

## Appendix 'A'

This Appendix to the Schools Budget 2017/18 report has been prepared following receipt of pupil data and Dedicated Schools Grant (DSG) allocation information from the Education Funding Agency and presents the estimated budget. A final Appendix will be submitted to the Cabinet Member on the 18 January 2017, following consultation with the Lancashire Schools Forum.

### Summary

On 15 December 2016, the Education Funding Agency (EFA) provided the final schools block data based on the October 2016 School Census to be used in the calculation of the Schools Budget for 2017/18.

On 20 December 2016, the EFA issued the 2017/18 Dedicated Schools Grant (DSG) allocation for Lancashire.

The EFA sub-divide the Dedicated Schools Grant (DSG) into three un-ring fenced blocks, namely: Early Years Block, Schools Block and High Needs Block.

The DSG for 2017/18 comprises:

- Schools block – This is based on the school block unit of funding (SBUF). The EFA have confirmed that no LA will see a reduction in the level of per pupil funding in 2017/18 compared to 2016/17. The 2017/18 SBUF for Lancashire will be the same value as in 2015/16, adjusted for a transfer some of the Education Services Grant (ESG) retained duties funding into the DSG. Lancashire's 2017/18 SBUF is therefore £4,504.45 per pupil.
- Early years block covering:
  - Early Years National Funding Formula (EYNFF) for 3 and 4 Years Olds, comprising
    - Early years universal entitlement for 3 and 4 year olds
    - Early years additional entitlement for 3 and 4 year old children of eligible working parents
  - Early years pupil premium- initial allocation
  - Early years supplementary funding for maintained nursery school - illustrative allocation
  - Early years Disability Access Fund - illustrative allocation:
  - Early years entitlement funding for disadvantaged 2 year olds
- The HNB allocation for 2017/18 includes a cash flat allocation from 2016/17, supplemented by uplifts based on population and an adjustment to take account of some national transfers into the High Needs Block for post 16 funding.

## **Forecast DSG for 2017/18**

The forecast funding to be used in the calculation of the Schools Budget for 2017/18 is set out in the table below and amounts to a total of £881.82m.

<b><u>Forecast DSG Income</u></b>	<b>£m's</b>
Schools Block	714.67
Early Years Block	68.33
High Needs Block	98.82
<b>Total forecast DSG Income</b>	<b>881.82</b>

## **DSG allocations**

Further details about the composition of the 2017/18 DSG are provided below:

### **Schools Block £714.67m**

The 2017/18 Schools Block allocation of £714.67m is calculated using the authority's Schools Block Unit of Funding (SBUF) £4,504.45.

#### *Notes:*

The number of Lancashire pupils at primary and secondary schools and academies at the October 2016 school census were 158,659. This figure is multiplied by the SBUF to calculate the Schools Block allocation.

The 2017/18 Schools Block allocation incorporates £2.59m of Education Services Grant (ESG) retained duties funding that has been transferred into the DSG schools block for 2017/18..

### **Early Years Block £68.33m**

The Early Years block covering:

- Early Years National Funding Formula (EYNFF) for 3 and 4 Years Olds, comprising
  - Early years universal entitlement for 3 and 4 year olds
  - Early years additional entitlement for 3 and 4 year old children of eligible working parents
- Early years pupil premium- initial allocation
- Early years supplementary funding for maintained nursery school - illustrative allocation
- Early years Disability Access Fund - illustrative allocation:
- Early years entitlement funding for disadvantaged 2 year olds

Illustrative 2017/18 allocations are provided in the table below:

<b>Funding Stream</b>	<b>Illustrative 2017/18 Allocation (£m)</b>
Universal 3-4 year old entitlement funding	44.49
Additional hours for 3-4 year olds (in place from September 2017)	7.89
2-year-olds	10.82
Maintained nursery school supplementary funding	4.09
Early Years Pupil Premium (EYPP)	0.79
Disability Access Fund	0.25

**Notes:**

Lancashire's has received the EYNFF at the national minimum funding rate of £4.30 per hour to local authorities. This allocation covers the Universal 3-4 year old entitlement funding and the additional hours for 3-4 year olds, which is being introduced from September 2017. This totals £52.38m for 2017/18.

The hourly rate for 2 year old funding has increased to £5.20 per hour in 2017/18, from £4.85 in 2016/17. This a national uplift of 7.14%.

In addition, Lancashire has received maintained nursery school (MNS) supplementary funding. This supplementary funding is ring-fenced for maintained nursery schools only and is guaranteed for the lifetime of the current parliament (2019/20?) to keep maintained nursery schools funding stable during the implementation of the national funding formula. A risk remains about the viability of maintained nursery schools if this supplementary grant is removed.

Early Years Pupil Premium continues in 2017/18, at the same hourly rate as 2016/17 i.e. £0.53 per hour.

The Disability Access Fund is a new allocation for 2017/18, and is based on an estimated number of Lancashire 3 and 4 year olds claiming Disability Living Allowance (DLA), at a rate of £615.

