

EXECUTIVE BOARD – 19 FEBRUARY 2019

Subject:	SCHOOLS BUDGET 2019/20
Corporate Director(s)/Director(s):	Alison Michalska, Corporate Director, Children and Adults Laura Pattman, Director of Finance and Chief Finance Officer
Portfolio Holder(s):	Councillor Neghat Khan, Portfolio Holder for Education & Skills.
Report author and contact details:	Ceri Walters, Head of Commercial Finance 0115 876 4128 ceri.walters@nottinghamcity.gov.uk
Subject to call-in:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Key Decision:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Criteria for Key Decision:	
(a)	<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
and/or	
(b)	Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input type="checkbox"/> No
Type of expenditure:	<input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital
Total value of the decision:	£274.956m
Wards affected:	All
Date of consultation with Portfolio Holder(s):	January 2019
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 2019/20. The Schools Budget has been prepared in line with the parameters agreed at Schools Forum (SF) and with the financial regulations issued by the Department for Education (DfE). Indicative budgets and guidance will be issued to schools by 28 February 2019 with final budgets being confirmed by 31 March 2019.</p> <p>Where applicable, the Medium Term Financial Plan (MTFP) incorporates the impact from the Dedicated Schools Grant (DSG); any future risks to the MTFP are captured in section 4.</p> <p>An explanation of the Schools Budget framework is outlined in detail in section 2 of this report.</p>	
Exempt information:	None
Recommendation(s):	
DEDICATED SCHOOLS GRANT (DSG)	
1	To note the overall indicative 2019/20 Schools Budgets to be spent incorporating the Schools, Central Schools Services, Early Years and High Needs blocks is £274.956m .
	This is made up of £274.399m DSG funding (as per Table 2) and £0.558m from other funding streams.

2	To note that there has been a block transfer of funding of £1.059m from the Schools to the High Needs which has been approved by Schools forum. This is set out in section 2.4.1.
3	To note that the budget will be updated in year to reflect subsequent adjustments made by the Education, Skills Funding Agency to our 2019/20 Dedicated Schools Grant allocation as described in the report. Any balance remaining will be allocated to the Statutory School Reserve.
4	To approve the in-year budget transfers and payments to schools, Private and Voluntary Charitable and Independent settings and Academies totalling £261.108m
5	To approve external spend associated with centrally retained expenditure totalling £13.901m
6	To note the procurement of external placements will be in accordance with the financial regulations, gaining approval through the appropriate processes.
PUPIL PREMIUM	
7	To approve the allocation of Pupil Premium and Early Years Pupil Premium and other grants outlined in section 2.6 to settings in accordance with the grant conditions.
GENERAL	
8	To delegate the authority to the Portfolio Holder for Education and Skills 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 education 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 of the DSG based on the approvals gained in accordance with the Schools and Early Years Finance Regulations (England) (2) 2018.
- 1.3 To update the Board on the impact of any new legislation on the Schools budgets.
- 1.4 To ensure the appropriate constitutional approvals are gained to spend the grants.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

2.1 Construction of the 2019/20 budget

The purpose of this report is to provide a 2019/20 summary budget position for Schools. Approvals required to allocate the DSG have all been gained at SF and incorporated into the budget setting process. A summary of the outcomes, in accordance with the Schools and Early Years Finance Regulations (England) (2) 2018 are set out in **Table 1** below:

TABLE 1: ANALYSIS OF APPROVALS		
	Status	Date
De - Delegated Budgets		
Trade Union Senior Representative Cover Time	Approved	9 Oct 2018
Behaviour Support	Approved for Primaries only	
Health and Safety Building Maintenance Services	Approved	
Central Budgets		
Schools	Approved	9 Oct 2018
Early Years	Approved	
SEN Transport	Approved	
Copyright Licensing Agreement/Music Publishing Association Licences	Education and Skills Funding Agency (ESFA)	

The DSG is one of the main funding streams allocated to schools by the LA; Pupil Premium Grant is also allocated from the LA to maintained schools only with the allocation being set out by the ESFA; academies receive this funding direct.

The income from the de-delegated and central budgets is captured (where applicable) as income for the service areas and included in the MTFP. Any reduction would create a risk for the LA which will be captured during the budget setting process.

2.2 **2019/20 DSG FUNDING ALLOCATION BASIS**

As part of the National Funding Formula the DfE have split the DSG into four blocks from the financial year 2018/19. The funding for 2019/20 has increased by £8.787m from 2018/19.

