

**Report to the Cabinet Member for Children, Young People and Schools**  
**Report submitted by: County Treasurer**  
**Date 15 January 2014**

**Part I**

Electoral Division affected:  
All

**Schools Budget 2014/15 - Progress to the 16 December 2013**

(Appendices 'A' to 'C' refer)

(Appendix B will be issued in the New Year; Appendix C will be tabled at the meeting)

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**Executive Summary**

In October 2013, the authority submitted Lancashire's Schools Block budget pro-forma for 2014/15 to the Education Funding Agency (EFA). This was based on provisional data. The DfE have now issued final data based on the October 2013 School Census to be used in the calculation of the Schools Budget for 2014/15.

This report sets out the latest Schools Block Budget for 2014/15, which needs to be submitted to the EFA by 21 January 2014. The report also sets out the latest budget proposals for the Early Years Block 2014/15 and sets the funding envelope for the High Needs Block in 2014/15.

However, at the time of writing, the County Council is still awaiting confirmation of Lancashire's final Dedicated Schools Grant (DSG) allocation for 2014/15. The DfE have advised that DSG allocations will be made available on 18 December. Without the DSG notification it is not possible to calculate the final budget position for 2014/15.

Following the DSG announcement, Appendix 'B' will be issued in the new year and will provide final proposals for the three funding blocks and central items budget.

Any comments arising from the meeting of the Lancashire Schools Forum, which takes place on 14 January 2014, will be tabled at the Decision Making Session on 15 January 2014. (Appendix 'C').

This is deemed to be a Key Decision and Standing Order 25 has been complied with.

## **Recommendation**

The Cabinet Member for Children, Young People and Schools is asked to:

- (i) Note the report, including the final DSG allocation for 2014/15, final budget proposals for each funding block and any comments made by the Lancashire Schools Forum;
- (ii) Authorise the County Treasurer to submit the final Schools Block budget proforma for 2014/15 to the EFA by 21 January 2014, on the basis set out in this report;
- (iii) Approve the 2014/15 budget for the Early Years Block; and
- (iv) Approve the 2014/15 budget envelope for the High Needs Block and authorise the County Treasurer to finalise the individual allocations within this Block, in consultation with the Schools Forum.

This decision should be implemented immediately for the purposes of Standing Order 34(3) as any delay could adversely affect the execution of the County Council's responsibilities. The reason for this is ensure that the necessary proforma can be submitted as required to the Education Funding Agency by 21 January 2014.

## **Background and Advice**

In 2013/14 the Government introduced national funding reforms to bring a greater consistency to the arrangements for funding schools and early years settings across England. These reforms continue to allocate amounts to each local authority for each pupil through the Dedicated Schools Grant (DSG) based on previous funding levels. As in 2013/14, for 2014/15 DSG funding will be allocated in three un-ring fenced notional blocks:

- Schools Block;
- Early Years Block; and
- High Needs Block.

This report sets out the budget proposals for 2014/15 across the three funding blocks and for the centrally retained budget, as at 16 December 2013 that have been developed with the appropriate Forum Working Groups.

## **SUBMISSION OF DRAFT PROFORMA FOR SCHOOLS BLOCK BUDGET 2014/15**

The new funding framework requires that a draft proforma is submitted to the Education Funding Agency (EFA) in October 2013, based on provisional pupil data.

At that Decision Making Session on 21 October 2013 the Cabinet Member for Children, Young People and Schools approved the draft proforma for the Schools Block budget for 2014/15, which was then submitted to the EFA before the 31 October 2013 deadline.

On 11 November, the Authority was contacted by the EFA with a small number of questions on Lancashire's submission, as part of the compliance checking process. Responses to the queries were provided and on 15 November, the EFA confirmed that their checks were completed for Lancashire and that the authority's adherence to the finance regulations and proforma appear to meet the required criteria.

A further proforma must now be submitted in mid January 2014, to confirm final values attributable to each factor. The January submission cannot alter the factors from those submitted in October, but allows the values to change based on final data from the October school census.

### **TIMETABLE FOR SETTING FINAL SCHOOLS BUDGET 2014/15**

Calculation of final budget proposals cannot begin until after DfE release data arising from the October 2013 school census. The DfE timetable indicates that Pupil data and factors would be published on 10 December 2013 (although this only arrived on 13 December).

