

**EXECUTIVE BOARD - 17 MARCH 2015**

<b>Subject:</b>	<b>Schools' Budgets 2015/16</b>		
<b>Corporate Director(s)/ Director(s):</b>	Alison Michlaska, Corporate Director for Children and Adults Geoff Walker, Director of Finance and Chief Finance Officer		
<b>Portfolio Holder(s):</b>	Councillor Jon Collins – Leader/Portfolio Holder for Strategic Regeneration and Schools Councillor Graham Chapman – Deputy Leader/Portfolio Holder for Resources and Neighbourhood Regeneration		
<b>Report author and contact details:</b>	Ceri Walters, Acting Head of Departmental Financial Support 01158 764 128 <a href="mailto:ceri.walters@nottinghamcity.gov.uk">ceri.walters@nottinghamcity.gov.uk</a>		
<b>Key Decision</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<b>Subject to call-in</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Reasons:</b> <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			<input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital
Significant impact on communities living or working in two or more wards in the City			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Total value of the decision:</b> £233.001m			
<b>Wards affected:</b> All		<b>Date of consultation with Portfolio Holder(s):</b> 4 March 2015	
<b>Relevant Council Plan Strategic Priority:</b>			
Cutting unemployment by a quarter			<input checked="" type="checkbox"/>
Cut crime and anti-social behaviour			<input type="checkbox"/>
Ensure more school leavers get a job, training or further education than any other City			<input checked="" type="checkbox"/>
Your neighbourhood as clean as the City Centre			<input type="checkbox"/>
Help keep your energy bills down			<input type="checkbox"/>
Good access to public transport			<input type="checkbox"/>
Nottingham has a good mix of housing			<input type="checkbox"/>
Nottingham is a good place to do business, invest and create jobs			<input type="checkbox"/>
Nottingham offers a wide range of leisure activities, parks and sporting events			<input type="checkbox"/>
Support early intervention activities			<input type="checkbox"/>
Deliver effective, value for money services to our citizens			<input type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>			
<p>This report presents the Council's Schools Budget for 2015/16. The Schools Budget has been prepared in line with the parameters agreed at Schools Forum and with the financial regulations issued by the Department of Education (DfE). Indicative budgets and guidance were issued to schools on 28 February 2015 with final budgets being confirmed by 31 March 2015.</p> <p>Where applicable, the Medium Term Financial Plan (MTFP) incorporates the impact from the Dedicated Schools Grant (DSG).</p> <p>This report contains the following appendices:</p> <ol style="list-style-type: none"> <li>1. Appendix A sets out the guidance issued to schools in relation to how the budgets are allocated.</li> <li>2. Appendix B i sets out the schools block budget analysis with comparable years.</li> <li>3. Appendix B ii sets out the Early years block budget analysis with comparable years.</li> <li>4. Appendix B iii sets out the High Needs block budget analysis with comparable years.</li> <li>5. Appendix C i-v are the DfE S251 returns for 2013/14 outturn and 2014/15 budget requiring publication to ensure compliance with legislation requirement.</li> </ol>			
<b>Exempt information:</b> None.			

<b>Recommendation(s):</b>	
<b>1</b>	To note the value of the 2015/16 Schools DSG budget is £233.001m and excludes 2 year old funding, as per Table 5.
<b>2</b>	To approve the in year DSG budget transfers and payments to schools, Private Voluntary Charitable and Independent settings and Academies totalling £220.845m as per Table 5.
<b>3</b>	To approve the in year DSG budget transfers and payments for 2 year old places estimated at c.£6m.
<b>4</b>	To approve external DSG spend associated with centrally retained expenditure. This allocation is £13.801m, as per Table 5.
<b>5</b>	To note any unallocated DSG will be transferred to the Statutory Schools Reserve (SSR) as noted in section 4.8.
<b>6</b>	To note that the procurement of external placements will be in accordance with the financial regulations, gaining approval through the appropriate processes.
<b>7</b>	To approve the allocation of Pupil Premium to Schools and Early Years settings in accordance with the grant conditions.
<b>8</b>	To approve spend associated with the use of the SSR to support the cost of split sites kitchens in 2014/15 as approved at Schools Forum.
<b>9</b>	To approve the transfer of any underspend associated with the Schools Building Maintenance de-delegated budget to the reserve as set out in section 4.10.
<b>10</b>	To delegate the authority to the Portfolio Holder for Children's Services and the Corporate Director of Children's and Families to approve any final budget adjustments.