The funding blocks and associated values for are noted in **Table 2:**

TABLE 2: SUMMARY OF DSG BLOCKS			
		2018/19 £m	2019/20 £m
1	Schools Block – section 2.2.1	205.393	211.924
2	Central School Services Block (CSSB) – section 2.2.2	7.084	7.079
3	Early Years (EY) Block – section 2.2.3	22.091	22.095
4	High Needs (HN) Block	31.044	33.301
TOTAL DSG		265.612	274.399

This is also pictorially demonstrated in section 2.3.1.

2.2.1 Schools Block

The school block allocation is based on Pupil-led and School-led funding, which based on the October 2017 census pupil data and has a per pupil value of:

- £4,501.86 per primary pupil and
- £5,943.44 per secondary pupil.

Funding allocated based on these units of funding is £205.873m.

And growth, premises and mobility funding totalling **£6.051m.**

2.2.2 CSSB

The CSSB is made up of two categories of funding totalling £7.079m:

- Historic commitments and
- Ongoing commitments

Table 3 below shows the categorisation of budgets within the CSSB.

TABLE 3: CSSB COMMITMENTS		
Commitment	Classification	2019/20 Allocation £m
CERA	Historic commitment	0.801
Prudential borrowing	Historic commitment	0.283
Termination of employment costs	Historic commitment	1.608
Contribution to combined budgets	Historic commitment	2.887
Total		5.599
Admissions	Ongoing commitment	0.585
Copyright licences	Ongoing commitment	0.204
Schools Forum	Ongoing commitment	0.032
Retained Duties (Former ESG)	Ongoing commitment	0.679
Total		7.079

These commitments require individual approval from SF.

Historic Commitments - for 2019/20 these have been funded at the same level as in 2018/19. However, there is an expectation by the DfE that expenditure on historic commitments will reduce over time as contracts and commitments reach their end points and they will continue to monitor this expenditure year on year.

This is a budget risk for the LA and needs to be captured in future budget setting processes.

On-going commitments - LA's are funded for ongoing commitments based a national formula which distributes 90% of funding according to a per-pupil factor and 10% of funding according to a deprivation factor. Both elements have been adjusted for area costs.

In 2019/20 unit of funding for Nottingham City is £36.04 per pupil, which has reduced from £36.96 in 2018/19.

The DfE have stated that they will be reviewing the CSSB unit of funding for each LA on an annual basis. The total amount of funding in the CSSB is based on the current duties held by LA's with any changes to legal obligations will be reflected in future funding.

2.2.3 EY Block

The LA's EY block allocation is based on the Early Years National Funding Formula (EYNFF) which was introduced in April 2017. This dictates the hourly rate that each LA receives for **3 & 4 year olds**. This rate remains unchanged for 2019/20 at **£4.92 per hour**.

The LA is funded at a separate rate of **£5.23 per hour for 2 year olds**.

The LA's provisional EY block allocation as announced on **17 December 2018 is £22.095m**. Within this provisional allocation there is funding for:

- a. 3 & 4 year old universal entitlement (£14.268m)
- b. 3 & 4 year old extended entitlement (£3.521m)
- c. 2 year old funding (£3.839m) and
- d. EY Pupil Premium (EYPP) (£0.242m)
- e. Early Years disability access fund (£0.090m).
- f. Maintained Nursery Supplementary (MNS) funding (£0.135m)

Provisional allocations are based on January 2018 pupil's numbers.

2.2.4 HN Block

For 2019/20, the LA's HN block allocation is based on the new HN NFF and the provisional HN block allocation as announced on **17 December 2018 is £33.301m**.

This represents a £2.257m increase compared to the latest published 2018/19 allocation of £31.044m.

The HN allocation for 2019/20 will be finalised in June 2019 taking into account the Spring 2019 pupil numbers for the import/export adjustment with other Local Authorities.

2.3 OVERVIEW OF DSG DISTRIBUTION

2.3.1 **Figure 1** below provides a breakdown of the Schools budget for 2019/20 by block and category of spend.

