

EXECUTIVE BOARD - 20 FEB 2018

Subject:	SCHOOLS BUDGET 2018/19
Corporate Director(s)/Director(s):	Alison Michalska, Corporate Director, Children and Adults Laura Pattman, Director of Finance and Chief Finance Officer
Portfolio Holder(s):	Councillor Sam Webster, Portfolio Holder for Business, Education & Skills.
Report author and contact details:	Ceri Walters, Head of Commercial Finance, 01158764128
Subject to call-in:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Key Decision:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Criteria for Key Decision:	
(a) <input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision	
and/or	
(b) Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input type="checkbox"/> No	
Type of expenditure:	<input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital
Total value of the decision: £268.541m	
Wards affected: All	
Date of consultation with Portfolio Holder(s): January 2018	
Relevant Council Plan Key Theme:	
Strategic Regeneration and Development	<input type="checkbox"/>
Schools	<input checked="" type="checkbox"/>
Planning and Housing	<input type="checkbox"/>
Community Services	<input type="checkbox"/>
Energy, Sustainability and Customer	<input type="checkbox"/>
Jobs, Growth and Transport	<input type="checkbox"/>
Adults, Health and Community Sector	<input type="checkbox"/>
Children, Early Intervention and Early Years	<input type="checkbox"/>
Leisure and Culture	<input type="checkbox"/>
Resources and Neighbourhood Regeneration	<input type="checkbox"/>
Summary of issues (including benefits to citizens/service users):	
<p>This report presents the Council's Schools Budget for 2018/19. The Schools Budget has been prepared in line with the parameters agreed at Schools Forum (SF) and with the financial regulations issued by the Department for Education (DfE). Indicative budgets and guidance will be issued to schools on 28th February 2018 with final budgets being confirmed by 31st March 2018.</p> <p>Where applicable, the Medium Term Financial Plan (MTFP) incorporates the impact from the Dedicated Schools Grant (DSG).</p> <p>An explanation of the Schools Budget framework is outlined in detail in section 2 of this report.</p>	
Exempt information: State 'None' or complete the following None	
None.	
Recommendation(s):	
DEDICATED SCHOOLS GRANT (DSG)	
<p>1. To note the overall indicative 2018/19 Schools Budgets to be spent incorporating the Schools, Central Schools Services, Early Years and High Needs blocks is £268.541m as set out in figure 1. This is made up of £265.352m DSG funding (as per (Table 2) and £3.190m from other funding streams.</p>	

2. To note that the budget will be updated in year to reflect subsequent adjustments made by the Education & Skills Funding Agency to our 2018/19 DSG allocation as described in the report. Any balance remaining will be allocated to the Statutory School Reserve.
3. To approve the in-year budget transfers and payments to schools, Private and Voluntary Charitable and Independent settings and Academies totalling £255.091m
4. To approve external spend associated with centrally retained expenditure totalling £13.450m
5. To note the procurement of external placements will be in accordance with the financial regulations, gaining approval through the appropriate processes.
PUPIL PREMIUM
6. To approve the allocation of Pupil Premium and Early Years Pupil Premium and other grants outlined in section 2.6 to settings in accordance with the grant conditions.
GENERAL
7. To delegate the authority to the Portfolio Holder for Schools and the Corporate Director for Children's and Families to approve any final budget adjustments.

1 REASONS FOR RECOMMENDATIONS

- 1.1 To ensure an understanding of how and on what basis different education grants are allocated to the Local Authority (LA) and how they are then distributed to educational settings. This process enables the schools' budgets to be established.
- 1.2 To provide the Executive Board (EB) with a summary budget position of the DSG based on the approvals gained in accordance with the Schools and Early Years Finance Regulations 2018.
- 1.3 To update EB on the impact of any new legislation on the Schools budgets.
- 1.4 To ensure the appropriate constitutional approvals are gained to spend the grants.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

2.1 Construction of the 2018/19 budget

The purpose of this report is to provide a 2018/19 summary budget position for Schools. Approvals required to allocate the DSG have all been gained at SF and incorporated into the budget setting process. A summary of the outcomes, in accordance with the Schools and Early Years Finance Regulations 2018 are set out in Table 1 below:

TABLE 1: ANALYSIS OF APPROVALS		
	Status	SF Approval
De - Delegated Budgets		
Trade Union Senior Representative Cover Time	Approved	9 Nov 2017
Behaviour Support	Approved for Primaries only	7 Dec 2017
Ethnic Minority Achievement	Approved for Secondaries only	
Health and Safety Building Maintenance Services	Approved	

Central Budgets		
Schools	Approved	9 Nov 2017
Early Years	Approved	7 Dec 2017
Copyright Licensing Agreement/Music Publishing Association Licences	Education and Skills Funding Agency (ESFA)	

The DSG is one of the main funding streams allocated to schools by the LA.

2.1.1 The Pupil Premium Grant is allocated from the LA to maintained schools only with the allocation being set out by the ESFA; academies receive this funding direct.

2.2 2018/19 DSG Funding Allocation Basis

As part of the National Funding Formula the DfE have split the DSG into four blocks from the financial year 2018/19 and the 2017/18 budget. The funding blocks and the values attributable to each block are noted in Table 2:

TABLE 2: SUMMARY OF DSG BLOCKS			
		2017/18 £m	2018/19 £m
1	Schools Block – section 2.2.1	199.181	205.393
2	Central School Services Block (CSSB) – section 2.2.2	7.826	7.084
3	Early Years (EY) Block – section 2.2.3	21.827	22.510
4	High Needs (HN) Block	29.540	30.366
TOTAL DSG		258.374	265.352
GROWTH		6.978	

The following paragraphs outline for each of the blocks:

- How the LA allocation has been determined by the ESFA and
- Any one off funding adjustments required in year.

This is also pictorially demonstrated in section 2.3.1.

2.2.1 Schools Block

The school block allocation is based on 2 elements:

- Pupil-led and School-led funding

This is based on a Primary unit of funding (PUF) and secondary unit of funding (SUF). In 2018/19 the amount Nottingham has received through the NFF and the October 2016 census pupil data is:

- £4,480.63 per primary pupil and
- £5,868.77 per secondary pupil.

In the financial year 2019/20 the PUF and the SUF will be updated to reflect the NFF funding and October 2017 census data.

The total funding allocated based on the primary and secondary units of funding totalled £199.436m.
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- Growth, premises and mobility funding

This funding is allocated to LA's based on historic costs in 2017/18 with the exception of Private Finance Initiatives (PFI) funding which has been uplifted by the RPIX from April 2016 to April 2017 (3.83%).

Total funding allocated for growth, premises and mobility totalled £5.957m.
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2.2.2 CSSB

The CSSB is made up of two categories of funding totalling £7.084m:

- Historic commitments and
- Ongoing commitments

Table 3 below shows the categorisation of budgets within the CSSB.

TABLE 3: CSSB COMMITMENTS		
Commitment	Classification	2018/19 Allocation £m
CERA	Historic commitment	0.840
Prudential borrowing	Historic commitment	0.293
Termination of employment costs	Historic commitment	1.609
Contribution to combined budgets	Historic commitment	2.887
Admissions	Ongoing commitment	0.585
Copyright licences	Ongoing commitment	0.192
Schools Forum	Ongoing commitment	0.032
Retained Duties (Former ESG)	Ongoing commitment	0.646
Total		7.084

In May 2017 all LA's were required to submit to the ESFA their 2017/18 allocations for central services in the Schools Block. This information was then used by the ESFA to set the baselines for historic commitments and set the national funding formula for ongoing commitments in 2018/19.

In 2018/19 NCC has been allocated £5.599m for historic commitments.

LA's are funded for ongoing commitments based a national formula which distributes 90% of funding according to a per-pupil factor and 10% of funding according to a deprivation factor. Both elements have been adjusted for area costs. In 2018/19 the CSSB unit of funding for Nottingham City for ongoing commitments is £36.96 per pupil.

