

## SCHOOLS FORUM - 19 JANUARY 2017

<b>Title of paper:</b>	<b>SCHOOLS BUDGET 2017/18</b>
<b>Director(s)/ Corporate Director(s):</b>	Alison Michlaska, Corporate Director for Children and Adults Geoff Walker, Director of Finance and Chief Finance Officer
<b>Report author(s) and contact details:</b>	Ceri Walters, Head of Commercial Finance 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>  Lynn Robinson HR Business Partner 01158 764 3605 <a href="mailto:lynne.robinson@nottinghamcity.gov.uk">lynne.robinson@nottinghamcity.gov.uk</a>
<b>Summary</b>	
<p>This report presents the proposed Schools Budget for 2017/18. 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 28 February 2017 with final budgets being confirmed by 31 March 2017.</p> <p>Where applicable, the Medium Term Financial Plan (MTFP) incorporates the impact from the Dedicated Schools Grant (DSG).</p>	
<b>Recommendation(s):</b>	
<b>1</b>	<p><b>DSG</b></p> <p>a) To note the overall indicative 2017/18 cost of the Schools, Early Years and High Needs blocks is £256.501m.</p> <p>b) <b>DSG funding of £255.454m</b> supports this cost.</p> <p>c) To note there is currently no unallocated funding (headroom).</p> <p>d) To note the impact to schools budgets of the indicative allocation as set out in <b>Table 6</b>.</p>
<b>2</b>	<p><b>PUPIL PREMIUM</b></p> <p>a) To note the allocation of Pupil Premium funding 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 and the financial implications of those changes.

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

**2.1 Construction of the 2017/18 budget**

The purpose of this report is to provide a 2017/18 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:

<b>TABLE 1: ANALYSIS OF APPROVALS</b>		
	<b>Status</b>	<b>SF Approval</b>
<b>De - Delegated Budgets</b>		
Behaviour Support	Approved for Primaries only	3 November 2016
Ethnic Minority Achievement	Approved	
Trade Union Senior Representative Cover Time	Approved	
Building Maintenance Services	Approved	
Sports Safe Gym Maintenance Services	Approved	8 December 2016
Copyright Licensing Agreement/Music Publishing Association Licences	Education Funding Agency (EFA)	
<b>Central Budgets</b>		
Schools and Early Years	Approved	8 December 2016

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

- a) DSG (see section 2.2)
- b) Pupil Premium (see section 2.3)

**DSG funding**

2.2 This is allocated over 3 blocks; Schools, Early Years and High Needs and split between central expenditure and delegated budgets. The budget comparison is set out in **Table 2** below:

**TABLE 2: DSG ANNUAL BUDGET COMPARISONS**

	Schools £m			Early Years £m			High Needs £m			TOTAL £m		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Budgets	187.666	192.302	199.181	16.484*	16.777	20.632	20.330	21.275	20.472	<b>224.480*</b>	<b>230.354</b>	<b>240.285</b>
Central Expenditure	7.965	7.812	7.826**	1.159	1.092	1.195	4.677	4.972	7.195	<b>13.801</b>	<b>13.876</b>	<b>16.216</b>
<b>Block Totals</b>	<b>195.631</b>	<b>200.114</b>	<b>207.007</b>	<b>17.643</b>	<b>17.869</b>	<b>21.827</b>	<b>24.702</b>	<b>26.247</b>	<b>27.667</b>	<b>234.646</b>	<b>244.230</b>	<b>256.501</b>
Funding not included in DSG settlement											(1.108)	(1.042)
Early Years reserve											(0.537)	
Headroom											0	0
<b>TOTAL DSG</b>	(after High Needs recoupment)									<b>236.636*</b>	<b>243.280</b>	<b>255.459</b>
<b>AWPU</b>												
Primary										3,050.15	3,126.58	3,123.25
Key stage 3										4,196.64	4,301.73	4,298.40
Key stage 4										4,893.07	5,015.57	5,012.24

\* 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.