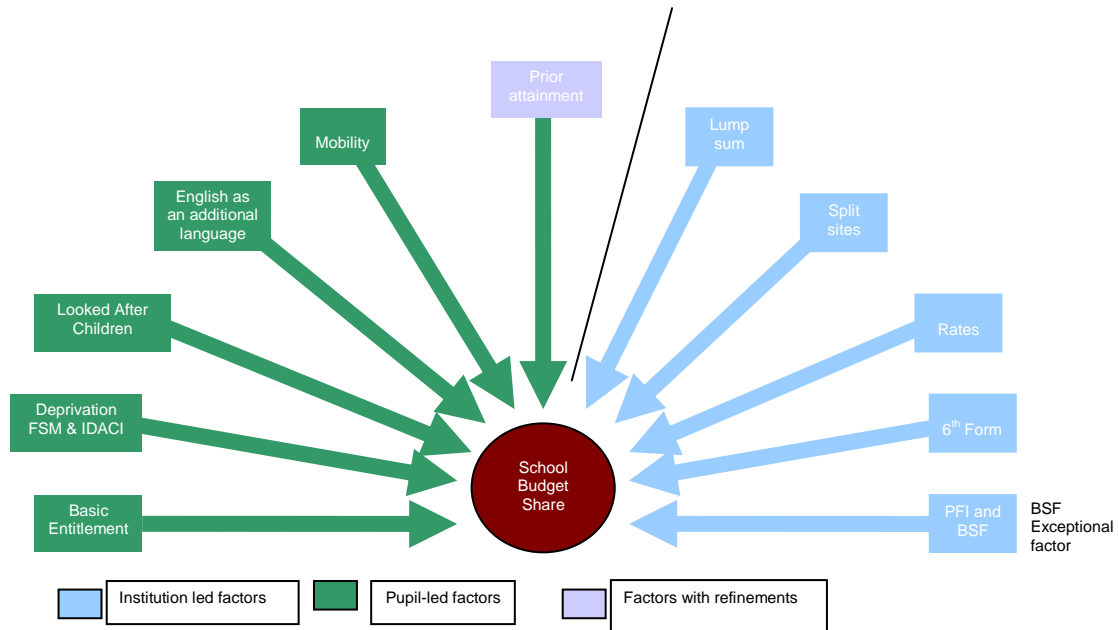
## **1 REASONS FOR RECOMMENDATIONS**

- 1.1 To ensure an understanding of how and on what basis different DfE 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.

## **2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)**

- 2.1 Construction of the 2015/16 budget - The purpose of this report is to provide a 2015/16 summary budget position for Schools; funding allocated to schools is made up from:
- DSG (see section 2.2);
  - High Needs Level 5+ (former Mainstream Support Group/School Action Plus) (see section 2.9);
  - Pupil Premium (see section 2.10);
  - Devolved Formula Capital Grant (DFC) (see section 2.11);
  - Free School Meals to Years 1 and 2 (Key Stage 1) (see section 2.13).
- 2.2 DSG funding is allocated over 3 blocks;
- Schools;
  - Early Years;
  - High Needs.
- 2.3 The distribution of funding is based on a range of factors and statutory guidance. To support schools in understanding how their budget has been constructed guidance is issued. The guidance issued to mainstream schools and academies is as per Appendix A; separate guidance is issued for Special Schools and Pupil Referral Units. The guidance also explains how other grants have been distributed.

2.4 The diagram below shows the factors used to allocate DSG.



2.5 Approvals required to allocate the DSG have all been gained at Schools Forum and incorporated into the budget setting process. A summary of the outcomes in accordance with the Schools and Early Years Financial Regulations 2014 are set out in Table 1 below:

TABLE 1: ANALYSIS OF APPROVALS		
	Status	SF Approval
<b>De - Delegated Budgets</b>		
Behaviour Support	Approved for Primaries only	18 December
Ethnic Minority Achievement	Approved	16 October
Trade Union Senior Representative Cover Time	Approved	16 October
Sports Safe Gym Maintenance Services	Approved	16 October
Copyright Licensing Agreement/Music Publishing Association Licences	Education Funding Agency (EFA)	
Building Maintenance Services	Approved	18 December
<b>Central Budgets</b>		
Schools and Early Years	Approved	18 December

2.6 These approvals enabled the construction of the budgets for Schools and Early Years blocks ensuring that at least 80% of the Schools block is allocated based on pupil-led factors with the exception of statutory functions delivered by the authority.

2.7 For 2015/16 the amount allocated to Schools based on pupil led factors is 95.9%; in 2014/15 this was 91.36% and in 2013/14 it was 91.09%.The

increase is an impact of the number of academisations within Nottingham City.

- 2.8 Initial DSG allocation - The initial 2015/16 DSG budget allocation for Nottingham is £233.001m; this is before academy recoupment and assumes:
- Flat cash rate per pupil.
  - Removal of the Carbon Reduction Credit Energy Efficiency Scheme.

2.8.1 This figure does not include:

- Pupil Premium.
- Year 7 Catch up Premium Grant.
- Pupil Premium Summer Schools Funding or
- Funding for 2 year olds.