In 2018/19 NCC has been allocated £1.485m for ongoing commitments.

The DfE have stated that they will be reviewing the CSSB unit of funding for each LA on an annual basis. The total amount of funding in the CSSB is based on the current duties held by LA's. Any changes to legal obligations will be reflected in future funding. The contribution of £2.887m for Combined Budgets relates to services within Childrens Integrated Services and is approved on an annual basis.

2.2.3 EY Block

The LA's EY block allocation is based on the Early Years National Funding Formula (EYNFF) which was introduced in April 2017. The EYNFF dictates the hourly rate that each LA receives for **3 & 4 year olds**. This rate remains unchanged for 2018/19 and is **£4.92 per hour**. The LA is funded at a separate rate of **£5.23 per hour for 2 year olds**.

2.2.3.1 The LA's provisional EY block allocation as announced on **21 December 2017 is £22.510m**. Within this provisional allocation there is funding for:

- a. 3 & 4 year old universal entitlement (£14.448m)
- b. 3 & 4 year old extended entitlement (£3.877m)
- c. 2 year old funding (£3.864m) and
- d. EY Pupil Premium (EYPP) (£0.231m)
- e. Early Years disability access fund (£0.090m).
- f. Maintained Nursery Supplementary (MNS) funding (£0.0m)

2.2.3.2 Provisional allocations for elements a, c, d and e are based on January 2017 pupils numbers. The provisional allocation for the extended entitlement is based on the DfE estimate of eligible children with final allocations being based on 5/12ths x January 2018 pupil numbers and 7/12ths x January 2019 pupil numbers. The EY's budget process will conclude once confirmation from the ESFA has been received regarding Maintained Nursery Supplementary funding as initial allocations do not include it; this is valued at £0.191m.

2.2.4 **HN Block**

For 2018/19, the LA's HN block allocation is based on the new HN NFF and the provisional HN block allocation as announced on **21 December 2017 is £30.366m.** This represents a £1.1m increase compared to the baseline for 2017/18.

2.2.4.1 Provisional allocations do not yet include the outcomes of the HN funding requests for exceptional increases in hospital funding which will be published in January 2018; a funding request for an additional £0.402m hospital education funding was made for the Hospital & Home Education (HHE) Pupil Referral Unit relating to the new expanded CAMHS in-patient unit opening in April 2018.

2.2.4.2 The HN allocation for 2018/19 will be finalised in June 2018 taking into account the Spring 2018 pupil numbers for the import/export adjustment with other Local Authorities.

2.3 **Overview of DSG Distribution**

2.3.1 Figure 1 below provides a breakdown of the Schools budget for 2018/19 by block and category of spend.

FIGURE 1 – How is the funding allocated?

Elements	Schools	Central Expenditure	Early Years	High Needs	Total
Educational Settings	£203.971m		£21.549m	£27.820m	£253.340m
Pupil Growth	£1.148m				£1.148m
Combined Services		£2.887m			£2.887m
Central Expenditure		£4.197m	£0.961m	£5.405m	£10.563m
De-delegated	£0.415m				£0.415m
BLOCK TOTAL	£205.534m	£7.084m	£22.510m	£33.226m	£266.880m
2018/19 Budget- DfE	£205.393m	£7.084m	£22.510m	£30.366m	£265.352m
Funding not in DSG settlement	£0.330m			£2.860m	£3.190m
TOTAL FUNDING	£205.723m	£7.084m	£22.510m	£33.226m	£268.541m
VARIANCE	£0.189m	0	0	0	£0.189m

2.4 Distribution of DSG Funding To Settings

The following paragraphs outline in detail how funding is distributed in each block.