Figure 1 – How the DSG and other grant funding is distributed

Elements	Schools	Central Expenditure	Early Years	High Needs	Total
Educational settings	£209.563m	-	£21.141m	£29.080m	£259.784m
Pupil growth	£1.272m	-	-	-	£1.272m
Combined services	-	£2.887m	-	-	£2.887m
Central expenditure	-	£4.192m	£0.954m	£5.509m	£10.655m
De-delegated	£0.359m	-	-	-	£0.359m
BLOCK TOTAL	£211.194m	£7.079m	£22.095m	£34.589m	£274.956m
2018/19 Settlement	£211.924m	£7.079m	£22.095m	£33.301m	£274.399m
Funding not in DSG settlement	£0.329m	-	-	£0.229m	£0.558m
TOTAL FUNDING	£212.253m	£7.079m	£22.095m	£33.530m	£274.956m
VARIANCE	£1.059m	0	0	-£1.059m	0

2.4 **DISTRIBUTION OF DSG FUNDING TO SETTINGS**

The following paragraphs outline in detail how funding is distributed in each block.

2.4.1 **Distribution of Schools Block Funding**

The schools block totals is £211.194 and is funded by:

- DSG £211.924m;
- Reimbursement of costs from academies of £0.258m and
- Estimated pupil growth funding brought forward £0.071m.

The impact of the movement of funding through the pupil-led and school-led factors from 2018/19 to 2019/20 has resulted in a **surplus balance of £1.066m** after implementing the DfE's +0.5% of the Minimum Funding Guarantee (MFG) per pupil onto schools; this is the maximum growth that can be applied.

The surplus balance is due to two main factors:

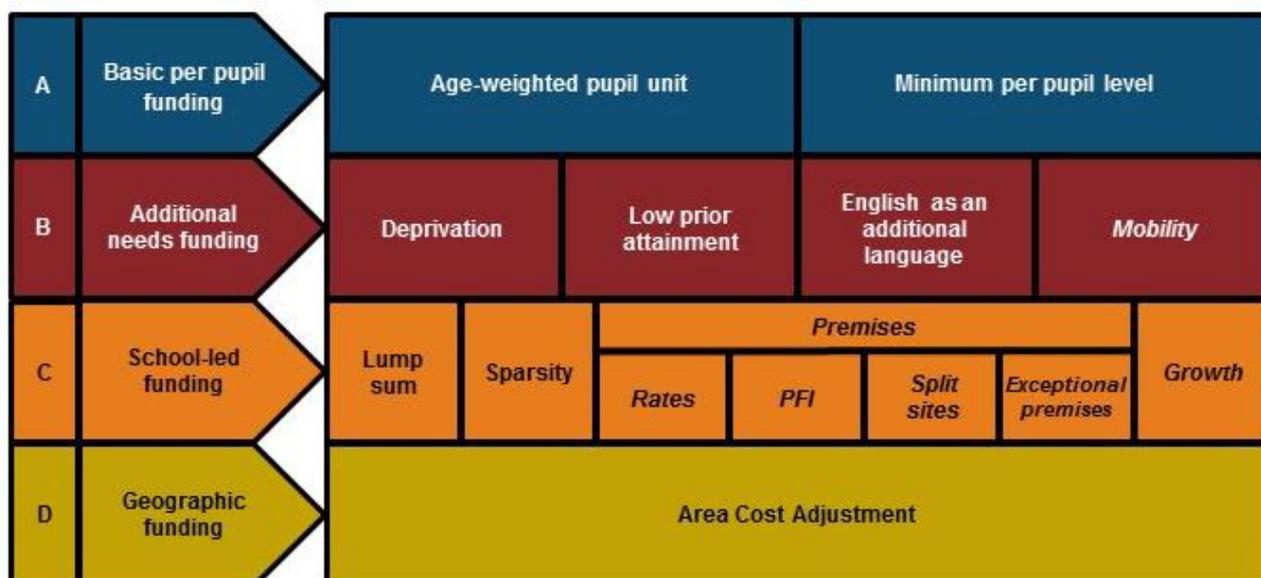
1. The LA has benefited from the introduction of a new methodology for allocation of pupil growth funding in the financial year 2019/20.
2. When the ESFA calculated the SUF for 2019/20 a theoretical baseline for Bluecoat Aspley and Bluecoat Wollaton Academies was used based on the average 2017/18 baseline for secondary pupils in the city. This was significantly higher than the 2018/19 baseline.

Because 91 out of the 92 schools are now on the MFG it is not possible to include the balance in the formula to allocate the surplus to schools. The options for using the funding (under the current operational guidance) is to:

1. Apply a Schools Block transfer of up to 0.5% to either the EY's or HN's Block;
or
2. Allocate the surplus to the pupil growth fund.