2.8.2 The figure will alter throughout the year depending on academisations, 2 year old funding and Early years confirmed funding.

2.8.3 The DSG for 2014/15 (as at November 2014) is £228.737m; this includes 2 years old funding of £7.102m which is currently excluded from the 2015/16 indicative value.

2.8.3 The 2014/15 pre 2 year old funding is £221.595m, there is therefore an increase of £11.406m in 2015/16; this is due to the reasons set out in Table 2 below:

<b>TABLE 2: 2015/16 BUDGET INCREASE ANALYSIS</b>	
	<b>£m</b>
Transfer of responsibility to the LA for non-recoupment academies and free schools budgets	6.382
CRC Energy Scheme rate increase	(0.036)
Increased pupil numbers (City total 34,842 in 2014/15 36,025 in 2015/16)	3.825
Indicative Early Years Pupil Premium	0.525
Increase in High Needs	0.710
<b>TOTAL</b>	<b>11.406</b>

2.8.4 The DSG is allocated between 3 blocks. A detailed breakdown of the block allocations and comparable years is set out in Appendix Bi, ii and iii.

2.9 High Needs Level 5+ - This funding forms part of the DSG allocation initially allocated to the High Needs Block but then allocated to schools and included in the indicative budgets issued on 28 February 2015. This figure is subject to change depending on confirmation of the High Needs block allocation and the impact of the Children and Families Bill.

2.10 Pupil Premium (PP) - The total PP allocated to schools is made up of 3 of elements and each element has supporting pupil criteria, these are described below.

2.10.1 Pupil Premium - Indicative allocation for all schools will be confirmed in Summer 2015 based on the January census. The value for 2014/15 was £19.1m. Table 3 below shows the historical comparable rates. PP is allocated based on the number of pupils who have been eligible for Free School Meals (FSM) in the last 6 years.

<b>TABLE 3: PUPIL PREMIUM COMPARISION</b>				
	<b>Primary</b>	<b>Secondary</b>	<b>Service Child</b>	<b>Looked after</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>Children</b>
				<b>£</b>
2015/16	1,320	935	300	1,900
2014/15	1,300	935	300	1,900
2013/14	953	900	300	900
2012/13	620		250	

2.10.2 Summer Schools Funding – The rate for 2014/15 was £250 per eligible pupil identified by each participating secondary school that will run a Summer School. Final allocations of funding are confirmed once the school has confirmed that the Summer School took place and the numbers of places that were confirmed for eligible pupils. This grant is allocated to the LA for maintained schools for distribution.

2.10.3 Year 7 Catch up Premium Grant – The rate was £500 for 2014/15 per Year 7 pupil who did not achieve at least level 4 in reading and/or mathematics at Key Stage 2 in 2013. This grant is allocated to the LA for maintained schools for distribution and the conditions of the grant are that it must be spent for the purposes of the school for the educational benefit of pupils registered at the school, or for the benefit of pupils registered at other maintained schools and on community facilities. Any underspends of this grant can be carried forward to future financial years.

2.11 Devolved Formula Capital Grant (DFC) - The DFC grant will be based on the January 2015 School Census. The budgeting setting process has assumed that where a school is academising the LA has not allocated that school any grant as it is assumed the DfE will allocate it direct in 2015/16.

2.12 Voluntary Aided schools receive their funding direct from the EFA. The 2014/15 rates for the DFC are set out in Table 4 below; these are still being confirmed for 2015/16:

<b>TABLE 4: DFC RATES</b>			
	<b>Per Pupil</b>		<b>Lump Sum</b>
	<b>Per non-boarding FTE £</b>	<b>Per boarding FTE £</b>	<b>Per school £</b>
Nursery / primary	11.25	33.75	4,000
Secondary	16.88	33.75	4,000
Special / PRU	33.75	33.75	4,000

2.13 Free School Meals (FSM) for Reception, Years 1 and 2 and Sixth Forms. From September 2014 new legislation was implemented entitling all children in Reception and Years 1 and 2 in state funded schools in England to be eligible for FSM. Free meals will also be extended to disadvantaged students in further education and sixth form colleges to mirror entitlement in school sixth forms.

2.14 It is the responsibility of the schools to ensure that parents still complete the forms for Pupil Premium purposes where applicable otherwise it will impact on the Ever 6 average allocation to schools.

### **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 FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY/VAT)**

4.1 As stated in section 2.8 the initial 2014/15 DSG budget allocation for Nottingham for 2015/16 is £233.001m before academy recoupment.

4.2 This is an increase of £11.406m on 2014/15 the reasons for this increase are set out in Table 3 above.

4.3 Table 5 below provides a summarised analysis of the DSG allocation.

4.4 In 2015/16 there are elements of funding that are being allocated outside of the DSG settlement. These are now shown as separate lines within the table.

