

MILTON KEYNES SCHOOLS BUDGET PLANNING 2017/18

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1. Purpose

- 1.1 To give Schools Forum members an initial opportunity to review how the estimated 2017/18 DSG, including the use of balances, is allocated across schools and academies by way of the funding formula and central early years and high needs budgets.

2. Recommendations

- 2.1 The Schools Forum notes the issues arising from budget planning for the Schools Budget for 2017/18 and future years and endorses the initial proposals to balance the budget.

3. Financial Impact

- 3.1 The proposals in this report would on average result in a 1.5% reduction in primary and secondary school budget allocations, assuming no change in pupil numbers. In addition, schools will be meeting the cost of pay awards and other general inflationary costs such as the cost of pay awards, increments and general inflation.

4. Background

- 4.1. The Dedicated Schools Grant (DSG) supports individual schools and academies and other pupil related expenditure within the People Directorate.
- 4.2. The School and Early Years Finance Regulations 2016 will define the services that can be supported by the DSG. These regulations will be consulted on later this year. The DSG is allocated based on pupil numbers on the roll of both schools and academies, although academies receive their actual funding direct from the Education Funding Agency (EFA).
- 4.3. The DSG is based on three blocks; schools, early years and high needs:
 - The schools block is calculated based on the number of pupils on roll at a specific census date in October 2016.
 - The early years block is calculated based on the number of early years pupils on roll at specific census dates in January 2017 and January 2018 and will not be confirmed until after the end of the financial year, so

budget allocations to providers will be based on forecasts and adjusted once the actual figures are known.

- A rebase-lining exercise took place in the summer to realign expenditure between the blocks, so that the high needs block is now based on 2015/16 budgeted expenditure. The EFA have indicated that there will be an uplift applied, although we await the details of this.

5. Issues

Government Announcements

- 5.1. In 2017/18 the DSG Schools Block has been increased by £0.67m to reflect movement of retained duties Education Services Grant (ESG) funding into the DSG. Further detail of the split of former ESG duties to be included under this arrangement will be included in the DfE's consultation on The School and Early Years Finance Regulations expected later this year. The government have already announced that the general rate of ESG will cease from April 2017, however, local authorities will have transitional support for the period April to August 2017. The detail has not yet been announced, but it is estimated that this will be in region of £0.7m - £1m in Milton Keynes.
- 5.2. In 2017/18 the High needs block has been increased by £0.67m for transfer of funding from the post 16 budget. This will be recouped by the DfE to pay for the current placements, so is anticipated to be a nil financial impact in the short-term.
- 5.3. In September 2017 the 15 hours free childcare entitlement will increase to 30 hours free for working families. The government have announced that nationally funding will be increased by £300m pa to increase the national average hourly rate paid to providers to £4.88. Indicative figures have been received; these will be confirmed in mid-December. The figures in the table below do not include either the income or the expenditure for the increased take up from 15 hours to 30 hours, although these should have a net nil impact on the DSG.
- 5.4. The DfE conducted a consultation of the national funding formula during spring 2016, the results of which are due to be published in the autumn along with phase 2 of the consultation. It is anticipated that a national funding formula will be implemented in April 2018, making future year estimates difficult. The Council's estimated DSG for 2018/19 is calculated by using current unit costs and projected pupil population data and assuming that a national formula is not implemented.

Planning for 2017/18

- 5.5. A summary of Milton Keynes Council's estimated DSG for 2017/18 and 2018/19 is set out in the table below. A more detailed analysis is set out in Annex 1.

Forecast Dedicated Schools Grant for 2017/18 to 2018/19

DSG Income / Expenditure	2017/18 £m	2018/19 £m
Schools Block	(184.268)	(190.744)
Early Years Block	(17.813)	(18.199)
High Needs Block	(29.282)	(29.282)
Total Income	(231.363)	(238.225)
Individual School Budgets	175.908	180.851
Central Spend – LA	1.100	1.100
Central Spend – Schools	1.680	1.451
Early Years Block	17.813	18.199
High Needs Block	33.770	36.624
Total Expenditure	230.271	238.225
In Year Total	(1.092)	0.000
Estimated Balance B/fwd	1.092	0.000
Estimated Balance C/fwd	0.000	0.000

- 5.6 As Milton Keynes continues to expand, the Council needs to provide significant additional school places. This poses a considerable challenge, as the cost of these additional school places is not immediately reflected in the DSG, due to the delayed manner in how it is calculated by the national Government.
- 5.7 There is a budgeted forecast deficit on the DSG of £1.092m in 2016/17. Given the likely implementation of a national funding formula in April 2018 it is prudent to minimise this deficit position where possible.
- 5.8 There continues to be pressures on the DSG relating to an increase in the number and complexity of need of children being placed in special schools and a general increase in school places required. In order to meet these pressures it is proposed to reduce all of the formula factors by 1.5% in the primary and secondary sectors. Although schools are still protected by the minimum funding guarantee which protects schools to a maximum of a 1.5% reduction per pupil.
- 5.9 There is a risk around the funding of the proposed new special school, as the current national position does not fund any increases in high needs place numbers within a local authority, although local authorities are permitted to reallocate places between institutions. As this is an organisational change, which has been funded in the past, it is not yet certain if the DfE will fund the increase in high needs places at this school. Also a DfE consultation on changes to high needs funding is anticipated in the autumn.

