

## SCHOOLS FORUM - 24 APRIL 2014

<b>Title of paper:</b>	<b>SCHOOLS BUDGET 2014/15</b>
<b>Director(s)/ Corporate Director(s):</b>	Alison Michlaska, Corporate Director for Children and Adults Carole Mills, Deputy Chief Executive, Corporate Director and Chief Finance Officer
<b>Report author(s) and contact details:</b>	Ceri Walters, Finance Business Partner – Children and Adults 01158 764 128 <a href="mailto:ceri.walters@nottinghamcity.gov.uk">ceri.walters@nottinghamcity.gov.uk</a>
<b>Other colleagues who have provided input:</b>	Sarah Molyneux Solicitor and Legal Service Manager 0115 876 4335 <a href="mailto:sarah.molyneux@nottinghamcity.gov.uk">sarah.molyneux@nottinghamcity.gov.uk</a>  Imogeen Denton Senior Equalities Specialist 0115 8763246 <a href="mailto:imogeen.denton@nottinghamcity.gov.uk">imogeen.denton@nottinghamcity.gov.uk</a>
<b>Summary</b>	
<p>This report presents the proposed Schools Budget for 2014/15. 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 28 February 2014 with final budgets being confirmed by 31 March 2014.</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>	
<b>Recommendation(s):</b>	
<b>1</b>	<p><b>DSG</b></p> <p>a) To note the value of the 2014/15 DSG schools budget is <b>£228.310m</b>.</p> <p>b) To note the allocation of the Schools and Early Years budget totalling <b>£203.009m</b> set out in section 5.3 <b>Table 7</b>.</p> <p>c) To note that the allocation to the High Needs block will form part of a separate report.</p> <p>d) To note that any unallocated DSG will be transferred to the Statutory schools Reserve (SSR) as noted in section 5.6.</p> <p>e) To note the value of the SSR as at 1 April 2014 is currently estimated to be £4.270m (see section 5.9) with risks valued at £3.916m (see section 5.10).</p>
<b>2</b>	<p><b>PUPIL PREMIUM</b></p> <p>a) To note the allocation of Pupil Premium c. £19.1m to schools in accordance with the grant conditions referred to in section 2.7.</p>

	b) To note the allocation of Summer Schools Funding and Year 7 Catch Up Premium Grant to schools; the figure will be based on actual activity confirmed by the DfE.
3	To approve the use of reserves to support split site catering costs in 2013/14 and 2014/15 currently totalling £0.166m over 2 financial years as referred to in section 5.11.
4	To approve the principle associated with reserve underspends at the end of 2013/14 as set out in section 5.9.

## 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 allocated to individual schools to form 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 2013.
- 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 2014/15 budget**

The purpose of this report is to provide a 2014/15 summary budget position for Schools; it is a continuation of the interim budget report presented to SF on 13 February 2014.

The funding allocated by the LA to schools is made up from:

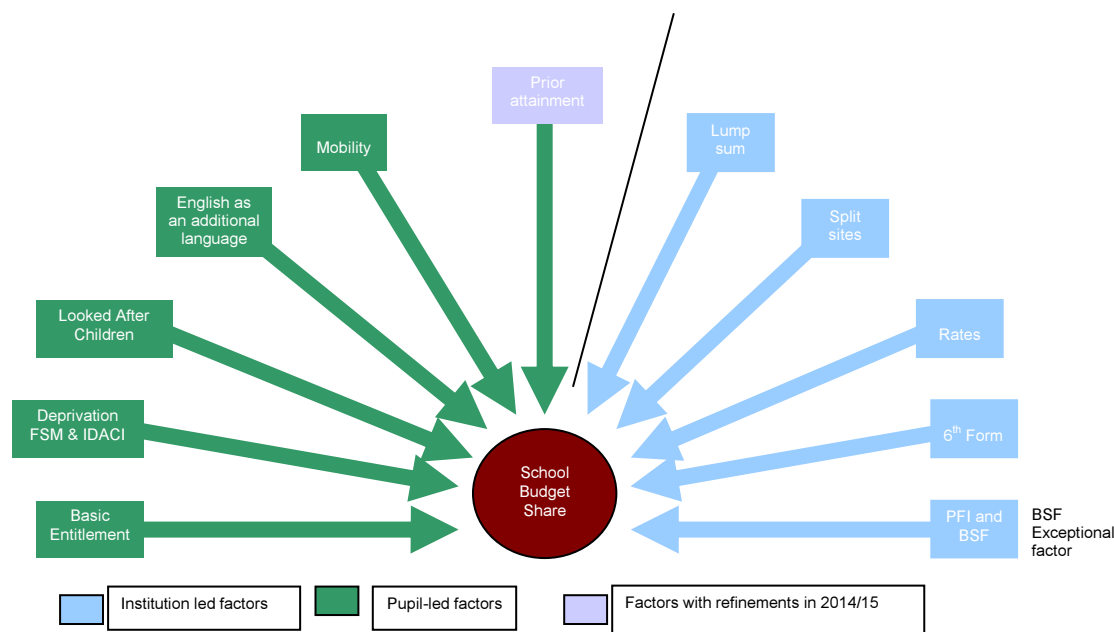
- a) DSG (see section 2.5)
- b) High Needs Level 5+ (former Mainstream Support Group/School Action Plus) (see section 2.6)
- c) Pupil Premium (see section 2.7)
- d) Devolved Formula Capital Grant (DFC) (see section 2.8)
- e) Free School Meals to Years 1 and 2 (Key Stage 1) (see section 2.9)

