

Report to the Cabinet Member for Children, Young People and Schools

Appendix A

Calculation of the Schools Budget 2014/15

This Appendix 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. The report is broken down into the following sub-sections:

- Forecast DSG 2014/15
- Individual Schools Budgets – Latest forecast for 2014/15
- Forecast Headroom / Shortfall
- De-Delegations
- Schools Block Modelling Assumptions – Annex A
 - Primary schools
 - Secondary Schools
 - Academies
- Early Years Block Modelling Assumptions – Annex B
 - Early Years 3 and 4 year olds budget
 - Early Years 2 year olds budget

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 18th December. Without the DSG notification it is not possible to calculate the final budget position and if we have any headroom or indeed a shortfall in funding.

FORECAST DSG 2014/15

The DfE will publish the overall DSG settlement for Lancashire on 18th December. For the purpose of this report, Officers have estimated the DSG settlement for 2014/15 at £831.210m. In addition to the DSG, the Forum has agreed to distribute additional funding of £2.800m from reserves. This gives a total forecast available funding of £834.010m as summarised in the table below.

Forecast DSG 2014/15

	Notes	DSG
		£m
<u>DSG</u>		
Schools Block	1	687.713
Early Years Block	2	58.721
High Needs Block	3	83.125
<u>Growth</u>		
Early Years Block	2	0.664
High Needs Block	3	0.987
Total Forecast DSG 2014/15		831.210
<u>Additional Funding Available</u>		
Carried forward from 2012/13	4	1.700
Reserves	4	1.100
Forecast funding available 2014/15		834.010

1. Schools Block

The table below details the calculation used to forecast the Schools Block DSG for 2014/15 and the following notes outline the modelling assumptions made:

Schools Block Forecast DSG

	Notes	Pupils	GUf	DSG
			£	£m
Primary Secondary Academy	A	153,248	4,486.05	687.478
NQT	B	153,248	1.53	0.234
Forecast Schools Block DSG				687.713

A. Pupil numbers for years R to 11 have been taken from the October 2013 school census and multiplied by the schools block Guaranteed Unit of Funding (GUf) of £4,488.05.

B. In 2013/14 the DfE increased LAs schools block DSG by £1.53 per pupil to reflect the changes to the NQT statutory induction regulations. It has been assumed that this funding will continue in 2014/15.

2. Early Years Block

The table below details the calculation used to forecast the Early Years Block DSG for 2014/15 and the following notes outline the modelling assumptions made:

Early Years Block Forecast DSG

	Notes	Pupils	GUF	DSG
			£	£m
2 year old entitlement	C			14.450
EYSFF 3 & 4 year olds	D	10,173	4,351.74	44.270
Initial Early Years Block				58.721
<u>Additions to Early Years Block</u>				
3 & 4 year old growth	E	153	4,351.74	0.664
Forecast Early Years Block DSG				59.385

C. 2 Year Old Entitlement - In 2013/14 the DfE transferred £530m into the national DSG settlement for the 2 year old offer. Lancashire's share of this funding amounted to £10.110m. This figure included £2.700m of pump priming funding. At the same time the DfE also announced that the national allocation will increase to £760m in 2014/15, an increase of over 43%. This increase was to reflect the increase in the qualifying criteria for the 2 year old offer. In forecasting Lancashire's likely DSG relating to this, we have uplifted the 2013/14 settlement by 43% to provide a forecast of £14.450m

D. Early Years Single Funding Formula (EYSFF) 3 and 4 year olds – Pupil numbers for 3 and 4 year olds have been taken from the autumn term early years headcount and multiplied by the early years GUF of £4,351.74

E. Growth of 1.5% has been assumed to reflect the increase in demand for the 3 & 4 year old provision in 2014/15. The DfE will increase the authorities DSG during 2014.15 to reflect this. The forecast growth in pupils has been multiplied by the early years GUF of £4,351.74

3. High Needs Block

The table below details the calculation used to forecast the High Needs Block DSG for 2014/15 and the following notes outline the modelling assumptions made:

