

READING BOROUGH COUNCIL
REPORT BY FINANCIAL SERVICES

TO:	READING SCHOOLS FORUM		
DATE:	06 OCTOBER 2016	AGENDA ITEM:	5
TITLE:	2017/18 BUDGET TIMETABLE & KEY DECISIONS FOR SCHOOLS FORUM AT THE DECEMBER AND/OR JANUARY MEETING		
SERVICE:	EDUCATION & CHILDREN'S SERVICES	WARDS:	ALL
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1. PURPOSE AND SUMMARY OF REPORT

- 1.1 The report identifies the key decisions and timetable for Schools Forum in the run up to setting the 2017/18 budget.

2. RECOMMENDED ACTION FOR SCHOOLS FORUM

- 2.1 **FOR NOTING:** The timetable and key decisions to be taken in the run up to setting the 2017/18 budget.
- 2.2 **FOR NOTING:** The continuing impact of free schools upon the DSG allocation and the consequence of that upon the funding of the DSG deficit.
- 2.3 **FOR NOTING:** High needs block deficit and the impact it will have on school budgets.
- 2.4 **FOR NOTING:** The areas of retained funding and future changes to this area regarding the Education Services Grant

3 TIMETABLE AND KEY DECISIONS FOR SCHOOLS FORUM IN SETTING THE 2017/18 BUDGET

2017-18 BUDGET TIMETABLE

3.1 The timetable and key decisions in setting the budget for 2017/18 are shown in the table below.

Date	DfE/EFA	Local authorities/RBC
06 October 2016 5pm		Schools Forum meeting & School Census
October/ November 2016	DfE and LAs check and validate School Census	
31 October 2015		Deadline for LAs to submit provisional 2017-18 school budget pro-forma to EFA,
26 November 2016	School census data base closed	
30 November 2016		Deadline for submitting requests for: MFG Exclusions / Exceptional Premises factors . lump sum and pupil number variations
08 December 2016 5pm		Schools Forum Meeting when LA will request Schools' Forum approval for any continued retentions and de-delegations (maintained school members only) and any central retentions. Also initial discussion re priorities for any headroom. Early Years Funding update
Mid-December 2016	DfE confirms DSG Schools Block allocations for 2017-18 (prior to academy recoupment) and issues APT to LAs based on Oct 16 Census	Able to estimate local 2017 to 2018 DSG schools block allocation
12 January 2016 5pm		Schools Forum meeting – final consultation re headroom ESFF options , modelling & consultation
By mid-January 2017		LAs to gain Schools Forum/ councillors approval for final 2016-17 funding formula
20 January 2017		Deadline for LAs to submit final 2017-18 school budget pro-forma to EFA
28 February 2017		Deadline for LAs to confirm budgets for their maintained schools (post-16, EYSFF and DFC allocations might need to follow Later)
16 March 2017 5pm		Schools Forum meeting
31 March 2017	Deadline for EFA to confirm academies budgets	
April 2017	First DSG payments to LAs based on final 2016-17 allocations, net of academies recoupment. DSG allocations updated termly for in year academy conversions.	
11 May 2017 5pm		Schools Forum meeting
19 May 2017		LA Schools to submit Budget
13 July 2017 5pm		Schools Forum meeting
July 2017	Early Years Block updated for January 2017 Early Years pupil numbers (pro rata 7/12ths as this only covers Sept 2016 – March 2017)	

4 SCHOOLS FORMULA

- 4.1 The new national schools funding formula (NSFF) has been delayed to 2018-19 and a second round of consultations are due this term. We have been told that the final decision on NSFF will be in early 2017.
- 4.2 The EFA are still reviewing and will implement a change within the Education Services Grant (ESG) that LAs and Academies receive for statutory functions. This Grant will be cut (as in previous years) but moved into the dedicated schools grant where LAs will have to top-slice DSG to fund statutory central functions that were formerly funded by ESG. Many unknowns on this change but the LA will update Schools Forum when more information is available.
- 4.3 The EFA must be notified of any changes to the schools formula by the end of October. The Authority is not proposing to make any changes to the Formula for 2017/18.
- 4.4 Schools will most likely face cost pressures in the next few years in relation to minimum wage/national living wage. The total budgets for schools in Reading totalled £79.3m in 16-17 and please note that LA maintained schools are holding over £3m in surplus balances.
- 4.5 Due to the on-going deficit spend on the High needs block and continuing impact of free schools upon the DSG budget, the council will follow normal practice and reduce all unit values by 1.5% to create Headroom. From this exercise the LA will report back on how much Headroom is created and how much the Free School growth will cost. The remaining headroom will be earmarked for Growth fund and High Needs Block. Further detail reports will be part of the December and January School forum meetings.
- 4.6 Appendix 1 is a recap of the free school growth problem that was created by change of national policy in November 15.

