

EXECUTIVE BOARD – 22 MARCH 2016

Subject:	Schools Budget 2016/17		
Corporate Director(s)/ Director(s):	Alison Michalska, Corporate Director for Children and Adults Geoff Walker, Director of Finance and Chief Finance Officer		
Portfolio Holder(s):	Councillor Sam Webster, Portfolio Holder for Schools		
Report author and contact details:	Ceri Walters, Head of Commercial Finance 0115 8764128 ceri.walters@nottinghamcirt.gov.uk		
Key Decision	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Subject to call-in	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Reasons:	<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 type="checkbox"/> No
Total value of the decision: £245.480m			
Wards affected: All		Date of consultation with Portfolio Holder(s): January 2016	
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 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 were issued to schools on 26 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> <p>This report contains the following appendices:</p> <ul style="list-style-type: none"> • Appendix A sets out the LA Funding Pro-forma for 2016/17 • Appendix B i sets out the Schools Block budget analysis with comparable years • Appendix B ii sets out the Early Years Block budget analysis with comparable years • Appendix B iii sets out the High Needs Block budget analysis with comparable years • Appendix C i to v are the DfE Section 251 returns for 2014/15 outturn and 2015/16 budget requiring publication to ensure compliance with legislation requirement <p>Exemption from call-in:</p> <p>This decision is not subject to call-in as Councillor Brian Parbutt, Chair of the Overview and Scrutiny Committee, has agreed that the decision is reasonable in all the circumstances and should be treated as a matter of urgency as the DfE set clear timelines for the schools budget to be set, approvals to be gained by Schools Forum, budgets issued to schools and constitutional approval gained. They require constitutional approval to be gained at the latest by end March, and call-in would prevent this.</p>			

Exempt information: None
Recommendation(s):
DSG
1 To note the value of the 2016/17 Schools DSG budget is £243.280m.
2 To approve the in-year budget transfers and payments to schools, Private and Voluntary Charitable and Independent settings and Academies totalling £230.354m as per Table 3.
3 To approve external spend associated with centrally retained expenditure. This allocation is £13.876m, as per Table 3.
4 To note any unallocated DSG will be transferred to the Statutory School Reserve (SSR) as noted in section 4.5.
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 to settings in accordance with the grant conditions.
RESERVES
7 To approve spend of up to £2.2m to support the increased levels of permanently excluded pupils in 2016/17 as set out in section 4.9. This is funded from the SSR and aligns to the report presented to Executive Board on 19 January 2016.
GENERAL
8 To delegate authority to the Portfolio Holder for Schools, and the Corporate Director for Children and Adults, 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.
- 1.2 To provide the Executive Board (EB) with a summary budget position based of the DSG based on the approvals gained in accordance with the Schools and Early Years Financial Regulations 2015.
- 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 this grant.

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. 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 2015, are set out in **Table 1** below:

	Status	SF Approval
De - Delegated Budgets		
Behaviour Support	Approved for	24 September

	Primaries only	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 to schools is made up from:

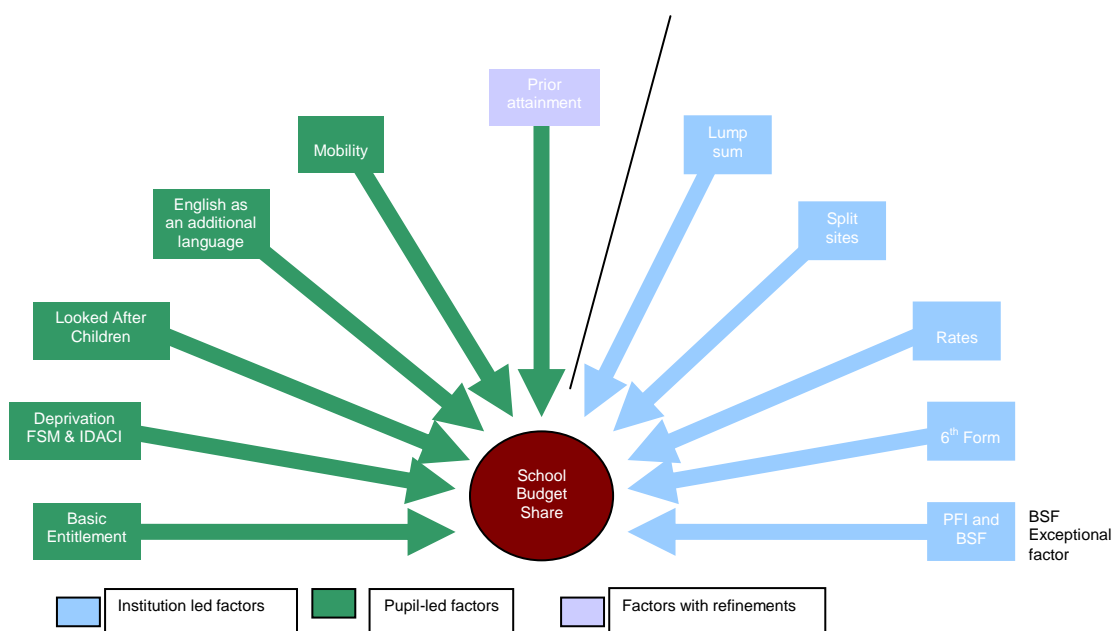
- a) DSG (see section 2.2 & 2.3)
- b) High Needs Level 5+ (see section 2.2)
- c) Pupil Premium (see section 2.4)
- d) Devolved Formula Capital Grant (DFC) (see section 2.5)
- e) Free School Meals to Key Stage 1(see section 2.6)

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.