SF approved the LA's proposal to transfer 0.5% of the Schools Block to the HN Block in 2019/20, which equated to £1.059m and allocate the remaining £0.007m to the pupil growth fund.

Figure 2 below illustrates the factors that have been included when calculating schools budgets for 2019/20 based on the NFF.



In 2019/20 the Age Weighted Pupil Units (AWPU) remain unchanged from 2018/19.

The level of MFG protection has risen from £9.546m in 2018/19 to £11.233m in 2019/20.

2.4.2 Distribution of CSSB Funding

The CSSB Funding has been allocated in full as shown in **Table 3**.

2.4.3 Distribution of Early Years Block Funding

Table 5 provides an indicative breakdown of the 2019/20 EY block budget:

ELEMENT	3 & 4 YO	2 YO	DLA	EYPP	TOTAL £m
<i>Base rate/hour</i>	£4.33	£5.08		£0.53	
Base rate total	15.655	3.728		0.242	19.626
<i>Supplements</i>					
-Deprivation/hour	£1.00		£625		
-Flexibility/hour	£0.10				
DLA/annum					
Supplements total	0.912		0.090		1.002
MNS lump sum	0.228				0.228
SEN inclusion fund	0.135	0.035			0.170
Contingency	0.105	0.011			0.116
TOTAL PROVIDERS	17.035	3.774	0.090	0.242	21.141
Central Expenditure	0.889	0.065			0.954
GRAND TOTAL	17.924	3.839	0.090	0.242	22.095
Pass-through %	95.0%	98.3%			

Central expenditure funds the team that deliver this service and the value aligns to the 95% pass through requirement for 3 & 4 year old funding.

The hourly funding rates in the EY funding formula remain unchanged for 2019/20 in line with the EY funding from ESFA.

2.4.4 Distribution of HN Block

Table 6 provides a provisional breakdown of the 2019/20 high needs budget, with comparative figures for 2018/19.

TABLE 6: PROVISIONAL HN BUDGET BREAKDOWN			
BUDGET	2018/19 £m	2019/20 £m	Change £m
Mainstream HLN including AIA	4.323	4.323	
SEN resource unit top-up funding	0.583	0.603	0.020
SEN resource unit places (via recoupment)	0.352	0.363	0.011
Special School top-up & maintained places	9.150	9.550	0.400
Special academy places (via recoupment)	2.675	2.773	0.098
Net cross border top-ups	0.386	0.386	
Post-16 HLN funding	1.050	1.050	
FE/CCP places (via recoupment)	0.910	0.836	(0.074)
Independent/Non Maintained Special	0.733	0.790	0.057
Hospital & Home Education PRU	1.744	1.752	0.009
Behaviour PRUs/Devolved AP	5.317	4.736	(0.581)
PRU academy places (via recoupment)	1.520	1.520	
AP free schools (via recoupment)	0.070	0.040	(0.030)
Contingency		0.357	0.357
TOTAL PROVISION	28.813	29.080	0.267
Fair Access	0.457	0.457	
Other AP – LA staff supporting inclusion & teenage parents	0.354	0.361	0.007
Other AP – IDEAL new entrant provision (Ellis Guilford)	0.122	0.156	0.034
Other AP – Contribution to residential placements	1.083	1.105	0.022
Other AP – Statemented boys behaviour outreach (Westbury)	0.110	0.110	
SEN team	0.322	0.328	0.006
SEN specialist equipment	0.062	0.062	
Inclusive education services – Sensory, Learning Support & Autism teams	1.680	1.714	0.034
SEN transport	1.000	1.000	
Disability Access	0.200	0.200	
Carbon Reduction Commitment PRU	0.016	0.016	
TOTAL CENTRAL BUDGETS	5.406	5.509	0.103
GRAND TOTAL	34.219	34.589	0.369

The total HN **2019/20 budget is £34.589m**; this was £34.219m in 2018/19.

This is funded by:

- £33.301m initial HN DSG;

- £1.059m Schools Block Transfer;
- £0.229m being funded from the DSG reserve.

2.5 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 May 2019 based on the January 2019 census. **Table 7** shows the rates attributable to each element of the Pupil Premium Grant for 2019/20.