**High Needs Block (HNB) £98.81**

2017/18 HNB allocations are shown below

	<b>2017/18 Allocation (£million)</b>
high needs block before deductions	106.72
deductions to high needs block for direct funding of places by EFA	7.91
high needs block after deductions	98.81

**Notes**

The HNB allocation for 2017/18 includes:

A cash flat allocation from 2016/17, supplemented by the following:

- £2.18m uplift based on population data
- £2.99 uplift to reflect a transfer of funding from the EFA post-16 budget to the High Needs Block

This provides a total HNB before deductions of £106.72m.

Deductions will be made from the HNB allocation totalling £7.91m, which relates to allocations paid to institutions funded directly by the EFA. This includes the High Needs commissioned places at FE/6<sup>th</sup> form colleges, mainstream academies, AP academies, special school academies and charitable and commercial providers (CCPs).

This provides a 2017/18 HNB allocation of £98.81m

### In Year Adjustments

The DSG allocation notified is prior to in year adjustments for:

- Academies recoupment from the schools block;
- Deductions for high needs places in academies and non-maintained special schools;
- Post 16 places;
- Deduction for national copyright licences;
- Updates to the funding for three and four year olds;
- Updates to the funding two year olds;
- Updates to the early years supplementary funding for maintained nursery school
- Updates to the early years pupil premium;
- Updates to early years Disability Access Fund:

### **Schools Budget 2017/18**

The latest Individual School Budgets (ISB) across all phases has been constructed using the final datasets made available from the EFA and our latest local Early Years and High Needs data.

This Schools Block budget estimate has been calculated using the School Forum principle of stability in cash values attributed to each formula factor (excluding AWPU).

### **Budget Summary – Before headroom / shortfall in funding**

The table below summarises the budgets for primary, secondary, academy and early years together with a global high needs budget using the principles agreed by the Forum.

### **DSG allocated to**

	£m's
Schools Block Mainstream Non High Needs Block	710.59
Early Years Block 3/4 year olds	57.08
Early Years Block 2 year olds	11.04
High Needs Block (HNB)	
HNB Mainstream	6.17
HNB Special Schools	52.22
HNB PRU Places	10.00
HNB PRU WPN	0.05
HNB FE	5.54
Centrally retained budget	37.16
<b>Total of Allocations</b>	<b>889.85</b>

### **Central Services and Commissioned Services Budget 2017/18**

As a result of the national funding reforms introduced in April 2013, the central items budget is now split into two distinct areas, these are now known as the centrally retained budgets:

- Central Services - Where funding stays with the LA. These areas are generally LA statutory functions and budgets are capped at the previous year's level;
- Commissioned Services - Where funding is held centrally but then allocated to schools/service providers in connection with the education provision for individual pupils/young people.

As in previous years a detailed review of the centrally retained budgets has been undertaken and information is provided in the table below together with explanatory notes for the variance between 2016/17 and 2017/18.

Central Expenditure Limit	Approved Budget 2016/17 £m	2017/18			Total £m	Variance £m	Notes
		High Needs Budget	Early Years Budget	Central Provision			
		£m	£m	£m			
<b>Central Services</b>							
ESG transferred to DSG	-	-	-	2.591	2.591	-	1
Carbon Trading	0.047	0.047	-	-	0.047	-	
Prudential Borrowing	0.240	-	-	0.240	0.240	-	
Copyright Licence	0.850	-	-	0.850	0.850	-	
Growth Fund	1.462	-	-	1.462	1.462	-	
Early Intervention	1.400	-	-	1.185	1.185	(0.215)	2
Careers Education Information Advice & Guidance	0.150	-	-	0.150	0.150	-	
PFI - Special, Sixth Form, Nursery	1.086	1.118	0.057	0.673	1.848	0.762	3
EU Energy Performance Directive	0.022	0.011	-	-	0.011	(0.011)	4
School Forum	0.188	-	-	0.188	0.188	-	
Sub total Central Services	5.445	1.176	0.057	7.339	8.572	0.536	
<b>Commissioned Services</b>							
High Needs Block Top up	2.249	-	-	-	-	(2.249)	5
Children Missing Education & Vulnerable Children Admissions	0.161	-	-	-	-	(0.161)	6
ICT	0.937	-	-	0.937	0.937	-	
ICT	0.029	-	-	-	-	(0.029)	6
Commissioned Alternative Provision services	1.459	2.000	-	-	2.000	0.541	6
Hospital Provision	0.610	0.610	-	-	0.610	-	
Out County - Specialist provision places	15.097	15.097	-	-	15.097	-	
Out County - Mainstream / academies places	1.374	1.374	-	-	1.374	-	
SEND Specialised Equipment	0.447	0.447	-	-	0.447	-	
SEND Inclusion Projects	0.897	0.897	-	-	0.897	-	
SEND Teachers & Support	4.264	4.114	0.150	-	4.264	-	
Multi Agency Development	0.075	0.075	-	-	0.075	-	
Support for Vulnerable Pupils - SI	0.977	0.977	-	-	0.977	-	
Overheads	1.912	1.912	-	-	1.912	-	
Sub Total Commissioned Services	30.488	27.503	0.150	0.937	28.590	(1.898)	
<b>Total Central Expenditure Limit</b>	<b>35.933</b>	<b>28.679</b>	<b>0.207</b>	<b>8.276</b>	<b>37.162</b>	<b>1.229</b>	

## Notes

### Note 1: ESG transferred to DSG increased by £2.591m

The 2017/18 Schools Block allocation incorporates £2.59m of Education Services Grant (ESG) retained duties funding that has been transferred into the DSG schools block for 2017/18. Schools Forum approval will be sought to transfer this amount into the central items budget to enable the LA to continue statutory functions.