2.4.1 Distribution of Schools Block Funding

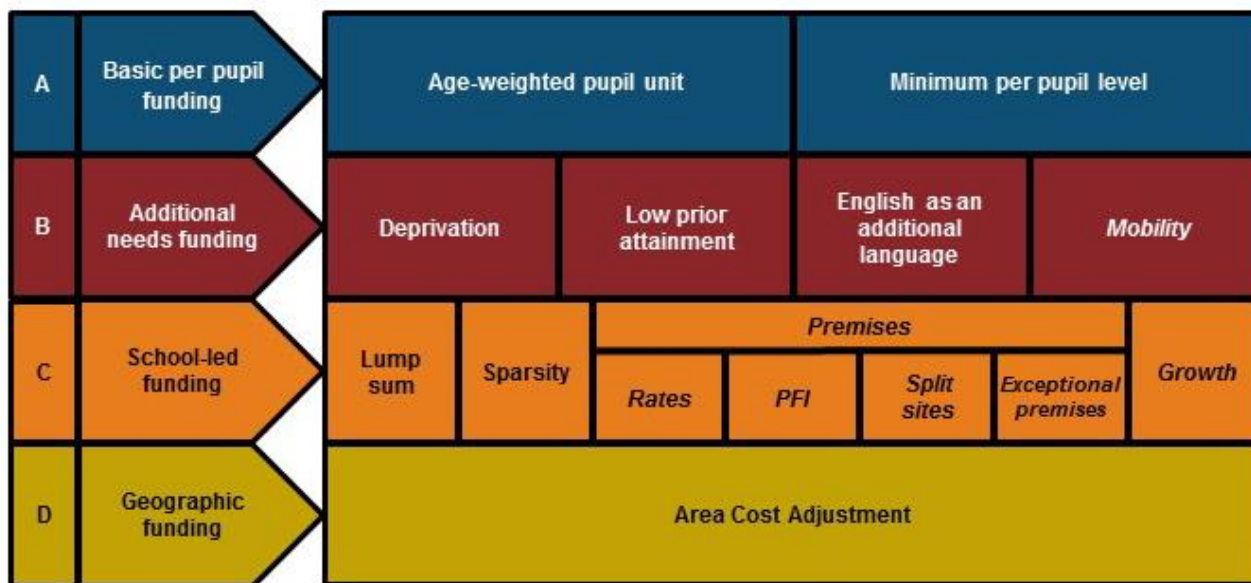
The schools block totals is £205.534 funded by:

- DSG £205.393m;
- Reimbursement of costs from academies of £0.156m and
- Estimated pupil growth funding brought forward £0.174m.

2.4.1.1 The impact of the movement of funding through the pupil-led and school-led factors from 2017/18 to 2018/19 has resulted in a **surplus balance of £0.189m** after implementing the DfE's +0.5% of the Minimum Funding Guarantee (MFG) per pupil onto schools.

2.4.1.2 88 out of the 91 schools are on the MFG therefore it is not possible to include the balance in the formula. The prudent option is to allocate to the reserve and ring fence for future pupil growth requirements.

2.4.1.3 Figure 2 below illustrates the factors that have been included when calculating schools budgets for 2018/19 based on the NFF.



2.4.1.4 Table 4 below shows the Age Weighted Pupil Unit (AWPU) rates and the level of MFG protection in 2017/18 and 2018/19 for comparative purposes.

TABLE 4: AWPU rates and MFG protection comparisons			
	2017/18	2018/19	Increase/ (Decrease)
AWPU			
Primary	£3,123.25	£2,754.43	(£368.82)
Key Stage 3	£4,298.40	£3,873.12	(£425.28)
Key Stage 4	£5,012.24	£4,397.70	(£614.54)
Total MFG protection	£742,431	£9,942,031	£9,199,600

2.4.1.5 Table 5 below shows the schools budget movement by sector for 2018/19.

TABLE 5: % BUDGET MOVEMENTS IN SCHOOLS					
Phase	No. of schools with no gain or loss greater than 5%	No. of schools with a gain greater than 5%	No. of schools with a loss greater than 5%	No. of new schools in 2018/19 with no comparative to 2017/18	Total number of schools
Primary	58	14	1	1*	74
Secondary	9	6	0	2*	17
Total	67	20	1	3	91

*In October 2017 Bluecoat Academy School split into three separate schools, Bluecoat Academy (Aspley Site), Bluecoat Wollaton Academy (Wollaton Site) and Bluecoat Primary Academy.