Detailed Issues

5.10 The following sections look in detail at the major cost pressures, and other issues affecting budget planning from 2017/18 onwards.

5.11 Pupil Growth

- New primary provision opening at Kents Hill, Shenley Wood (Oxley Park) and Fairfields in September 2017
- New secondary provision at Kents Hill in September 2018 and Whitehouse and Eagle Farm in 2019
- Additional places required in expanding schools with a further 30 places in each sector to be held in contingency for potential local issues and a contingency of £0.150m for further pupil protection payments where full expansion numbers are not achieved
- Estimated start up and set up funding from the growth fund is £0.941m and £0.958m in 2017/18 and 2018/19

5.12 High Needs Spend

- Continued unfunded growth in the numbers and amount of top ups in mainstream sector
- Currently there are an estimated 61 placements in excess of funded places across three special schools. Further detail is shown in Annex 2.
- If these additional special school places were to be funded, application for MFG exemption would need to be made concerning the balance between place funding and top up funding
- Significant increase in post 16 students in FE provision

5.13 Other pressures

- Budget shortfall for admissions

5.14 Risks

- Unknown impact of removals into MK with high needs
- Physical capacity issues in Special School provision
- New places created in advance of need are not filled thus increasing growth protection payments

6. Funding Formulae for 2017/18

Primary and Secondary

- 6.1. There was discussion at the School Reference Group around removing the mobility factor, which will not be an allowable factor in the national funding formula. No other changes were proposed to the Schools Funding Formula for 2017/18.
- 6.2. It is proposed to keep the Secondary School Lump Sum at £0.175m. In the Primary Sector it is proposed to continue to move towards the £0.130m lump sum that was consulted on in 2014. This will be achieved through a reduction of approximately 1.5% from £135,000 to £133,000 and by transferring the difference in funding to the primary pupil funding (AWPU) £7.20.
- 6.3. It is proposed to apply a 1.5% reduction to all unit rates in 2017/18 which will result in MFG protection to schools budget shares for many schools.

Early Years

- 6.4. Following discussion within the Early Years Reference Group the Local Authority is proposing to consult on making the following changes to the Early Years Funding Formula for three and four year olds:
 - Removal of the lump sum and quality factor from the current EYFF
 - Introduction of a single provider hourly base rate of funding with effect from April 2017 (with a potential exception regarding the maintained nursery schools which may need to receive a higher hourly rate in the first two years).
 - Establishing a growth fund to support and enable settings to create additional places where these are needed to support the increasing numbers of children in Milton Keynes and to enable the move to the 30 hour offer from September 2017.

Further detail is set out in Item 9 of this agenda.

High Needs

- 6.5. A major issue which remains unaddressed in this budget is the distribution and funding of high needs places in special schools, academies and special units. Currently special schools receive no additional place funding for the first 5 placements exceeding funded places and at the marginal cost rate for any excess.
- 6.6. The EFA recently issued their operational guidance for 2017/18, which sets out the change notification process for the LA to provide information on the number of funded places required in 2017/18. The data will be collected in October, however, at this stage the EFA are not able to confirm how any uplift in funding will be allocated to local authorities.

6.7. Under the School and Early Years Finance Regulations 2015, local authorities have the flexibility to determine pre-16 place funding in maintained schools and pupil referral units. For 2017/18 the same flexibility to determine funding locally, without reference to the EFA, is being extended to post 16 high needs places. Annex 2 shows the numbers of high needs pupils on roll as at the start of term. The LA will, together with the providers, need to agree if any places can be moved between institutions.

7. Summary

- 7.1. There is a budgeted forecast deficit on the DSG of £1.092m in 2016/17. There are a number of risks which may affect the forecast outturn; independent school placements and continuing pressure on high needs top up funding.
- 7.2. Given the likely implementation of a national funding formula in April 2018 it is prudent to minimise this deficit position where possible.
- 7.3. After the assumptions set out above, an in-year surplus in 2017/18 of £1.092m is estimated, which would bring the DSG into a balanced position by 31 March 2018.

8. Finalising the Budget Allocation for 2017/18

Action	Timeline
October Census	6 October 2016
Any changes to Funding Formula endorsed – Schools Forum	13 October 2016
Provisional Budget shares issued to LA Maintained Primary and Secondary Schools	December 2016
New pupil data based on October 2016 census provided to LA	mid December 2016
Schools Block and High Needs Block DSG Confirmed	mid December 2016
Schools Forum to consider 2017/18 Schools Budget	20 January 2017
Final Pro forma submitted to EFA	20 January 2017
Budget Shares Confirmed	28 February 2017