\*\* includes £0.640m retained former ESG funding.

2.3 Overall DSG funding has increased since 2016/17 indicative budgets **by £12.179m** (£255.459m - £243.280m). This increase is due to the reasons set out in **Table 3** below:

<b>TABLE 3: 2017/18 BUDGET INCREASE ANALYSIS</b>	
	<b>£m</b>
<b>2016/17</b>	
EY - 3 - 4 Year olds allocation updated to reflect the January 2016 census.	(0.260)
EY - 2 Year olds allocation updated to reflect the January 2016 census.	0.250
EYPP - 3 - 4 Year olds allocation updated to reflect the January 2016 census.	(0.280)
HN – Adjustment to the recoupment of high needs places	(0.064)
<b>2017/18</b>	
Schools - Increased pupil numbers (38,050 in 2016/17 to 39,373 in 2017/18)	6.307
Education Services Grant for (retained rate)	0.640
EY - Difference between 16/17 Early years initial allocation and the universal entitlement 3 - 4 Year olds initial allocation	2.250
EY - Additional universal entitlement for 3-4 year olds (pro-rated September 2017 to March 2018)	2.180
EY - Difference between initial 2 Year olds allocation in 16/17 and estimated 2 year old funding based on January 2016 census.	0.280
EY – Disability Access Group	0.080
HN - Uplift for population	0.538
HN - Uplift for population growth	0.258
<b>TOTAL</b>	<b>12.179</b>

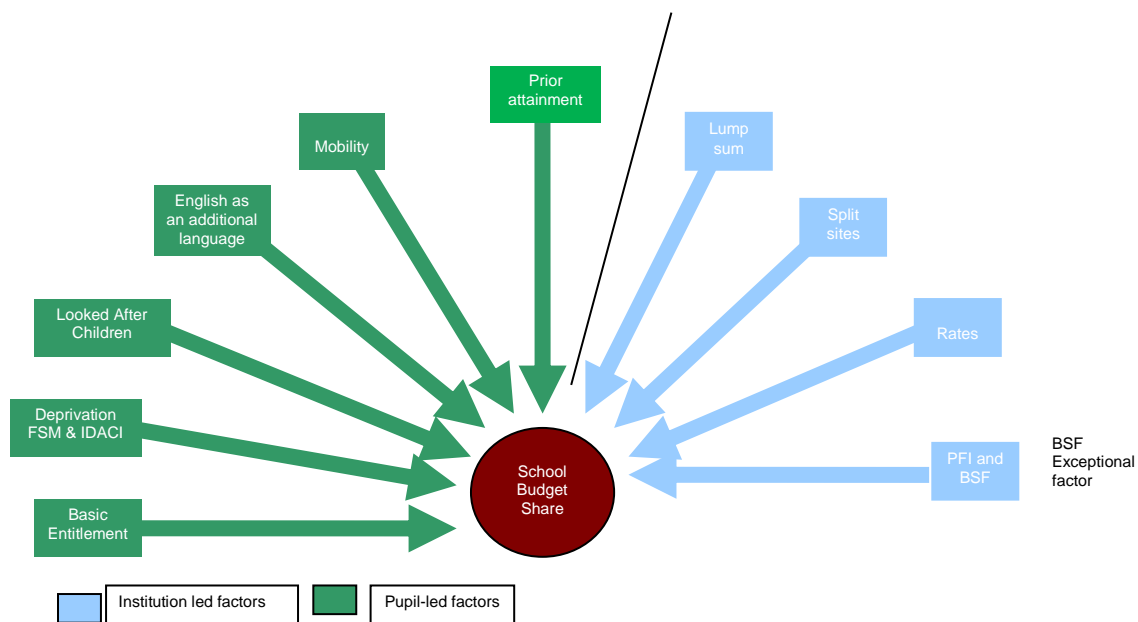
2.4 The impact on these changes to the individual blocks is described below in sections 2.4.1-2.4.3.