2.4.1.6 Although funding overall has increased from 2017/18 some schools may see a reduction in their funding from 2017/18 due to the following reasons:

- Reduction in pupils on roll;
- Change in the proportion of pupils eligible for the additional needs factors;
- Reduction in business rates or
- No longer being eligible for split site funding.

2.4.2 **Distribution of CSSB Funding**

The CSSB Funding has been allocated in full as shown in **Table 3**.

2.4.3 **Distribution of Early Years Block Funding**

3 & 4 year olds

The provisional hourly base rate for 3 & 4 year olds from April 2018 is £4.33, an increase of £0.08 per hour.

2.4.3.1 This totals a budget of **£17.429m for the provision of places**.

2.4.3.2 If the ESFA confirm a MNS allocation prior to the release of indicative budgets to settings in February, it may be possible to increase this by up to a further £0.02 per hour.

2.4.3.3 Central expenditure is in line with approvals of the 7 December 2017 SF and aligns to the **95% pass through requirement for 3 & 4 year old funding**.

2.4.3.4 Consultation has been undertaken with providers and Schools Forum on the revised EY funding formula under the new national arrangements and adjustments made accordingly.

2.4.3.5 **2 year olds**

The hourly rate for providers for 2 year olds from April 2018 is £5.08, an increase of £0.05 per hour.

2.4.3.6 This totals a budget of **£3.799m for the provision of places**.

2.4.4 **HN Block**

Table 7 provides a provisional breakdown of the 2018/19 high needs budget, with comparative figures for 2017/18.

2.4.4.1 The total HN **2018/19 budget is £33.225m**; this was £31.980m in 2017/18.

2.4.4.2 This is funded by:

- £30.366m initial HN DSG and
- £2.859m being funded from the DSG reserve.

2.4.4.3 A paper will be presented the February Schools Forum outlining in detail proposals relating to the approach and funding for pupils excluded/at risk of exclusion from April 2018. This area of the high needs budget continues to present a **significant risk** and urgent agreement of a new model is vital to achieve a sustainable high needs budget.

2.4.4.4 The above budget does not take account of the additional £0.402m funding requested for hospital education.

2.5 Pupil Premium (PP)

The total PP allocated to schools is made up of 3 of elements and each element has a different pupil criteria supporting, these are described below:

- Pupil Premium - Indicative allocation for all schools will be confirmed in May 2018 based on the January 2018 census. The LAC numbers will be updated in December 2018. This means that some schools could see a small reduction in the number of Ever 6 FSM pupils counted for their pupil premium allocation, if the pupil is identified as LAC in the update. In these cases the schools concerned would see a reduction in their pupil premium allocation.

2.5.1 Table 8 shows the rates attributable to each element of the Pupil Premium Grant for 2018/19.

TABLE 8: PUPIL PREMIUM COMPARISON				
	FSM EVER6			
	Primary £	Secondary £	Service Child £	Post Looked after Child* £
2018/19	1,320	935	300	2,300
2015/16, 2016/17 & 2017/18	1,320	935	300	1,900

*Looked after Children and eligible pupils who have been adopted from care or leaving care under a special guardianship or a child arrangements order (previously known as a residence order).

- Pupil Premium Plus Grant - The rate for pupil premium plus for looked after children and children adopted from care will increase from £1,900 per pupil in 2017/18 to £2,300 per pupil in the financial year 2018 to 2019.
- Year 7 Catch up Premium Grant – The methodology for calculating the year 7 Catch Up Grant for 2018/19 is as yet unconfirmed. However, the DfE have confirmed that the grant will continue in the financial year 2018/19. We are assuming that it will be allocated using the same methodology as in 2017/18.

2.6 OTHER GRANTS

a. PE & Sports Grant

The Primary PE and Sport Premium continues in academic year 2018 to 2019 at the current level of £320m a year. The DfE have advised further details will

be available in 2018 and that they will continue to advise schools on sustainable and effective ways to use the premium.