At the time of writing, the County Council is still awaiting confirmation of Lancashire's final Dedicated Schools Grant (DSG) allocation for 2014/15. The DfE have advised that DSG allocations will be made available on 18 December 2013, together with an initial allocation for the high needs block. The final high needs block allocation will be issued by 31 March 2014. Without the DSG notification it is not possible to calculate the final budget position for 2014/15. However, Appendix 'A' provides more detailed information around the work undertaken in advance of the DfE announcements to forecast the 2014/15 DSG and the modelling assumptions that will be used to calculate the Schools Budget 2014/15.

Following the DSG announcement, Appendix 'B' will be issued in the new year and will provide final proposals for the three funding blocks and central items budget. This paper will include detailed proposals for the Schools Block; Early Years Block; and central items budget and will provide a funding envelope for the High Needs Block.

The new funding timetable requires that the Authority submits a high needs template to the DfE, setting out place numbers by institution for the 2014/15 academic year, by 23 December 2013.

The budget setting process for the 2014/15 financial year must agree the overall Schools Budget and therefore the resources that are available for the High Needs Block. In January 2014 uncertainties around the final allocations for special schools, short stay schools, high needs provision in post 16 and hospital education will still remain. The Cabinet Member is therefore asked to approve the 2014/15 budget envelope for the High Needs Block and to authorise the County Treasurer to finalise the individual allocations within this Block, in consultation with the Schools Forum.

Any comments arising from the meeting of the Lancashire Schools Forum, which takes place on 14 January 2014, will be tabled at the Decision Making Session on 15 January 2014. (Appendix 'C').

Once approved by the Cabinet Member, the final Schools Block proforma for 2014/15 must be submitted to the EFA by 21 January 2014.

EFA will again carry out compliance checks and once confirmation has been received, school budgets for 2014/15 can be issued. It is anticipated that budgets will be distributed in the final week of February 2014.

## **SCHOOLS BUDGET PRINCIPLES**

The Authority normally consults the Schools Forum about the final budget proposals for the following financial year during the autumn term cycle of meetings. However, as no pupil data or funding confirmations were available at that time, a set of principles that could be applied to the school budget setting process for 2014/15 were agreed.

The principles, agreed with the Schools Forum on 15 October 2013, are set out below:

*Principles for 2014/15* Stability – Minimise turbulence at an individual setting, school, academy or college level;

- Minimum Funding Guarantee (MFG) and Capping - DfE have confirmed that the MFG will continue to apply in 2014/15 at minus 1.5% and it is proposed to revert the cap to 1.5%, the same level as MFG;
- Funding by phase – Is maintained at the 2013/14 funding level subject to changes in pupil numbers if headroom will allow;
- Volume Changes - To aid stability proposed that the global cash values attributed to each formula factor be limited at the 2013/14 levels in the first instance;
- Cost Pressures/Headroom - In connection with any funding shortfall it is proposed to meet this from anticipated headroom in the first instance. Then, if need be, by reducing all unit values excluding the lump sum;
- Funding distributed through individual formula factors (with the exception of AWPU) is maintained at the 2013/14 level and any increased in data (for example more pupils eligible for Free Schools Meals) is funded by reducing the funding rate;
- If the schools budget results in a shortfall all funding rates with the exception of lump sums are reduced;
- If the schools budget results in headroom it is used to increase basic pupil funding in the first instance and prior attainment funding in the Schools Block.

### *General principles*

- Maximisation of delegated resources;
- Increase in level of AWPU;
- Maximisation of headroom;
- Minimise schools in Minimum Funding Guarantee (MFG).

## **SCHOOLS BUDGET PRESSURES 2014/15**

We know that the Guaranteed Unit of Funding that Lancashire's DSG is fixed and will be based at the 2011/12 level. We are also aware that there are significant pressures on school budgets in 2014/15, and some key issues are set out below:

- Both teaching and support staff have received a 1% pay award for 2014/15. It is estimated that this increase will put an additional cost of £6m on school budgets;
- In overall terms, pupil numbers in the secondary phase are still on a downward trajectory. Falling rolls can place a significant financial burden on schools, as the resources available to operate the school are diminished;
- As pupil numbers have reduced in the secondary sector a number of schools now face a considerable challenge in offering a full and balanced curriculum due to their small size. These schools will be required in the longer term, once the trend in falling Year 7 numbers reverses. The total secondary pupil numbers are expected to start to rise again in line with the recent increase in primary numbers, in some areas this will be as soon as 2015;
- The Government has announced an initiative to provide free meals for pupils in Reception, year 1 and year 2. However, details have yet to be received about any funding that may be allocated to Lancashire to support this initiative, on both capital and revenue funding streams. There is also concern about the possible impact this new initiative may have on the Pupil Premium Grant (PPG). Intelligence from LAs that have run similar pilot projects, suggests that the scheme has discouraged parents of pupils in these year groups from indicating Free School Meals eligibility, and thus reduced PPG allocations for some of the most vulnerable children in schools. Officers have contacted the EFA requesting further information about the funding implications, but no details have yet been provided.