#### **2.4.1 Schools Block**

The schools block is currently totalling £207.007m, this is funded by:

- DSG £206.826m and
- Reimbursement of costs from academies of £0.181m.

The DSG budget allocation after central expenditure is allocated to schools based on pupil led factors and lump sums; the diagram below shows these factors.



As part of the move to the National Funding Formula (NFF) some of these factors have been adjusted in 2017/18 from 2016/17; this was reported to SF on 8 December 2016, a summary of which is as follows:

- a. The **removal of the Post 16 funding factor**, but with protection through the minimum funding guarantee (MFG);
- b. **New bandings for the index of deprivation** affecting children (IDACI). This factor was also amended in 2016/17 and led to £4.238m not being allocated through pupil led factors; to compensate this Nottingham increased its rates.

As part of the 2017/18 process the EFA issued revised rates for IDACI which Nottingham has adopted to prevent a gap forming between the NFF and local rates in the future. The changes to these rates are set out in **Table 4** below:

TABLE 4: DEPRIVATION FACTORS				
Description	Primary	Secondary	Primary	Secondary
	Current Rates		New Rates	
IDACI Band F	£132.88	£132.88	£200.00	£290.00
IDACI Band E	£132.88	£132.88	£240.00	£390.00
IDACI Band D	£132.88	£132.88	£360.00	£515.00
IDACI Band C	£132.88	£132.88	£360.00	£515.00
IDACI Band B	£370.65	£370.65	£420.00	£600.00
IDACI Band A	£486.45	£486.45	£575.00	£810.00

Overall the schools block has increased by £6.879m however there have been other movements within the block. **Table 4** below demonstrates these movements and how they have been funded.

<b>TABLE 4: SCHOOLS BLOCK FUNDING MOVEMENTS</b>		
<b>Factor</b>	<b>£m</b>	<b>Reason</b>
AWPU	4.483	An increase in pupil numbers – 940 primary, 358 KS3 & 43 KS4.
IDACI	3.056	As referred to above.
English as an Additional Language	0.423	Increase in numbers in primary (2.5%) and secondary (3%) and costs.
Prior Attainment	0.073	Increase in numbers in primary (2.5%) and secondary however new national secondary weighting has reduced costs.
BSF/PFI	0.105	
Free School Meals	0.389	Secondary phase has increased by £0.389m with numbers increasing.
<b>TOTAL</b>	<b>8.529</b>	
<b>FUNDED BY:</b>		
Free School Meals	(0.423)	Even though there is an increase of 940 pupils in primary the number eligible for FSM has reduced from 6,711 to 6,484 (a reduction of 227 pupils). This has resulted in a reduction of £0.423m.
Business Rates	(0.130)	Rate revaluations.
Sixth Form Funding	(0.559)	Schools with sixth forms no longer receive this funding as the factor has been removed by the EFA.
Amalgamated Schools	(0.088)	Fernwood Primary got £0.088m funding last year when it amalgamated. One off funding dropped out in 2017/18.
Minimum Funding Guarantee	(0.441)	
DSG	(6.307)	Increase in pupil numbers from 38,050 to 39,373.
Central Expenditure reduction	(0.616)	
<b>TOTAL</b>	<b>8.564</b>	

The impact of the above on the pupil led factors has resulted in a slight reduction in all 3 AWPU rates of £3.33 compared to 2016/17; this is due to the increased costs per pupil. Despite this small reduction Nottingham still has an average AWPU rate significantly higher than other authorities, this is demonstrated in **Table 5** below:

<b>TABLE 5: 2017/18 AWPU COMPARISONS</b>				
	<b>DfE average rates</b>	<b>Allocated to Nottingham Schools</b>		
		<b>Primary</b>	<b>KS3</b>	<b>KS4</b>
Nottingham	5,252.99	3,123.25	4,298.40	5,012,24
Sheffield	4,518.38			
Bristol, City of	4,684.02			
Derby	4,366.82			
Leicester	4,623.02			