- 2.2 The DSG funding is allocated over 3 blocks; Schools, Early Years and High Needs with the distribution of funding being based on a number of factors. Guidance has been issued to schools along with their 2014/15 indicative budgets, see **Appendix A** to explain the factors. This guidance relates to mainstream schools and academies; there has been 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.

The diagram below shows the factors used to allocate DSG.



2.3 Approvals required to allocate the DSG have all been gained through previous SF reports and incorporated into the budget setting process. A summary of the approvals gained in accordance with the Schools and Early Years Financial Regulations 2013 are set out in **Table 1** below:

TABLE 1: ANALYSIS OF APPROVALS		
	Status	SF Approval
<b>De - Delegated Budgets</b>		
Behaviour Support (including under write)	Approved	5 December
Ethnic Minority Achievement	Approved	17 October
Trade Union Senior Representative Cover Time	Approved	17 October
Sports Safe Gym Maintenance Services	Approved	17 October
Copyright Licensing Agreement/Music Publishing Association Licences	Education Funding Agency (EFA)	
Building Maintenance Services	Approved	13 January
<b>Central Budgets</b>		
Schools and Early Years	Approved	13 January

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.

For 2014/15 the amount allocated to Schools based on pupil led factors is 91.36% (91.09% in 2013/14).

2.4 Due to the timescales associated with the issue of data by the EFA the allocation of the High Needs Block will be included in a separate report for information. No

approvals are required from SF for the High Needs block and the budget will be set in accordance with the Schools and Early Years Financial Regulations 2013 reflecting any changes from the Children and Families Bill. The timeline and position statement of the budgeting setting process is set out in **Table 2** below:

<b>TABLE 2: SCHOOLS BUDGET TIMETABLE</b>			
<b>Date</b>	<b>DfE/Education Funding Agency (EFA)</b>	<b>Local Authorities (LA's)</b>	<b>Position</b>
By mid January 2014		LA's to gain Schools Forum/Political approval for final 2014-15 funding formula	Completed
21 January 2014		Deadline for LA's to submit final 2014/15 school budget proforma to EFA.	Completed
February 2014	High Needs Block confirmed		Awaiting
28 February 2014		Deadline for LA's to confirm budgets for their maintained schools.	Completed
18 March 2014		Full Budget report to Executive Board for approval	On Going
By 31 March 2014		Full Budget report to Schools Forum	On Going
By 31 March 2014		Deadline for the LA to give notice of the 2014/15 budget.	On Going
June 2014	Early Years Block updated for Early Years pupils from January 2014 census.		On Going

## 2.5 Initial DSG allocation

The initial 2014/15 DSG budget allocation for Nottingham for 2014/15 is **£228.310m before academy recoupment** which assumes:

- § an increase in learning places for two year olds extending the statutory entitlement to 40% of lower income households nationally. The DfE have estimated that Nottingham will have take up of c. 2,569.
- § flat cash rate per pupil.
- § removal of the Carbon Reduction Credit Energy Efficiency Scheme.