Calculation of High Needs Block Forecast DSG 2014/15

	Notes	Pupils	GUF	DSG
			£	£m
<u>DSG 3 to 16 year olds</u>				
Pre 16 pupils	F	166,387	4,902.45	815.704
Less hospital top slice	G	166,387	(8.50)	(1.414)
Less reduction in hospital funding	H			(0.500)
Sub Total				813.79
<u>Less</u>				
Primary Secondary Academy	I	153,248	4,486.05	(687.478)
Early Years 3 and 4 year olds	J	10,173	4,351.74	(44.270)
Initial High Needs Block				82.041
<u>Additions to High Needs Block</u>				
Non maintained special schools	K			0.097
<u>Growth</u>				
High needs block growth	L			0.987
Forecast High Needs Block DSG				83.125

- F. High needs block DSG is calculated by taking total pupils years R to 11 plus 3 and 4 year olds and multiplying this by Lancashire's GUF of £4,902.45.
- G. Deduct hospital top slice - In 2013/14 the DfE top sliced £8.50 per pupil from all LAs DSG and re-distributed this to those LAs that provide hospital provision to schools. The top slice amounts to a forecast reduction of £1.417m in our DSG for 2014/15.
- H. During the budget setting process for 2013/14 the Forum were advised that a number of authorities had underestimated their hospital provision and have therefore received less funding than they need from the national pot, this meant that Lancashire actually received more funding. We will not know the actual level of hospital funding re-distributed to Lancashire for 2014/15 until 18th December. For modelling purposes we have assumed a reduction of £0.500m in the hospital allocation.
- I. Deduct schools block DSG, excluding funding for NQTs. Pupils years R to 11 are multiplied by the schools block GUF of £4,486.05
- J. Deduct early years block DSG for 3 & 4 year olds, excluding growth. Pupils years 3 & 4 are multiplied by the early years block GUF of £4,351.74
- K. In 2013/14 the DfE increased Lancashire's high needs block DSG to reflect top up funding that will be paid to non maintained special schools. It has been assumed that this will also be provided in 2014/15.
- L. The DfE included £0.987m of growth for high needs in the 2013/14 settlement. Latest intelligence indicates that this growth will be built into the 2014/15 settlement however the DfE have advised that the figure will not increase.

4. Additional Funding Available

In 2012/13 the schools budget under spent by £1.700m. The DfE will not allow this funding to be distributed to schools and academies in 2013/14 because it was contrary to the regulations regarding the re-determination of ISBs. Our only option is to distribute this funding through the formula in 2014/15. To ensure all schools and academies receive this additional funding, including funding distributed from the CRC reserve Officers have asked the Secretary of State to exempt this one off additional funding from Minimum Funding Guarantee (MFG).

The table below details the additional funding made available by the Forum in 2014/15:

Additional funding available

	Notes	Funding £m
<u>Funding Carried forward from 2012/13</u>		
Schools Block	M	1.400
High Needs Block	N	0.300
<u>Funding from Reserves</u>		
CRC Reserve	O	1.100
Total additional funding available		2.800

- M. £1.400m will be distributed through the basic pupil element to primary schools, secondary schools and their academy equivalents.
- N. £0.300m will be distributed to special schools and PRUs through top up funding.
- O. £1.100m will be distributed through the basic pupil element to primary schools, secondary schools and their academy equivalents, nursery schools through the hourly rate and to special schools through top up funding. PRUs do not qualify for this as they sit outside the carbon reduction legislation. A separate allocation will be included within the high needs block central retention to cover CRC for PRUs.

INDIVIDUAL SCHOOLS BUDGETS (ISBs) – Latest forecast 2014/15

The data used to construct the schools budget for primary schools, secondary schools and their academy equivalents was to be made available by the DfE to LAs on the 10th December. However, this only became available on 13th December. As a result of this, the ISBs forecast below are based on the modelling work used on the authorities pro forma submission to the DfE in October.

Modelling for special schools, PRUs and early years is based on the latest available information.

All modelling will be subject to change when final data is available. The figures shown below are for guideline purposes only:

First estimate of ISBs 2014/15

	ISBs
	£m
ISBs	
Schools Block	682.716
Early Years Block	55.328
High Needs Block	59.987
Centrally Retained Budgets	35.710
Total	833.741
Forecast DSG	834.010
Headroom	0.269

The above ISBs include the re-distribution of the CRC reserve and the under spends carried forward from 2012/13.

