are asked to consider and comment upon the attached budget (Appendix D), and agree the recommendation in para 0.7

3 Context

Since Forum last met we have received our Indicative DSG settlement:-

The table below compares this with the indicative for the previous year.

Financial Year	Schools Block £m	Early Years £m	HNB £m	NQT's £m	Total £m
2015/16	91.847	6.749	17.985	0.032	116.613
2016/17	92.947	6.749	17.708	0.032	117.436
	1.100	0.000	-0.277	0.000	0.823

This highlights that we have an overall net increase in funding following 2 large adjustments.

Firstly where Free Schools were included in our allocation for the first time in 2015/16 and a cash adjustment was made based on lagged pupil numbers, the DfE have adjusted the 2016/17 funding to reflect their actual numbers as well as based the funding on the actual October census. We cannot therefore correlate the amount of £1.1m received with the actual increase in pupil numbers.

Secondly, the HNB has been adjusted to reflect deductions made by the EFA where they now directly fund high needs places. Previously the DSG funded a number of high needs places relating to post 16 students. This funding was then passported to the providers by WBC. The EFA are now funding these providers directly and thus WBC is not now required to passport funds. Hence they are deducted at source. The assumption is that the amount deducted equals the amount we would have passported.

£17,708,000 above is the base allocation (down £277,000 on the previous year) before the EFA has deducted this funding.

We therefore have an additional £823,000 Schools Block funding that can be allocated via the formula.

Given that this is now based on pupil numbers we can assume that it will be ongoing and therefore can be allocated without running a risk of having to reduce 2017/18's funding by the same amount - which would have the knock on effect of increasing MFG.

Other than Schools Block all other funding levels for the purposes of this exercise are assumed to remain the same.

Appendix A contains the Proforma and Impact analysis of this additional £823,000 as a starting point. This Proforma has each AWPU rate increased by £18.60 which has the overall impact of reducing MFG from £2.2m in 2015/16 to £1.4m whilst maintaining the 1:1.27 ratio. This also reduces the number of schools receiving MFG from 48 down to 36. The maximum surplus achievable in this scenario is £1.2m

4 In response to points raised at the December Forum

A breakdown of the contingency value of £340,000 is as follows.

Pupil Led (Nwpu's, exclusions etc)	£	35,000
Music Hub	£	7,300
LSCB funding	£	25,000
Internal recharge	£	139,000
NDR	£	133,700
	£	340,000

Q. Can we run up a deficit to the equivalent amount of the start-up costs of the two new schools?

A. Yes, but we would not be able to allocate this money out to schools through the formula without running the risk of increasing MFG in the following financial year.

If we allocated an amount of say £600,000 this would be the equivalent of 145 pupils attracting a GUF of £4,155. Providing we had an additional 145 pupils in 2017/18 there would be no detrimental impact. But should the population not increase by this amount then the AWPU would have to be reduced potentially increasing MFG.

It was also requested to produce three Budget options for the DSG as a whole:-

1. Showing the maximum amount of surplus that could be generated should Forum decide they wish to carry forward funds to future years for the provision of new schools and /or to hold a contingency. (**Appendix A** – as above generates £1.2m surplus)
2. Showing a balanced in year budget which would equate to the surplus carried forward at the end of 2015/16 (forecasted to be £800,000) still

available at the end of 2016/17 (**Appendix B**) This reduces MFG to £1m and the number of schools in receipt of MFG from 48 to 27 whilst maintaining the ratio at 1:1.27

3. Showing an in year deficit which would reduce the forecasted surplus of £800,000 to £228,000 by allocating to schools an additional £600,000. (**Appendix C**) This reduces MFG to £0.8m and the number of schools in receipt of MFG from 48 to 19 whilst maintaining the ratio at 1:1.27

At the last forum it was also discussed that the data pertaining to deprivation had been updated by the DfE for the first time in five years. This had the impact of reducing the number of pupils categorised as living in a deprived area by approx. 500. The cash equivalent of this deprivation funding allocated through the formula equated to £218,000.

This presented a number of options to consider:-

1. To amend the rates across the 6 deprivation bands to allocate the £218,000 to the schools with the most deprived pupils. (see scenario 1 attached) maintaining Deprivation at 2.75% of the total budget
2. To use the revised deprivation bandings and allocate the £218,000 across all schools as AWPU (see scenario 2 attached)
3. To use the revised deprivation bandings, allocate the £218,000 across all schools as AWPU, plus an additional £600,000 as AWPU intending to negate the impact of building two new schools (see scenario 4 attached)

5 Revisions made since last forum

1. Internal recharges are no longer shown on the PRU line 1.3.1. they have been consolidated within the contingency line.

6 Risks

1. An increase in AWPU must be sustainable otherwise a reduction the following year could result in increased MFG and an increase in the number of schools in receipt of MFG
2. A large reduction in carried forward (or reserves) does leave the Forum vulnerable should the change to the National Funding Formula not see an increase in the Guaranteed Unit of Funding (GUF).
3. Equally schools would be vulnerable should the MFG protection be reduced or removed. It has always been regarded as transitional protection. An alternative to increasing GUF's to generate cash, would be to remove the MFG. With the introduction of the new National Funding Formula an argument could be made to remove the MFG on the basis that the transition has been achieved. Appendix B whilst providing a surplus of £800,000 still has MFG at a level of £1m. If MFG was removed or reduced the surplus could then be used to offset the MFG impact.
4. The budget is based on the assumption that there will be £800,000 carried forward at the end of this financial year. There are still three months of transactions to be processed before this can be verified. Should a pupil

arrive requiring an Out of Borough placement this one placement could cost up to £250,000. Such was our experience at the end of last year when a tribunal did not go in the favour of the LA.

5. Maintaining a surplus of circa £800,000 also leaves Forum in a position to be able to take proactive steps in such areas it deems fit. These could include such areas as Early Intervention, funding Resource Units, introducing new factors such as split sites, and developing Alternative Provision possibly in the form of an ASD unit. In 2017 the 15 hours entitlement for 3 & 4 year olds is set to increase to 30 hours, Forum may well wish to be in a position to be able to ensure provision across the borough by supporting the expansion of existing Nurseries.
6. April this year sees the increase in the minimum working wage to £7.20 an hour the precursor to the Living Wage of 2017 expected to be around £9 per hour. This could potentially cause hardship not only in schools but in private and voluntary nursery settings – Forum may wish to have the option of supporting settings during this process. The DfE have said there will be funding for these additional hours but they have not stated that it will be at an increased rate. The majority of settings offer care in addition to the 15 free hours, but at a much higher rate than they receive for the free entitlement in order to meet their costs.
7. Planned housing and school expansions across the borough take into account increased pupil numbers which provide additional schools revenue; but along with additional pupils comes a cohort of pupils with special educational needs. Such pupils are not funded for their personal needs but the pre-existing High Needs Block must stretch to cater for them. Forum may wish to set up a High Needs Block Contingency line within the Budgets proposed herewith.

7 Recommendation

To adopt the Proforma found in Appendix B and to submit this to the EFA on the 21st of January 2016

**Donna Munday
Schools Finance Manager
January 2016**