This figure does not include Pupil Premium of £19.1m, Year 7 Catch up Premium Grant of £500 per eligible pupil or Pupil Premium Summer Schools Funding of £250 per eligible pupil.

In 2013/14 DSG was £220.514m, the increase of £7.796m in 2014/15 is due to the reasons set out in **Table 3** below:

<b>TABLE 3: 2014/15 BUDGET INCREASE ANALYSIS</b>	
	<b>£m</b>
2 year old funding increase	2.731
Funding for newly qualified teachers	0.053
Deductions for CRC energy efficiency scheme	(0.235)
Increase in High Needs	0.490
Increased pupil numbers (33,119 in 2013/14 to 34,842 in 2014/15)	4.757
<b>TOTAL</b>	<b>7.796</b>

The DSG is allocated between 3 blocks. A detailed breakdown of the block allocations and comparable years is set out in **Appendix B**. A summary of each block is set out below.

- Schools Block  
The allocation of the schools block funding is based on specific factors which align to the DfE's guidelines and are set out in **Appendix A**. Approvals needed for allocating this block to each school and centrally retained service are gained in accordance with the constitution.

In 2014/15 91.36% of the budget has been allocated based on pupil led factors, this totals £175.818m. This percentage has increased from 2013/14 and is due to a further reduction of centrally retained services of £0.395m.

- Early Years Block  
The Early Years block funding is based on a place basis which delivers the universal free entitlement of 15 hours a week per eligible child from age 2-4. The funding received for this block is currently based on the January 2013 pupil count; this will be updated over the next few months to reflect the January 2014 census and the schools budget allocation will be altered accordingly.

The 2014/15 allocation includes the additional funding of £2.731m (as per **Table 3**) to support the offer of 15 hours early education for 2 year olds from a national 40% of lower income households. This currently amounts to a total estimate of 2,700 eligible children with funding representing c. 2,569 places for Nottingham.

- High Needs Block  
The High Needs block funds educational provision for high needs pupils and students from birth to 25 with the budget reflecting the cost of the service provisions.

**Table 4** below provides an overview of the High Needs funding.

TABLE 4: HIGH NEEDS FUNDING OVERVIEW			
	Pre-16 SEN and AP		Post-16 SEN and Learning Difficulties or Disabilities
	Mainstream Settings	Specialist Settings	All Settings
<b>Element 1: Core education funding</b>	Mainstream per pupil Average Weighted Pupil Unit (AWPU) covering levels 1-4	Based funding of £10,000 for Special Education Needs (SEN) and £8,000 for Alternative Provision (AP) placements. Based funding is provided on the basis of planned places.	Mainstream per student funding (as calculated by the national 16-19 funding system)
<b>Element 2: Additional support funding</b>	Contribution of £6,000 for additional support required by a pupil with high needs. From the notional SEN budget for level 1-4.		Contribution of £6,000 to additional support required by a student with high needs.
<b>Element 3: Top-up funding</b>	"Top-up" funding from the commissioner to meet the needs of each pupil or student placed in the institution and level 5 pupils in mainstream settings.		

As part of the 2013/14 budget process a one-off contingency was put in place for Special Schools to prevent financial destabilisation from top ups not being paid for unfilled places. In 2014/15, there will be a continuation of some local transitional protection but at a reduced level and a degree of in-year variability to school budgets will be introduced. The details of this arrangement are included in the funding guidance document issued to Special Schools.

## 2.6 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 2014. This figure is subject to change depending on confirmation of the High Needs block allocation and the impact of the Children and Families Bill.

## 2.7 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 is £19.1m. This is currently based on the January 2014 census and will be confirmed in summer 2014. The rates used to calculate the allocation are set out in **Table 5** below with 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.

<b>TABLE 5: PUPIL PREMIUM COMPARISON</b>				
	<b>Primary</b>	<b>Secondary</b>	<b>Service Child</b>	<b>Looked after Child*</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
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 - £250 (rate for 2013/14) 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 - £500 (rate for 2013/14) 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.

## 2.8 Devolved Formula Capital Grant (DFC)

The DFC grant has issued an indicative budget based on January 2013 School Census, this will be updated shortly to represent the January 2014 School Census. This same basis has been used to issue indicative budgets to maintained schools only, however, 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 2014/15.

