

SCHOOLS FORUM - 25 FEBRUARY 2016

Title of paper:	SCHOOLS BUDGET 2016/17
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Summary	
<p>This report presents the proposed Schools Budget for 2016/17. The Schools Budget has been prepared in line with the parameters agreed at Schools Forum and with the financial regulations issued by the Department for Education (DfE). Indicative budgets and guidance will be issued to schools by 29 February 2016 with final budgets being confirmed by 31 March 2016.</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>	
Recommendation(s):	
1	<p>DSG</p> <p>a) To note the value of the 2016/17 DSG schools budget is £243.280m.</p> <p>b) To note that this report covers how this funding has been allocated.</p> <p>b) To note that any unallocated DSG will be transferred to the Statutory schools Reserve (SSR) as noted in section 5.4.</p>
2	<p>PUPIL PREMIUM</p> <p>a) To note the allocation of Pupil Premium, Summer Schools Funding and Year 7 Catch up Premium will be confirmed in Summer 2015 and will be allocated to schools in accordance with the grant conditions.</p>

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 allocated to individual schools forming their annual budget allocations.

- 1.2 To provide Schools Forum (SF) with a summary budget position based on the approvals gained in accordance with the Schools and Early Years Financial Regulations 2015.
- 1.3 To update SF on the impact of any new legislation on the Schools budgets.

2. BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

2.1 Construction of the 2016/17 budget

The purpose of this report is to provide a 2016/17 summary budget position for Schools; this report is a continuation of budget reports presented to SF in accordance with the Schools and Early Years Financial Regulations 2015. These approvals are set out in **Table 1** below:

TABLE 1: ANALYSIS OF APPROVALS		
	Status	SF Approval
De - Delegated Budgets		
Behaviour Support	Approved for Primaries only	18 December 2015
Ethnic Minority Achievement	Approved	
Trade Union Senior Representative Cover Time	Approved	
Sports Safe Gym Maintenance Services	Approved	
Building Maintenance Services	Approved	
Copyright Licensing Agreement/Music Publishing Association Licences	Education Funding Agency (EFA)	
Central Budgets		
Schools and Early Years	Approved	21 January 2016

Funding allocated by the LA to schools is made up from:

- a) DSG (see section 2.2 & 2.3)
- b) High Needs Level 5+ (see section 2.2)
- c) Pupil Premium (see section 2.4)
- d) Devolved Formula Capital Grant (DFC) (see section 2.5)
- e) Free School Meals to Years 1 and 2 (Key Stage 1) (see section 2.6)

2.2 DSG funding

This is allocated over 3 blocks; Schools, Early Years and High Needs and split between central expenditure and delegated budgets.

Schools Block

Delegated budgets are formulated based on a number of factors. The diagram below shows the factors used to allocate the DSG to the Schools block.



For 2016/17 96.04% of the Schools block has been allocated based on pupil-led factors. This has increased from 95.9% in 2015/16, 91.36% in 2014/15 and 91.09% in 2013/14.

For 2016/17 the elements supporting the deprivation factor were updated by Central Government. The Income Deprivation Affecting Child Indices (IDACI), which is based on Childrens postcodes and Free Schools Meals Spring 2015 census, was updated. This resulted in £4.238m not being allocated through pupil led factors.

To ensure this funding is allocated for the purpose it was given and to prevent exceptionally high levels of MFG, the LA has increased the rates for this factor, as set out in **Table 2** below:

TABLE 2: DEPRIVATION FACTORS		
Description	Primary & Secondary amount per pupil £	
	2015/16	2016/17
IDACI Band 1	101.27	129.64
IDACI Band 2	101.27	129.64
IDACI Band 3	101.27	129.64
IDACI Band 4	101.27	129.64
IDACI Band 5	282.48	361.61
IDACI Band 6	370.73	474.59

And, in addition the rates of all pupil led factors have increased by 2.5%. These rates have not increased since 2013/14. The rates are set out in **Appendix A**.

Early Years (EY)

The funding allocated by the Education Funding Agency (EFA) for EY's is based on pupil numbers taken from the January 2015 census. This allocation is updated in year and will be based on 5/12ths x January 2016 pupil numbers and 7/12ths x January 2017 pupil numbers.

Indicative EY's allocations to providers, presented in this report, are based on pupil numbers from the last 3 available terms (calendar year 2015). Actual allocations will be based on actual termly participation during the 2016/17 financial year.

The 2016/17 DSG received per pupil for 3 and 4 year olds and disadvantaged 2 year olds has remained the same as for 2015/16. The funding passed on to provisions for the 3 and 4 year old early entitlement and for disadvantaged 2 year olds will also stay at the same level as 2015/16.