**TABLE 5: DSG BUDGET BLOCK ALLOCATION**

	Schools £m			Early Years £m			High Needs £m			TOTAL £m		
	2013/14	2014/15	2015/16	2013/14	2014/15	2015/16	2013/14	2014/15	2015/16	2013/14	2014/15	2015/16
Budgets	170.435	175.410	187.666	15.763*	18.246*	12.849	18.377	20.025	20.330	<b>204.575</b>	<b>213.681</b>	<b>220.845</b>
Central Expenditure	8.589	8.194	7.965	1.160	1.159	1.159	5.656	4.677	4.677	<b>15.405</b>	<b>14.030</b>	<b>13.801</b>
<b>Block Totals</b>	<b>179.024</b>	<b>183.604</b>	<b>195.631</b>	<b>16.923</b>	<b>19.405</b>	<b>14.008</b>	<b>24.033</b>	<b>24.702</b>	<b>25.007</b>	<b>219.980</b>	<b>227.711</b>	<b>234.646</b>
Funding not included in DSG settlement												(1.108)
Early Years reserve												(0.537)
Headroom										0.534	0.599	0
<b>TOTAL</b>										<b>220.514</b>	<b>228.310</b>	<b>233.001</b>

\* Note that the 2013/14 and 2014/15 figures include 2 year old funding currently not allocated in 2015/16.

- 4.5 Centrally retained services in the Schools & Early Years blocks have been approved by SF in line with the Schools and Early Years Financial Regulations 2014.
- 4.6 Early years funding in 2015/16 is being allocated from the DfE to LA's based on participation and not place numbers. To support the indicative budget, an element of the ring fenced Early Years (EY) under spend from previous years, held in the Statutory Schools Reserve (SSR) from is required.
- 4.7 The amount required is £0.537m and was included in the SSR SF report on 18 December 2014.
- 4.8 Once the DSG has been confirmed any unallocated balance (headroom) will be transferred into the DSG SSR.
- 4.9 These figures are reflected where applicable in the 2015/16 Medium Term Financial Plan.
- 4.10 The de-delegation of Building Maintenance budgets (as per Table 1) ensures the LA has the appropriate budget to support its Health and Safety responsibility of maintained school sites. Any underspends of this de-delegation will be allocated to a maintenance reserve; this practice will support, where possible, the annual cycle of maintenance expenditure which can 'peak' and 'trough'. This recommendation has been agreed by SF and executive Board as part of previous budget setting processes.
- 4.11 As schools academise de-delegated budgets will reduce accordingly requiring services to be sold to the academy if required. A similar process occurs for other LA services funded from the Education Service Grant (ESG).
- 4.12 If buy back from academies does not occur, the service will need to reduce costs accordingly to mitigate any budget pressures. The part year impact of these reductions will be incorporated into the SSR risk register and will form part of the 2014/15 outturn report.
- 4.13 The 2015/16 budget includes an amount for split site catering however this issue has been approved by SF to be funded from the SSR in 2014/15. This totals £0.166m for 3 schools (£0.083m per annum each). This was approved at SF on 12 February 2015.
- 4.14 The SSR report presented to Schools Forum on 18 December 2014 showed an uncommitted balance of £5.558m forecast for the end 2014/15. This figure will be updated as part of the outturn report.
- 4.15 Appendix C i-v are DfE S251 returns for 2013/14 outturn and the 2014/15 budget. The inclusion of these returns within this report ensures compliance with publication requirements.

## **5 RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS AND CRIME AND DISORDER ACT IMPLICATIONS)**

- 5.1 The School and Early Years Finance (England) Regulations 2014 apply in relation to the financial year beginning on 1 April 2015 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 SOCIAL VALUE CONSIDERATIONS**

- 6.1 The allocation of the schools budget is set in accordance with the Schools and Early Years Financial Regulations 2014. These regulations ensure that the schools budget is allocated to educational settings on a fair and transparent basis.

## **7 REGARD TO THE NHS CONSTITUTION**

- 7.1 Not applicable

## **8 EQUALITY IMPACT ASSESSMENT (EIA)**

- 8.1 An EIA is not required, as the report does not relate to new or changing policy, services or functions.

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

- 9.1 None.

## **10 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT**

- 10.1 Report to Schools Forum – Central Expenditure Budget 2015/16 – 18 December 2014.
- 10.2 Report to Schools Forum – Statutory Schools reserve 2014/15 – 18 December 2014.
- 10.3 Report to Executive Board - Medium Term Financial Plan (MTFP) 2014/15 - 2016/17 – 25 February 2014.
- 10.4 Report to Schools Forum - Budget 2015/16 – 12 February 2015.
- 10.5 Schools and Early Years Financial Regulations 2014.

## **11 OTHER COLLEAGUES WHO HAVE PROVIDED INPUT**

- 11.1 Sarah Molyneux – Legal Services Telephone: 0115 8764335