**Table 6** below shows the schools % budget movement by sector for 2017/18.

<b>TABLE 6: % BUDGET MOVEMENTS IN SCHOOLS</b>				
<b>Phase</b>	<b>No. of schools with no gain or loss greater than 5%</b>	<b>No. of schools with a gain greater than 5%</b>	<b>No. of schools with a loss greater than 5%</b>	<b>Total number of schools</b>
Primary	51	22	0	73
Secondary	9	6	1	16
<b>Total</b>	<b>60</b>	<b>28</b>	<b>1</b>	<b>89</b>

### **2.2.2 Early Years (EY)**

The EY's block indicative value is £21.827m, this is funded by:

- DSG £21.549m and
- Reserve £0.278m

EY's DSG funding from April 2017 is based upon the new EY national funding formula (EYNFF) as announced by the EFA on 1 December 2016 and totals.

#### DSG - LA allocation

Within this provisional allocation there is funding for:

- a. 3 & 4 year old universal entitlement (£17.070m),
- b. 2 year old funding (£4.159m) and
- c. EY Pupil Premium (EYPP) (£0.240m) estimated based on January 2016 pupil counts. Final allocations will be based on 5/12ths x January 2017 pupil numbers and 7/12ths x January 2018 pupil numbers.
- d. Early Years disability access fund (£0.080m).

The 3 & 4 year old funding includes a provisional allocation of £2.180m for the additional hours from September 2017 for children of working parents meeting the national eligibility criteria. Their estimate for Nottingham **implies that 25% of pupils accessing the 3 & 4 year old universal entitlement will take up the additional**

**hours.** Final allocations will be based on actual participation as above for the universal entitlement. Funding rate is £4.92 per hour.

The funding rate for 2 year olds has increased from £4.88 to £5.23 per hour from April 2017.

The EYPP funding rate is unchanged at £0.53 per hour.

#### Distribution of EY funding

3 & 4 year olds - **Table 7** below set out the agreed rates for 2017/18:

<b>TABLE 7: EY FUNDING FORMULA</b>		
<b>Formula element</b>	<b>Hourly rate £</b>	<b>Eligibility criteria</b>
Base rate	4.15	Hourly base rate for all pupils/providers
Deprivation supplement	1.40	Additional hourly supplement for pupils eligible for EYPP
Flexibility supplement	0.10	Addition to the hourly rate attracted by settings open at least 50 weeks of the year

This formula was presented to Schools Forum on 8 December 2016 after a consultation period.

2 Year old funding – Of the £5.23 LA allocation £5.03 (an increase of £0.15) will be allocated to providers with £0.20 retained by the LA.

EYPP - indicative figure for 2017/18 is in line with take up in 2016/17. The significantly higher budget figure for 2016/17 reflects the original EFA over-estimate which was rolled forward from 2015/16.

#### **2.2.3 High Needs (HN)**

The HN block indicative value is £21.827m, this is funded by:

- DSG £27.084m and
- EFA income £0.583m

There is no growth 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.



### 2.3 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; it is assumed at the moment that the rate will probably remain the same as 2016/17, as set out in **Table 8** below.

<b>TABLE 8: 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>
2015/16, 2016/17 & 2017/18	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.

- Year 7 Catch up Premium Grant – The rate is unconfirmed but the 2016/17 but was £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.

### 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 2017 in accordance with the Schools and Early Years Financial Regulations 2015.

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

- 5.1 Financial implications are contained throughout this report.

### 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 2017 and set out the requirements in relation~~

~~to the determination of a local authority's schools budget. This report seeks to address those requirements.~~

The current law in force in this area is the School and Early Years Finance (England) Regulations 2015. However, these regulations apply for the financial year starting 1 April 2016 only and are updated annually. The 2016 draft regulations have not yet been produced but on the basis that the substance of the regulations will not change, in relation to the matters which are the subject of this report, from the 2015 Regulations, this report seeks to address the requirements of those Regulations. However, it will be necessary to review these proposals once 2016 regulations have been produced

**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.