In the spending review, the government announced that there will be an extra £300m per year from 2017/18 for an uplift to the national average rate paid for the 2, 3 and 4 year old entitlements of 30p per hour. A new national formula for EY will be implemented from 2017/18 which will be used to distribute this funding. Settings of different types and in different areas will be impacted differently.

The EY Pupil Premium (EYPP) allocation is a provisional DfE estimate which they have rolled forward from 2015/16. The final allocation will be based on the January 2016 and 2017 pupil counts as above. The EYPP rate has remained the same at £0.53 per hour.

High Needs (HN)

No growth is funded through the DSG for High Needs however the LA has received a £0.570m share of national £92.5m additional top-up funding, based on our proportion of the 2-19 aged population projections for 2016.

This funding has been to cover the £0.227m impact on place and associated top-up funding from the increase in planned Special Education Needs (SEN) places for academic year 2016/17, SF were consulted on this issue on the 5 November 2015. This figure does not show on **Appendix b iii** as where the place increase is in an academy, this results in a higher recoupment figure rather than higher planned expenditure.

The remaining funding increase has been channelled into funding to support pupils with SEN in mainstream schools.

The SF sub-group met on 3 occasions during Summer/Autumn 2015 to review SEN support costs and funding in mainstream schools. Trend analysis considered by the group highlighted that the levels of need of pupils starting school have been rising with record number of pupils being supported in Reception and Year 1. Numbers in each cohort requiring support are also increasing as they progress through primary.

The findings of this analysis are reflected in the 2016/17 budget.

The total amount allocated to schools as Additional Inclusion Allowance (AIA) to help support the first £6k of additional needs has increased year on year by £0.235m.

The initial allocation of named pupil High Level Needs (HLN) funding for 2016/17 totalling £1.713m is £0.309m higher than the initial allocation for 2015/16.

2.3 Initial DSG allocation

The initial 2016/17 DSG budget allocation for Nottingham is **£243.280m**; this is **before academy recoupment** and assumes:

- Flat cash rate per pupil.
- Funding for 2 year olds.
- Removal of High Needs recoupment of £2.406m place funding.

This figure does not include:

- Pupil Premium.
- Year 7 Catch up Premium Grant.
- Pupil Premium Summer Schools Funding or

This figure is updated throughout the year for the following blocks:

- High Needs – updated in March 2016 to reflect the outcome of the 2016 to 2017 place change requests process and for further academy conversions.
- Early Years – updated in January 2016 based on January 2016 pupil numbers.

The comparison of previous years DSG and how this funding has been allocated is set out in **Table 2** below.

Appendix Bi, ii and iii provides more detail of the block funding showing comparable years spend. This format aligns with the Central Expenditure report presented to SF on 21 January 2016.

TABLE 2: DSG ANNUAL BUDGET COMPARISONS

	Schools £m			Early Years £m			High Needs £m			TOTAL £m		
	2014/15	2015/16	2016/17	2014/15	2015/16	2016/17	2014/15	2015/16	2016/17	2014/15	2015/16	2016/17
Budgets	175.410	187.666	192.302	18.246	16.484*	16.777	20.025	20.330	21.275	213.681	224.480*	230.354
Central Expenditure	8.194	7.965	7.812	1.159	1.159	1.092	4.677	4.677	4.972	14.030	13.801	13.876
Block Totals	183.604	195.631	200.114	19.405	17.643	17.869	24.033	24.702	26.247	227.711	234.646	244.230
Funding not included in DSG settlement											(1.108)	(0.950)
Early Years reserve											(0.537)	0
Headroom										0.599		0
TOTAL DSG										228.310	236.636*	243.280
AWPU												
Primary											3.050.15	3,050.32
Key stage 3											4,196.64	4,196.81
Key stage 4											4,893.07	4,893.24

- In the 2015/16 budget report this figure didn't include the 2 year old funding (£3.635m), which aligned to the EFA's funding schedule. For completeness and comparisons this figure has now been added.

An explanation of the **increase in funding of £10.279m**, from the 2015/16 initial budget of £233.001m to the 2016/17 budget allocation, is set out in **Table 3** below:

TABLE 3: 2016/17 BUDGET INCREASE ANALYSIS	
	£m
2015/16	
Non-recoupment academies cash adjustment	0.520
3 - 4 Year olds allocation updated to reflect the January 2015 census.	0.540
Early Years Funding for 2 year olds	3.630
2015/16 high needs adjustment to reflect the change from residency to location basis for post-16	0.650
Recoupment of Non Maintained Special School (NMSS) places from the EFA	(0.540)
Adjustment to Post 16 Income from the EFA	0.091
2016/17	
Increased pupil numbers (36,025 in 2015/16 to 38,050 in 2016/17)	4.962
Additional growth in high needs places to be recouped by EFA	(0.281)
NMSS recouped in 15/16, not recouped in 2016/17 as removed from the baseline	0.670
Summer term funding for places agreed as a part of the AY2015/16 exceptions process	0.017
Total adjustment to reflect the change from residency to location basis for post-16 and NMSS in 2016/17	0.327
Total adjustment for EFA direct NMSS place funding in 2016/17	(0.940)
2016/17 additional high needs block top-up funding	0.570
TOTAL	10.279

2.4 Pupil Premium (PP)

The total PP allocated to schools is made up of 3 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 summer 2015 based on the January census. The 2015/16 pupil premium is £230.322m which has increased from £19.1m in 2014/15.