5 CENTRALLY RETAINED EXPENDITURE 2016-17

Growth Fund

- 5.1 This budget provision was £1.027m in 2015/16 and includes allowance for expanding schools, bulge classes, infant class sizes, falling rolls and contingency. This will be reviewed and reported back in December on estimated budget needed for 17-18. This will include a review on NNDR budgets for growing schools. Any increase in provision from 2016/17 would require full approval from Schools Forum and would need to be funded from headroom.

Early Years Centrally Retained Expenditure

- 5.4 The centrally retained allocation will follow the outcome of the new national funding formula for early years. The consultation stated that every LA will be allowed to retain 5% of the Early Years block. Currently the regulations state 10%, but Reading has always kept the central retention low as the LA believes that funding should be within setting rather than centrally retained. This will be picked up within the Early Years paper.

6 RESIDUAL CENTRALLY RETAINED EXPENDITURE 2017-18

- 6.1 At the December meeting of Schools Forum, approval will be sought for the following centrally retained expenditure. Any figures shown are at this stage provisional based upon last year.

Centrally Retained Budgets (16-17 Figures)		Amount £m
Expansions	Growth Fund	0.966
Historic Liabilities	Prudential Borrowing	0.050
	School Kitchens	0.146
Statutory	Copyright Licensing Agreement	0.092
	Admissions	0.109
	Servicing Schools Forum	0.020
Combined budgets	Children's Social Care	0.275
	Children's Action Teams	0.224
	School Improvement	0.116
	Commissioning Support	0.015
TOTAL		2.013

2017-18 BUDGET TIMETABLE

7 DE-DELEGATIONS 2017-18

- 7.1 At the December meeting of Schools Forum decisions will need to be taken by maintained school members of each phase for:

DE-DELEGATIONS 2017-18	Amount £m
Behaviour Services	0.135
Support for EAL and Underachieving Groups	0.085
School Improvement	0.250
Schools in Financial Difficulty	0.050
Union Facilities Agreement	0.050
TOTAL	0.570

- 7.2 Schools Forum to advise if any consultation is required from Schools more broadly in taking this decision at the December meeting or asking key representatives from the services to provide detail on the outcomes of each service.

8 HEADROOM 2016/17 (after School growth in free schools and expansions)

- 8.1 At the January meeting of Schools Forum we will be in a position to give an estimate of headroom available in 2016-17. We will therefore be discussing with Schools Forum what the priorities will be for allocating this funding. The highest priority for the Authority will be for the deficit on the high needs block.

Appendix 1

GROWING FREE SCHOOL ISSUE, FUNDING OPTIONS AND CONSEQUENCES

- 1.1 The Authority Pro-Forma Tool, which captures data to fund schools through our formula in 16/17, records pupils for growing free schools & basic need growth academies estimated as at 1/9/16. Therefore in our return this included significant growth for 2 secondary (WREN & ME in Reading) and a primary free school (the Heights). DSG is allocated on the basis of the pupil census as at October 2015. Therefore whilst free schools will be funded from the DSG 16/17 allocation based on estimates, this is not recognised in the DSG that we are actually awarded which is based on actuals. In effect free schools are being lagged funded (i.e. paid out 16/17 but grant received only in 17/18 for estimates > actuals). The current regulations state that the growth fund within the DSG is for basic need academies and maintained schools and not non basic need free schools.
- 1.2 This is change in practice from previous years (where growth in free schools was for the most part funded) and was largely unanticipated by LAs and clearly given the timing of this, there has been a limited time to consult on and develop a strategy (the EFA and other LA's have only communicated on this issue with this Authority on 7/1/16 following queries raised by RBC Finance over the holiday period). Unfortunately a decision on this matter needs to be taken at this meeting to allow time to meet the relevant EFA timetable for finalising budgets for schools on 20 January.
- 1.3 The unfunded cost to the DSG allocation of the free schools is c£1m in 16/17 which is a significant increase from previous year (under £100k), reflecting the fact that two secondary free schools opened in September 2015 and this has a significant impact upon the originally estimated headroom 2016/17. The guidance with regard to this matter has some ambiguity and we have sought clarification from the EFA & other LAs on the potential options to fund this. We are aware that many authorities are impacted by this and are funding using two main options. However, this and some other authorities options are severely limited due to the current constraint of the forecast DSG deficit which will need to be carried forward from 2015/16 into 2016/17 and then funded as much as is feasible from the 2016/17 DSG headroom. If the DSG was not in this position then the free schools could have been funded from that headroom. The Authority is also impacted financially by two large growing free secondary schools in the area given the funding issue set out in 1.1.
- 1.4 The second option to fund growing free schools from general headroom. This is our preferred option. However, the consequence of this is that instead of £1.5m being made available to fund the DSG deficit as previously planned, that will be reduced to £0.5m and potentially there will immediately be a significant pressure on the DSG before the year has started, given the structural budget issues associated with the high needs block. This brings into sharp focus the need to put in place a staged recovery plan over a number of years (given the likely quantum of the issue - the forecast is being developed with the service) for the DSG/ high needs block as soon as is practical.