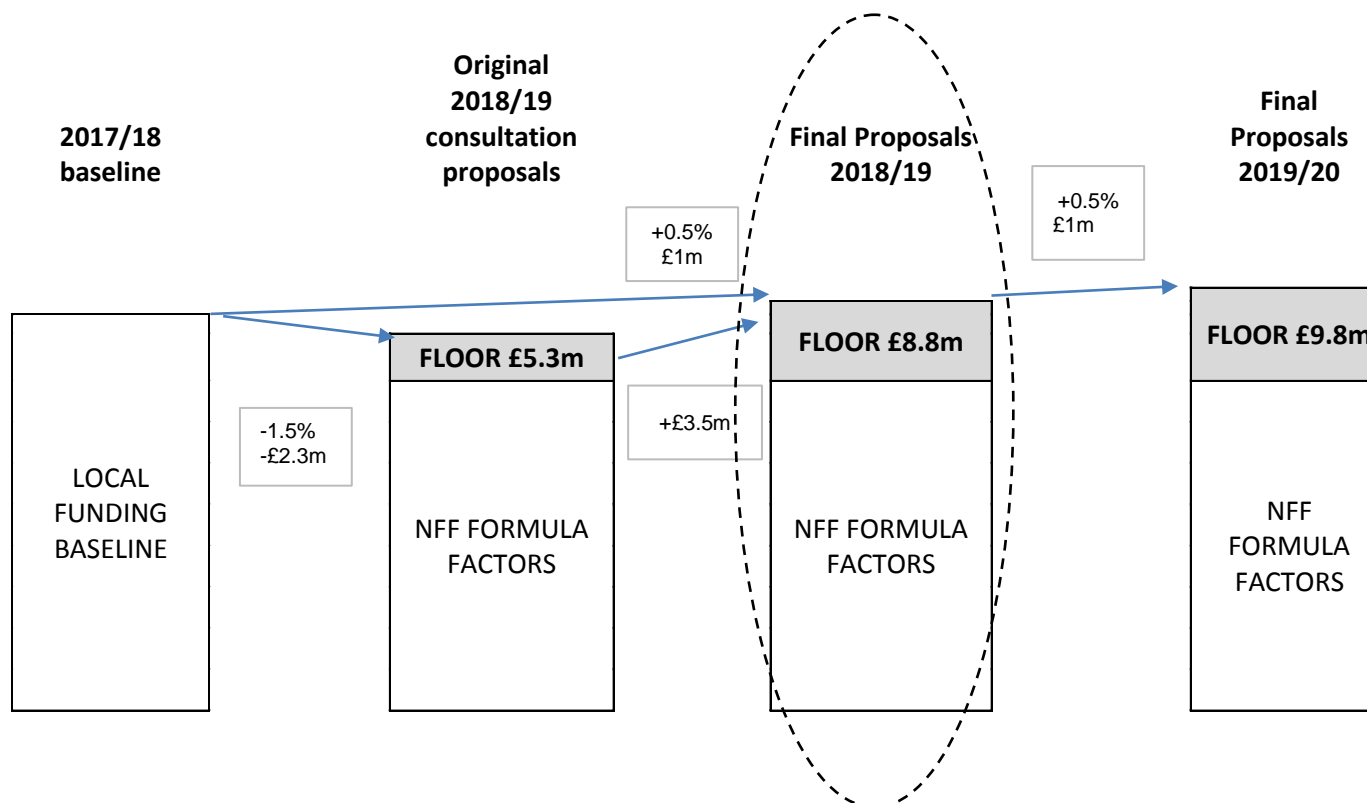
- b. Universal Free School Meals
The grant for Universal Infant Free School Meals continues at a meal rate of £2.30 for the 2018 to 2019 academic year. Further details will be available in 2018.
- c. School Improvement Monitoring and Brokering Grant
The School Improvement Monitoring and Brokering Grant continues in academic year 2018 to 2019 at £50m per annum. £30m will be allocated in September 2018 and £20m in April 2019.
- d. Extended rights to home to school transport grant
The grant for extended rights to home to school transport will continue in financial year 2018 to 2019. Further details will be available in the new year.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