	FSM EVER6		Service Child £	Post Looked after Child* £
	Primary £	Secondary £		
2018/19, 2019/20	1,320	935	300	2,300
2015/16, 2016/17 & 2017/18	1,320	935	300	1,900

*Looked after Children and eligible pupils who have been adopted from care or leaving care under a special guardianship or a child arrangements order (previously known as a residence order).

- Pupil Premium Plus Grant - The rate for pupil premium plus for looked after children and children adopted from care for the financial year 2019/20 is £2,300 per pupil.
- Year 7 Catch up Premium Grant – The DfE have not confirmed that the grant will continue in the financial year 2019/20. Once the LA has been given further guidance we will update schools and academies.

2.6 OTHER GRANTS

1. PE & Sports Grant and the Universal Infant Free School Meals Grant
No further guidance has been given as to the rates for the academic year 2019/20. As the guidance links to the current practice for 2018/19, we can only assume they will continue at the same rate as in the academic year 2018/19.

Once the LA has been given further guidance we will update schools and academies.

2. School Improvement Monitoring and Brokering Grant
The School Improvement Monitoring and Brokering Grant continues in the financial year 2019/20. The remaining £20m will be passed onto LA's in April 2019 to cover the period April 2019 to August 2019. The DfE have stated that they will confirm the funding from September 2019 to the end of the financial year in due course.

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 the pupil premium grant.

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

- 4.1 As stated in section 2.2 the initial DSG allocation for Nottingham City for 2019/20 based on the new national funding formula is **£274.399m**. This value included an element of protection to funding cuts of £11.2m.
- 4.2 The increased cost of protection costs from the indicative allocations is mainly due to increases in pupil numbers in the city.
- 4.3 This budget also requires **£1.059m** from a schools block transfer and **£0.229m** from DSG reserves to support the high needs budget in 2019/20.
- 4.4 Funding risks have been identified throughout this report and will be captured as part of future budget setting processes for the LA.
- 4.5 The DSG allocation will be amended in-year as outlined in section 2.2 of this report. Any unallocated balance will be put to the DSG Statutory School Reserve.

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

- 5.1 The current law in force in this area is the Schools and Early Years Finance (England) (No. 2) Regulations 2018 which came into force on 7 December 2018 and apply for the financial year beginning 1 April 2019. This report seeks to address the requirements of those Regulations.

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31 January 2019

6 STRATEGIC ASSETS & PROPERTY COLLEAGUE COMMENTS (FOR DECISIONS RELATING TO ALL PROPERTY ASSETS AND ASSOCIATED INFRASTRUCTURE)

- 6.1 Not applicable

7 SOCIAL VALUE CONSIDERATIONS

- 7.1 The allocation of the school's budget is set in accordance with the Schools and Early Years Finance Regulations (England) (2) 2018. 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:

(Please explain why an EIA is not necessary)

Yes

Attached as Appendix x, and due regard will be given to any implications identified in it.

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 – Central Expenditure Budget 2019/20 – Historic Commitments – 9 October 2018
- 11.2 Schools Forum – Central Expenditure Budget 2018/19 – Ongoing Commitments - 9 October 2018
- 11.3 Schools Forum - De-delegation of funding for trade union time off for senior representatives – 9 October 2018
- 11.4 Schools Forum - De-delegation of funding for the Behaviour Support Team (BST) in 2019/20 – 9 October 2018
- 11.5 Schools Forum - De-delegation of 2019/20 Health and Safety Building Inspection Funding – 9 October 2018
- 11.6 Schools Forum - Early Years Central Expenditure 2019/20 – 9 October 2018
- 11.7 DfE – The Schools and Early Years Finance (England) (2) Regulations 2018
- 11.8 DfE – The national funding formulae for schools and high needs 2019 to 2020 – July 2018
- 11.9 DfE – Schools block national funding formula: technical note – August 2018
- 11.10 ESFA – Schools block dataset technical specification: 2019 to 2020 – December 2018
- 11.11 ESFA – Schools revenue funding 2019 to 2020 – Operational guide – December 2018
- 11.12 ESFA – High needs funding 2019 to 2020 – Operational guide September 2018

11.13 DfE – Dedicated schools grant – Conditions of grant 2019 to 2020 –
December 2018

11.14 DfE – Dedicated schools grant – Technical note 2019 to 2020 – December
2018

11.15 DfE – Schools Forum - Operational and good practice guide – September 2018