### Note 2: Early Intervention Funding reduced by £0.215m

The EFA have issued revised guidance for 2017/18 specifically in relation to 'historic commitments' funding. This guidance sets criteria that must be met to allow any funding classed as a 'combined budget' to be met from DSG in 2017/18. Schools Forum have support the continued use of these funding streams, but with a reduction of £0.215m against 2016/17 provision.

### Note 3: PFI - Special, Sixth Form, Nursery increased by £0.762m

A number of years ago, following advice from the EFA, the Schools Forum agreed that contractual PFI contributions for special schools could be met from the central items budget, as the special school formula was not sufficiently flexible or responsive to allow delegation.

National funding changes for sixth forms and nursery schools now require additional PFI provisions to be made in the central items budget, as set out below:

- EFA changes for sixth form funding to be introduced from April 2017 mean that there will no longer be any Schools Block funding allocation to Lancashire's sixth form PFI school and all funding will in future be allocated directly by the EFA. There will therefore be no mechanism for the school to receive its formula funding PFI allocation to meet the contractual requirement. Discussions with the EFA have identified that they propose that authorities retain the PFI funding for such schools within the central expenditure budget, the EFA are proposing to include this within the proposed consultations on the national funding formula;
- The Early Years National Funding Formula (EYNFF) proposals to be introduced in April 2017 will restrict the supplements that can be paid to early years settings and will not include a PFI factor. Provision has therefore been made in the central expenditure budget for 2017/18, to allow the contractual obligations for the county's PFI nursery school to continue to be met.

*Note 4: EU Energy Performance Directive reduced by £0.011m*

A provision of £0.11m for the EU Energy Performance Directive in the early years block was a historic anomaly that was not utilised in 2016/17. It has therefore been removed from the 2017/18 budget.

*Note 5 High Needs Block Top up reduced by £2.249m*

In previous years, this provision has been used to fund additional high needs top up allocations that are identified through the course of the year at the termly SEN counts and redeterminations in the Schools and High Needs Blocks. However, termly increases in early years settings were treated in a different way, as the 'growth' is built into the early years formula model. Having reviewed the different methodologies, it is considered more appropriate to build the high needs growth into the funding model, as this provides consistency with the early years arrangements and more accurately reflects that the expenditure is a budgeted school allocation. £2.249m has therefore been removed from the 2017/18 central items provisions, but a similar amount will be included with the formula models during the budget finalisation process.

*Note 6: Commissioned Alternative Provision Services increased by £0.351m net*

There has been considerable pressure on the Alternative Provision budget and the service has been using funding from various budget headings to support and manage this demand. However, the 2016/17 outturn is still forecasting an overspend position. For 2017/18, a single provision has been made, totalling £2m, for AP commissioned services. This budget merges separate budget lines to provide a single core provision and increases the proposed resources by just over £0.350m.

### **Funding Shortfall**

The table below has taken the figures discussed above for the forecast DSG income, the estimate of ISBs and the centrally retained budget to calculate the initial shortfall in funding to the Forum. Also included is additional funding made available by the Forum from reserves. This is detailed in the table below:

## **Calculation of funding shortfall**

Total forecast DSG income funding available 2017/18	881.82
Release of reserves in connection with 17/18 de-delegation proposals	4.54
Total Income 2017/18	886.36
Total DSG Allocations 2017/18	889.85
Surplus/(Shortfall) in funding	(3.49)
Release from reserves to bridge funding gap	3.49

### *Notes*

£4.54m has been released from reserves in connection with the 2017/18 de-delegation proposals relating to 'deficits at closing schools', which was approved by the Schools Forum in October 2016, following a consultation with schools.

A further release from reserves of £3.49m has been made to bridge the core 2017/18 funding gap.

## **Pupil Premium Grant**

The Pupil Premium Grant (PPG) is allocated in addition to the funding which is allocated through the Schools Budget. It is to support disadvantaged pupils, who continue to underachieve compared with their peers.

The DfE have indicated that the funding rates for 2017/18 will be held at the 2016/17 level. Details are provided below

<b>Pupils</b>	<b>Per pupil rate</b>
Disadvantaged pupils: primary	£1,320
Disadvantaged pupils: secondary	£935
Pupil premium plus: looked-after children (LAC) and those adopted from care or who leave care under a special guardianship order or child arrangements order (formally known as a residence order)	£1,900
Service children	£300

Recommendations from the Schools Forum will be tabled at the Cabinet Member Decision Making Session on 18 January 2017, as Appendix 'B'.