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

<b>TABLE 6: 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

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

From September 2014 new legislation will be 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.

Additional capital funding has been made available to support the development of kitchens and schools will receive an extra £2.30 per meal taken, based on actual take-up by newly eligible infant pupils; this data will be captured as part of the 2015 School Census.

Transitional funding will be provided for smaller schools by the DfE for financial year 2014/15; the DfE are to confirm this process over the next few months. It has been assumed for this report that any funding will be distributed to maintained schools via the LA.

### 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 2014 in accordance with the Schools and Early Years Financial Regulations 2013.

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

- 5.1 As stated in section 2.5 the initial 2014/15 DSG budget allocation for Nottingham for 2014/15 is **£228.310m before academy recoupment**.
- 5.2 This is an **increase of £7.796m on 2013/14**; reasons for this increase are set out in **Table 3** above.
- 5.3 **Table 7** below compares the initial 2014/15 DSG against the 2013/14 budget. The allocation for the High Needs block was not incorporated in this report due to the



timing issue of data being made available; a separate report will be presented to SF on this block.

TABLE 7: DSG BUDGET BLOCK ALLOCATION								
	Schools £m		Early Years £m		High Needs £m		Total £m	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
Budgets*	170.435	175.410	15.763	18.246	18.377	TBC	<b>204.575</b>	TBC
Central Expenditure**	8.589	8.194	1.160	1.159	5.656		<b>15.405</b>	
<b>Block Totals</b>	<b>179.024</b>	<b>183.604</b>	<b>16.923</b>	<b>19.405</b>	<b>24.033</b>		<b>219.980</b> ***	
Headroom							0.534	TBC
<b>TOTAL</b>							<b>220.514</b>	<b>228.310</b>

\*- includes academies.

\*\* - includes de-delegated budgets and centrally retained services

\*\*\* - Please note the final allocations for 2013/14 will change from the budget due to change in pupil numbers. This will be reflected in the 2013/14 outturn report.

The increase in the schools block of £4.580m reflects the increase in pupil numbers of 1,723. This is based on the headcount used by the DfE for the 2013/14 allocation and the initial 2014/15 allocation.

The increase in the Early Years block of £2.482m is reflective of pupil numbers and the increase in the 2 year old funding.

The 2014/15 allocation to the High Needs Block will be presented in a separate report, the allocation will align to the Schools and Early Years Financial Regulations 2013 and where possible, the impact of the Children and Families Bill.

- 5.4 Allocation of the Schools Block was based on the 2013/14 factor rates with the exception of the re-alignment of the Secondary Schools prior attainment factor.

This re-alignment in the rate was implemented to mitigate the risk to the overall DSG budget as a result of the DfE changing the eligibility criteria of this factor.

If the 2013/14 rate remained at £832.23 and was applied to the new criteria, the impact would have created a budget pressure, within the DSG, of £1.655m. The implementation of reducing the rate to £393.98 has mitigated this situation resulting in minimal budget impact for the schools affected.

Details of criteria and rate change are set out in **Table 8** below:

TABLE 8: REALIGNMENT OF PRIOR ATTAINMENT FACTOR		
	Rate Per Pupil £	Criteria
2014/15	393.98	Pupils not achieving level 4 Maths <b>or</b> English.
2013/14	832.23	Pupils not achieving level 4 Maths <b>and</b> English.

5.5 The Schools and Early Years Blocks include funding for centrally retained services totalling £9.353m; these have all been approved by SF in line with the Schools and Early Years Financial Regulations 2013.

**Appendix B** includes a breakdown of the centrally retained services which are categorised as follows:

- de-delegated service.
- brought back service.
- statutory functions delivered by the LA for example servicing of SF,
- support of Early Years provision.

5.6 Any balance of the DSG unallocated after the all blocks have been finalised, will be allocated to the DSG SSR.

5.7 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.

5.8 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).

5.9 The SSR balance as at 1 April 2014 is forecast to be **£4.270m** of which £0.819m is historic SSR and £3.451m is DSG; this assumes no headroom contribution from the 2014/15 DSG allocation and all commitments are fully spent in 2013/14. This position will be confirmed when the High Block has been finalised and headroom from the 2014/15 can be quantified.