As part of the budget setting process there have been the following changes/issues to the factors used to distribute the grant. These are:

- a) In 2016/17 the **deprivation factor** Income Deprivation Affecting Child Indices (IDACI), **was updated by Central Government**. This factor is based upon pupil's postcodes and the last time this was updated was in 2010.

Each pupil's postcode is mapped to a Lower Layer Super Output Area (LSOA). Each LSOA is given a score which is input into a band, the bands range from 1-6 with 6 being the most deprived.

An outcome of this review there has been a shift of pupils from bands 5 and 6 into bands 1 to 4 as Nottingham's postcode were assumed to be less deprived than in 2010. The impact of these changes resulted in a reduction of £1.2m being allocated through this factor in 2016/17 compared to 2015/16 even though the number of eligible pupils remained similar.

To ensure this funding is allocated for the purpose it was given and to prevent exceptionally high levels of Minimum Funding Guarantee the rates for this factor have been increased as set out in **Table 2** below:

TABLE 2: IDACI FACTOR		
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

- a) The **number of children registered for Free School Meals has reduced** in year. Based on the Autumn Term 2015 School Census there was a reduction of 9.12% in the primary phase and 7.28% in the secondary phase however this appears to correlate with the reduction in Nottingham of citizens claiming Job Seekers allowance of 20.93. Nationally this is 23.89%.
- b) **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 recoument 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**, includes **an increase of £10.279m** on the 2015/16 original budget 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 will be 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 July 2016 based on January 2016 pupil numbers.

The comparison of previous years DSG and how funding has been allocated is set out in **Table 3** below.

Appendix B i, ii and iii provides more detail of the block funding showing comparable years spend.

TABLE 3: 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 4** below:

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

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 summer 2016 based on the January census. The 2015/16 pupil premium is £230.322m which has increased from £19.1m in 2014/15.

Table 5 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.

TABLE 5: PUPIL PREMIUM COMPARISON				
	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 – The Department for Education have confirmed that this funding will not continue in 2016.
- 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 2016 School Census. The budget 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 2016/17.

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 2016/17 rates for the DFC are set out in **Table 6** below:

TABLE 6: 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 the DSG and pupil premium.

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

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

4.2 This is an **increase of £10.279m on 2015/16**; reasons for this increase are set out in **Table 4** above.

4.3 **Table 3** provides a summarised analysis of the DSG allocation.

4.4 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 2015.

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

4.6 These figures are reflected where applicable in the 2016/17 Medium Term Financial Plan.

4.7 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.

- 4.8 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).

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 2015/16 outturn report.

- 4.9 In 2016/17 up to £2.2m will be required from the SSR to cover both the costs of provision for the currently permanently excluded pupils and to phase in devolved funding to schools in the transition to the new arrangements. This was represented in the Executive Board on 19 January 2016.

The LA is currently in discussion with schools around a new model of working for 2016/17 which should mitigate future over-spends. In this model, funding for alternative provision is devolved to schools, linked to a service level agreement.

The agreement will include the requirement for schools to meet the needs of the pupil within the funding allocated including, the costs of alternative provision for pupils they permanently exclude.

The proposed model will be subject to further consultation and the appropriate approval processes

- 4.10 The SSR balance, review of commitments and risk register will form part of the 2015/16 outturn report.
- 4.11 Funding guidance was issued to schools along with their 2016/17 indicative budgets. This guidance related to mainstream schools and academies and Nottingham Nursery; 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.

- 4.12 Appendix C i-v are DfE Section 251 returns for 2014/15 outturn and the 2015/16 budget. The inclusion of these returns within this report ensures compliance with publication requirements.

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

- 5.1 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.

6 STRATEGIC ASSETS & PROPERTY 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 schools budget is set in accordance with the Schools and Early Years Financial Regulations 2015. 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 Has the equality impact of the proposals in this report been assessed?

No



An EIA is not required because there are no implications from this report.

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 – De-delegation of funding for Ethnic Minority Achievement (EMA) – 24 September 2015

11.2 Schools Forum – De-delegation of funding for Behaviour Support Team (BST) – 24 September 2015

11.3 Schools Forum – De-delegation of funding for Sportsafe gym maintenance service – 24 September 2015

11.4 Schools Forum – De-delegation of funding for Trade Union time off for senior representatives – 24 September 2015

11.5 De-delegation of 2016/17 Health and Safety Building Maintenance funding – 24 September 2015

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

11.7 Executive Board – Medium Term Financial Plan (MTFP) 2016/17 – 2018/19 – 23 February 2016

11.8 Schools Forum – Schools Budget 2016/17 – 25 February 2016

12 OTHER COLLEAGUES WHO HAVE PROVIDED INPUT

12.1 Sarah Molyneux, Solicitor and Legal Services Manager