Table 4 below shows the comparable rates from previous years.

PP is allocated based on the number of pupils who have been eligible for Free School Meals (FSM) in the last 6 years and follows the pupil, therefore budget allocations will be adjusted if a pupil who is eligible for PP moves educational placements. This is in accordance with the Schools and Early Years Financial Regulations 2015.

The number of pupil's registered for FSM has reduced by 9.12% in Primarys and 7.28% in Secondarys based on the latest data. There is a national reduction of 23.891% of citizens claiming Job Seekers allowance. Nottingham has reduced by 20.93%.

TABLE 4: PUPIL PREMIUM COMPARISION				
	Primary	Secondary	Service Child	Looked after Child*
	£	£	£	£
2015/16 & 2016/17	1,320	935	300	1,900
2014/15	1,300	935	300	1,900
2013/14	953	900	300	900
2012/13	620		250	

*Looked after Children and eligible pupils who have been adopted from care or leaving care under a special guardianship or residence order.

- Summer Schools Funding – This funding is ceasing from September 2016. The rate until then is unconfirmed but the 2015/16 is £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.

- Year 7 Catch up Premium Grant – The rate is unconfirmed but the 2015/16 rate is £500 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.

The grant does not have to be completely spent by schools in the financial year it can be carried forward to future financial years.

2.5 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.

Voluntary Aided schools receive their funding direct from the EFA. In some instances, schools may have agreed for the LA to retain part/all of the funding to be used for particular projects. The 2015/16 rates for the DFC are set out in **Table 5** below; these are still being confirmed for 2016/17:

TABLE 5: DFC RATES			
	Per Pupil		Lump Sum
	Per non-boarding FTE £	Per boarding FTE £	Per school £
Nursery / primary	11.25	33.75	4,000
Secondary	16.88	33.75	4,000
Special / PRU	33.75	33.75	4,000

2.6 Free School Meals for Reception, Years 1 and 2 and Sixth Forms

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. OUTCOMES/DELIVERABLES

4.1 To allocate budgets to schools on a fair and transparent basis before 31 March 2016 in accordance with the Schools and Early Years Financial Regulations 2015.

5. FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY/VAT)

5.1 As stated in section 2.3 the initial 2014/15 DSG budget allocation for Nottingham for 2016/17 is **£243.280m before academy recoupment**.

5.2 This is an **increase of £10.279m on 2015/16**; reasons for this increase are set out in **Table 3** above.

5.3 The Schools and Early Years Blocks include funding for centrally retained services totalling; these have all been approved by SF in line with the Schools and Early Years Financial Regulations 2014.

5.4 Once the DSG has been confirmed any unallocated balance will be allocated to the DSG Statutory School Reserve.

5.5 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 previously.

- 5.6 As schools academise the de-delegated budgets will reduce their charges requiring the academy to procure the services back if required. A similar process occurs for other LA services funded from the Education Service Grant (ESG).
- 5.7 The SSR balance, review of commitments and risk register will form part of the 2015/16 outturn report.
- 5.8 Funding guidance will be issued to schools along with their 2016/17 indicative budgets. This guidance relates to mainstream schools and academies; there will be separate guidance issued for Special Schools and Pupil Referral Units.

The guidance explains:

- the factors being used to distribute the DSG and
- how other grants have been distributed.

6. RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS AND CRIME AND DISORDER ACT IMPLICATIONS)

- 6.1 The School and Early Years Finance (England) Regulations 2015 apply in relation to the financial year beginning on 1 April 2016 and set out the requirements in relation to the determination of a local authority's schools budget. This report seeks to address those requirements.

7. HR ISSUES

- 7.1 None

8. EQUALITY IMPACT ASSESSMENT

Has the equality impact been assessed?

Not needed (report does not contain proposals or financial decisions)

No

Yes – Equality Impact Assessment attached

Due regard should be given to the equality implications identified in the EIA.

9. LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

- 9.1 None

10. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

10.1 Schools Forum – Central Expenditure Budget 2016/17 – 21 January 2016

10.2 DfE - Schools and Early Years Financial Regulations 2015.