An analysis of the reserve balance is set out in **Table 9** below:

<b>TABLE 9: SSR ANALYSIS</b>	
	<b>£m</b>
Opening Balance as at 1 April 2013	9.893
Add: 2013/14 Latest headroom balance	0.174
Deduct: 2013/14 Approved Commitments	(5.797)
<b>Forecast Closing Balance as at 31 March 2014</b>	<b>4.270</b>

Any under spends in 2013/14 against current reserve commitments will alter the closing balance as at 31 March 2014. As part of the 2013/14 outturn process any under spend will be carried forward as a commitment in 2014/15 and presented back to Schools Forum in July 2014 for review.

The 2014/15 forecast opening balance of £4.270m is 1.87% of the DSG.

5.10 Using the City Council's Risk Matrix 5 key risks have been identified amounting to an estimated exposure of £3.916m as per **Table 10** below:

<b>TABLE 10: SCHOOLS RESERVE RISK ASSESSMENT</b>			
<b>POTENTIAL RISK</b>	<b>Worse Case £m</b>	<b>Assessment of risk £m</b>	<b>Estimated exposure £m</b>
<b>Academy DSG recoupment</b> Impact of in year academisation on de-delegated services arrangements.	1.128	M	0.564
<b>Deficit Balances for sponsored academy conversions</b> LA has to pick up deficits for academies converting with a sponsor. Worse case is based on the total projected year-end deficits.	0.376	M	0.188
<b>Children and Families Bill</b> A forecast impact to the High Needs Block of the outcome of the Children and Families Bill.	1.465	H	1.319
<b>High Needs Inter Authority Recoupment</b> The Fair Funding reform impacted on how Local Authorities charge each other for children in out of boundary educational settings. Time delays in historical charges being invoiced by other authorities is currently not provided for in the DSG allocation.	1.050	H	0.945
<b>Extension of FSM</b> The expansion of FSM to Years 1 and 2 is a central government initiative; pilot authorities have raised concerns that the allocation of £2.30 per meal is insufficient.	1.000	M	0.900
<b>TOTAL</b>	<b>5.016</b>		<b>3.916</b>

- 5.11 As part of the budget allocation an amount for catering is allocated within the formula based on 3 different factors. The amount allocated to each school is set out in **Table 11** below with reference back to the factors in **Appendix C**.

<b>TABLE 11: 2014/15 CATERING BREAKDOWN PER PUPIL</b>			
<b>Allocation</b>	<b>Factor - Appendix C Category</b>	<b>Primary £</b>	<b>Secondary £</b>
FSM	2 - Deprivation	309.48	319.15
Age Weighted Pupil Unit	1 - Basic Entitlement AWPU	9.19	9.19
Lump Sum	7 - Lump Sum	22,748.00	22,748.00

This allocation currently does not allow for the costs incurred by schools with more than one kitchen.

It is proposed that those schools with more than one kitchen receive an additional annual payment of £27,547 for 2013/14 and 2014/15; this value is based on additional average fixed costs associated with a second kitchen.

This value is higher than the lump sum figure included in **Table 11 as the figure of £27,547** is a more up to date assessment of cost. This issue needs to be incorporated into the Formula review to be undertaken by SF Sub Group and Nottingham City Council Finance during summer 2014.

It is proposed that this is funded from reserves for the 2 financial years. There are 3 schools that currently have this funding issue therefore the allocation from the SSR would be £0.166m in total, £0.083m per annum.

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

- 6.1 The School and Early Years Finance (England) Regulations 2013 apply in relation to the financial year beginning on 1 April 2014 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. OBSERVATIONS OF THE DIRECTOR OF FAMILY COMMUNITY TEAMS**

- 7.1 Not required

## **8. HR ISSUES**

- 8.1 None

## **9. 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.

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

10.1 None

**11. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

11.1 Schools Forum - Schools Budget 2014/15 - 13 January 2014

11.2 Schools Forum - Dedicated Schools Grant 2013/14 Final Allocation Update - 5 December 2013.

11.3 Executive Board - Medium Term Financial Plan (MTFP) 2014/15 - 2016/17

11.4 DfE - Schools and Early Years Financial Regulations 2013.

11.5 Schools Forum - Implications of introducing the new 0-25 Special Educational Needs (SEN) System (Children and Families Bill 2013).

11.6 Executive Board - Schools Budget 2014/15 - 18 March 2014