3.1 No other options are available as the recommendations align to the financial regulations issued by the DfE in relation to the allocation of DSG and pupil premium

4 FINANCE COLLEAGUE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)

4.1 As stated in section 2.5 the initial DSG allocation for Nottingham City for 2018/19 based on the new national funding formula is **£265.352m**. This value included an element of protection to funding cuts as demonstrated in the diagram below:



4.2 This budget also **requires £2.860m from DSG reserves to support the high needs budget in 2018/19.**

4.2.1 This block carries significant financial risk for both the LA and schools if a solution to exclusions is not finalised.

4.3 Figure 1 provides a summarised analysis of the DSG allocation.

4.4 Funding for centrally retained services has been approved by Schools Forum on a line by line basis as required under the Schools and Finance England Regulations 2018 and has been reflected in the MTFP.

4.5 The DSG allocation will be amended in-year as outlined in section 2.2 of this report. Any unallocated balance will be put to the DSG Statutory School Reserve.

5 LEGAL AND PROCUREMENT COLLEAGUE COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

5.1 The School and Early Years Finance (England) Regulations 2018 apply in relation to the financial year beginning on 1 April 2018 and set out the requirements in relation to the determination of a local authority's schools budget. This report seeks to address those requirements.

6 STRATEGIC ASSETS & PROPERTY COLLEAGUE COMMENTS (FOR DECISIONS RELATING TO ALL PROPERTY ASSETS AND ASSOCIATED INFRASTRUCTURE)

6.1 There are no implications to Strategic Assets & Property

7 SOCIAL VALUE CONSIDERATIONS

7.1 The allocation of the school's budget is set in accordance with the Schools and Early Years Finance Regulations. These regulations ensure that the schools budget is allocated to educational settings on a fair and transparent basis.

8 REGARD TO THE NHS CONSTITUTION

8.1 There are no implications to the NHS constitution.

9 EQUALITY IMPACT ASSESSMENT (EIA)

9.1 An EIA is not required because the report does not contain proposals for new or changing policies, services or functions.

10 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)

10.1 None

11 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT

11.1 Schools Forum – Central Expenditure Budget 2018/19 – 9 November 2017

- 11.2 Schools Forum – Central Expenditure Budget 2018/19 – Combined Services - 9 November 2017
- 11.3 Schools Forum - De-delegation of funding for trade union time off for senior representatives – 9 November 2017
- 11.4 Schools Forum - De-delegation of funding for the Behaviour Support Team (BST) in 2018/19 – 7 December 2017
- 11.5 Schools Forum - De-delegation of funding for the Ethnic Minority Achievement (EMA) – IDEAL Service – 7 December 2017
- 11.6 Schools Forum - De-delegation of 2018/19 Health and Safety Building Inspection Funding – 7 December 2017
- 11.7 Schools Forum - Proposed pupil growth allocation for 2018/19 and proposed revision of the pupil growth criteria – 7 December 2017
- 11.8 Schools Forum - Early Years Central Expenditure 2018/19 – 7 December 2017
- 11.9 DfE - Schools and Early Years (England) Financial Regulations 2017
- 11.10 DfE – The national funding formula for schools and high needs – Policy document – September 2017
- 11.11 DfE – Analysis of and response to the schools national funding formula consultation – September 2017
- 11.12 DfE – Analysis of and response to the high needs national funding formula consultation – September 2017
- 11.13 DfE – Schools block national funding formula: technical note – September 2017
- 11.14 DfE – Schools revenue funding 2018 to 2019 – Operational guide – December 2017
- 11.15 Schools Forum – Arrangements for funding schools in 2018/19 and 2019/20 and the schools consultation outcome – 7 December 2017
- 11.16 DfE – Dedicated schools grant – Conditions of grant 2018 to 2019 – December 2017
- 11.17 DfE – Dedicated schools grant – Technical note 2018 to 2019 – December 2017
- 11.18 DfE – Schools Forum - Operational and good practice guide – September 2017