## **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.

On 12 December 2013, DfE announced the PPG rates for 2014/15. Details are provided below:

- Primary pupils who are currently eligible for free school meals or have been eligible in the past 6 years (FSM 'Ever 6') will attract £1,300 and secondary FSM 'Ever 6' pupils will attract £935.
- Looked-after children and eligible pupils who have been adopted from care or leaving care under a special guardianship or residence order will attract a premium of £1,900.
- The service premium will be paid to schools at the rate of £300 per pupil.

## **Consultations**

The views of schools and other educational partners and of the Schools Forum were sought in the Autumn Term, before initial proposals had to be submitted to the EFA. A dialogue with the Schools Forum has continued and any comments from the Forum arising from the budget considerations on 14 January 2014 will be reported to the Decision Making Session.

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

The proposed Schools Budget for 2014/15 and associated arrangements are constrained by the national funding framework.

## **Financial**

These proposals do not change the amount of funding that will come to Lancashire for our Dedicated Schools Grant. The main risk is for changes to impact on individual schools. However, as the principle of stability has been applied to the formula, the changes for 2014/15 have been kept to a minimum.

From an Authority point of view, the main risks are around the uptake of the schools insurance buy back:

- Budget sufficiency issues - fewer schools buying into the County Council arrangements will reduce the size of the fund available to meet premiums and self insure claims up to the excess. Whilst the cost of insurance (the premium) will fall if some schools opt out, there is no guarantee that the number of incidents occurring across the schools which remain will fall in tandem – the level of actual claims may not shrink in direct proportion to the number of schools buying insurance.
- Statutory requirement to provide school places – schools which opt out of buying property insurance services from LCC become responsible for ensuring that a minimum standard of cover is secured for their premises. In the event that insufficient cover leaves a school short of the means to reinstate, having the responsibility for providing school places may involve intervention by the County Council (and associated cost) as required.

One key advantage for Lancashire in the new arrangements is that the final Dedicated Schools Grant will be announced in December 2013 and can be used in the calculation of school and early years budgets to be issued in February 2014. This considerably reduces the financial risk faced under the previous system where school budgets had to be issued prior to receipt of a confirmed DSG funding total for the year.

## Legal

The County Council is required by the Education Funding Agency's (EFA) 2014-15 'Revenue Funding Arrangements: Operational Information for local Authorities' to submit a proforma for the Schools Block element of the budget by 21 January 2014, which will then be checked by the EFA for compliance with The School and Early Years Finance (England) Regulations 2013.

At the time of writing this report it reflects arrangements required by the draft School and Early Years Finance (England) Regulations 2013. The DfE have indicated that the regulations will come into force by 1 January 2014. The draft regulations give effect to changes announced by the government in connection with school funding for 2014/15, so they are unlikely to change, however, a small risk remains there may be edits to draft regulations that would impact on the budget process.

Final Regulations will be in place before the Cabinet Member considers the report and the submission to the EFA is required.

### **Local Government (Access to Information) Act 1985 List of Background Papers**

Paper	Date	Contact/Directorate/Tel
DfE School Funding Documentation: <ul style="list-style-type: none"><li>• Review of 2013–14 School Funding Arrangements</li><li>• School Funding Reform: Findings from the Review of 2013-14 Arrangements and Changes for 2014-15</li><li>• 2014-15 Revenue Funding Arrangements: Operational Guidance for local Authorities</li></ul>	June 2013	<a href="https://www.gov.uk/government/publications/2014-to-2015-revenue-funding-arrangements-operational-information-for-local-authorities">https://www.gov.uk/government/publications/2014-to-2015-revenue-funding-arrangements-operational-information-for-local-authorities</a>
Draft School and Early Years Finance (England) Regulations 2013	August 2013	<a href="https://www.gov.uk/government/consultations/school-and-early-years-finance-regulations-2013">https://www.gov.uk/government/consultations/school-and-early-years-finance-regulations-2013</a>
Lancashire formula and de-delegation consultations with schools	September 2013	Paul Bonser, Directorate for Children and Young People, 01772 531815
School and Early Years Finance (England) Regulations 2013.	Expected late 2013, coming into force by 1 January 2014	

Reason for inclusion in Part II, if appropriate

N/A