

READING BOROUGH COUNCIL  
REPORT BY FINANCIAL SERVICES

TO:	Reading Schools Forum		
DATE:	16th MARCH 2017	AGENDA ITEM:	5
SUBJECT:	SCHOOL FUNDING 17-18 - UPDATE		
SERVICE:	Education & Children's Services	WARDS:	All
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## 1. PURPOSE OF REPORT

- 1.1 This report is to update Schools Forum of updates that will affect individual schools budget building process for 2017/18 financial year.

## 2. RECOMMENDED ACTION:

- 2.1 NOTING: *The timetable for maintained schools to submit their 17-18 balanced budget*
- 2.2 NOTING: Other elements that will effect schools budgets in 17-18
- 2.3 NOTING: Changes in SEN Banding for primary and secondary schools

## SCHOOL FUNDING 2017-18 UPDATES

### 3 Budget Submission

- 3.1 On the 8<sup>th</sup> February, Maintained schools received their indicative budgets to help them to plan for the year ahead. Guidance was giving out on various topics to assist budget planning.
- 3.2 Maintained Schools have until 20<sup>th</sup> May 2017 to submit their budgets to Finance which will then be checked and uploaded onto the LA's financial system.
- 3.3 Due to the ongoing cost pressures schools are facing, schools must set a balanced budget. If this is not possible schools must contact the LA immediately. The LA will then guide you through option available of a short to medium term loan which will include a repayment plan.

## 4 Pension Contribution Update

- 4.1 Schools have already been notified of the increase in non-teachers employer pension contributions from 17.7% to 21.9% from April 17. This is due to an actuarial revaluation of the Berkshire Pension Fund which has increased estimated employer contributions by around £2.8m and requiring an increase of the on-cost by 4.2%.
- 4.2 Teachers employer pension contributions will remain at 16.4%. The LA will notify all schools if this changes.

## 5 Apprenticeship Levy (0.5% on basic pay for non-teachers)

5.1 From April 2017 the way apprenticeships are funded is changing as part of a series of wider reforms to the apprenticeship system in England. Employers with a pay bill of more than £3m will be required to pay an [apprenticeship levy](#). In England employers who pay the levy will be able to access funding for apprenticeship training and assessment via a new Digital Apprenticeship Service. This will apply to schools but is only for non-teachers currently. The government have not confirmed plans for the teacher's apprenticeship element that is currently being reviewed by a consortium of schools led by Hughenden Primary in Buckinghamshire, are developing a Teaching Assistant apprenticeship standard and assessment criteria.

### 5.2 Who pays the levy?

- **Community schools (including voluntary controlled schools)**  
Local authorities will typically be responsible for paying the levy in community schools they maintain, where the local authority employs the staff and pays National Insurance contributions (NICs). Such staff will be counted as part of the local authority's payroll. Where the local authority is the employer, schools will have access to funding for apprenticeship training, via the local authority's Digital Apprenticeship Service account.
- **Foundation and voluntary aided schools**  
Foundation and voluntary aided schools typically employ their own staff so they will be responsible for paying the levy.
- **Standalone academies**  
The Trusts of standalone academies will typically be responsible for paying the levy where they are the employer responsible for paying Class 1 secondary NICs.
- **Academies that are part of multi-academy trusts**  
Multi-academy trusts (MATs) generally employ the staff in their academies, and will be responsible for paying the levy.

- **Schools that do not pay the levy**

The government will pay 90% of the cost of apprenticeship training and assessment for:

- Employers that have a pay bill of less than £3m and those that have used all the funds in their digital account.
- The employer will be required to pay the remaining 10%.

5.3 Schools have already been notified of these changes and how this will be implemented through the LA's payroll systems.

5.4 Any rebate the council receives from the new arrangements will be reviewed and schools will receive refunds through the cash settlement and school balances end of year process. More details will be available when the process has started.

## **6 Catering Budget / Service Level Agreement**

6.1 For many years, the council with Schools forum approval has retained central funding for managing the school kitchens for schools that are within the catering contract. In recent years the managing of this service with some additional extras has been part of the schools list of service level agreements. The retained budget was to pay for any replacement/new equipment and cleaning services related to the kitchens.

6.2 Within Financial year 16-17 the Education Funding Agency (EFA) requested information of all DSG central budgets to prepare the allocations of the new national formula. This was called "Baseline review"

6.3 In late December 2017, the EFA contacted many local authorities to get more details on central budgets that the EFA believed should not be retained. For Reading, this only involved the School Kitchen Central budget. EFA stated that this budget should have been devolved into the schools formula from April 2013 and was not part of any historic purchase activity.

6.4 School Catering Team has acted quickly to manage the continuation of the service and had to create a service level agreement for the equipment/services element of the budget. This is on-top of the current SLA that pays for managing of the service.

6.5 Schools have been notified of this change and the LA acknowledges that this change has had a very quick turn around and the whole process will be reviewed (including the funding structure) within 17-18 for 18-19.

## 7 Business Rates (NNDR)

- 7.1 This year, for the first time since 2010, the business properties will be revalued for the purpose of calculating business rates. Across Reading, total rateable value increases from £253m to £305m, a larger increase than the national average.
- 7.2 At a national level Government has increased total business rates by inflation. To compensate for the higher property values from revaluation, it has therefore reduced the rate per pound charged to individual businesses, so the amount collected nationally rises by only 2% inflation
- 7.3 As part of the School formula, Business Rates are funding on an individual school level and any increase or decrease will not impact on the schools budget.
- 7.4 Due to School expansions, Valuation office (separate from the LA) can be delayed to value new buildings which could delay the final rates values. As in 16-17, many schools that have had a major change in rates will need to contact the Finance team.
- 7.5 All Maintained Nursery schools and PVI settings will also have an increase in business rates and will need to factor the additional costs within their budgets.

## 8 SEN Banding update (for the future)

- 8.1 For the last 3 years, Primary and Secondary schools have had various SEN banding systems in place. This has consisted of a Band 6 process that tops up the individual schools SEN notional budget based on their number of 25hr statements on every census date, and from Sept 15, Provision maps were created for the EHCPs.
- 8.2 The Band 6 system was only created by Finance to make sure funding was still flowing into schools for SEN need but this was planned to cease in March 2014. A new system was planned to start in April 2014 but this did not happen, with the band 6 system continuing. This system was unfit for purpose as a medium to long term arrangement.
- 8.3 Feedback from schools, SEN team and other LAs who have adopted the Provision map system has been very critical on how useful it is when funding has been the reason for the continued use. Since February, the council has reviewed and created a new banding system that will shortly be going through the political system for approval and then out to schools for consultation.
- 8.4 This system is intended to replace the band 6 and provision map funding system which will make SEN and financial decisions and budget forecasting much easier, where funding will follow the need. This exercise is not viewed as a cost saving exercise as the LA acknowledge that funding into primaries and secondary's need to follow levels of need.