HEADROOM

Whilst the above table indicates a negligible level of headroom, actual headroom will not be known until modelling work is complete and the authority have received our DSG allocations from the DfE on 18th December.

FORECAST CENTRALLY RETAINED FUNDING 2014/15

The Forum has historically adopted a policy of maximising delegations to schools by reducing the central items budget. Reductions in the central items budget have been used to meet some of the budget pressures identified during the budget setting process. A review of the centrally retained budgets has shown that there is little or no scope to apply further reductions.

The overall change in the forecast schools central items budget is summarised in the table below.

Forecast Centrally Retained Budget 2014/15

	2013/14	2014/15			Forecast Budget
	Approved Budget	Savings	Additions	Movement	
	£m				
Schools centrally retained budget					
Central Services	1.745	(1.201)	0.000	(1.2008)	0.544
Commissioned Services	31.137	(0.450)	3.928	3.478	34.616
Total	32.883	(1.651)	3.928	2.277	35.160

It should be noted that £0.950m of the increase will be funded by a transfer from special schools ISBs and £1.327m of the increase will be funded by top slicing the ISBs of primary, secondary and academies for the growth fund. Both of these adjustments are in accordance with the Schools and Early years Finance (England) Regulations.

Central Services – In 2014/15, central services will only cover the cost of prudential borrowing and the schools forum budget. In previous years, this also included Carbon reduction, copyright licensing agency and rates refunds.

Commissioned Services - Provides support to providers for pupils with high needs, support to expanding schools and academies and special schools PFI liabilities.

DE-DELEGATIONS

The Government's proposals require authorities to delegate to schools and academies all Central Items budgets that do not fall into either the High Needs Block or one of the following allowable exemptions:

- Where maintained schools agree that a service should be provided centrally
- Historic commitments
- Statutory functions of the Local Authority

The DfE prescribe a list of services which are allowable under each exemption. All other central items budgets were delegated to schools in 2013/14.

The DfE do allow a limited number of services to be de-delegated back to the LA. This is where central provision for maintained schools (but not academies) may be argued for on the grounds of economies of scale or pooled risk. These services and their funding will be delegated to schools and academies. However if maintained schools in a phase agree, via a majority vote through the Schools Forum, the services can be provided centrally by returning the funding to the Local Authority. The final net delegated budget available to every school in the phase would then exclude these amounts. The Schools Forum has agreed that the following budgets will be de-delegated by primary and secondary schools. These budgets will continue to be delegated to academies:

- Schools in financial difficulty;
- Museum service (primary only);
- Licences and subscriptions;
- Staff Costs Public duties/Suspensions;
- Schools Contingency.

SCHOOLS BLOCK MODELLING ASSUMPTIONS

In October 2013, the Schools Forum and Cabinet Member authorised the submission of a Lancashire Schools Block budget proforma for 2014/15 to the EFA. This was based on provisional data supplied by the DfE.

Subsequent to the submission the authority has requested from the Secretary of State exemptions from MFG for:

- £1.4m carry forward from 2012/13
- £1.0m reallocation of CRC reserve (this will also be shared with special schools)

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

On 13th December 2013, the DfE issued final data sets to be used in the calculation of the Schools Block Budget for 2014/15, which have been taken from the October 2013 school census. Work has therefore been undertaken to update the volumes and calculations for primary schools, secondary schools and their academy equivalents, within the funding framework approved by the Schools Forum and Cabinet Member in October 2013. The results of this is set out below:

SCHOOLS BLOCK FORMULA

The formula used to allocate funding for primary and secondary schools and their academy equivalents is set out below:

- Basic pupil element
 - Primary a single rate of £ 2,800.45 per pupil
 - Secondary, KS3/KS4 a single rate of £ 4,042.83 per pupil
- Lump sum
 - Primary £ 154,300.00 per school
 - Secondary £ 159,300.00 per school
- Deprivation – allocated on both Income Deprivation Affecting Children Index (IDACI) and Free School Meals (FSM) EVER6 measures
- EAL based on 3 years funding on entry to the school system
- Prior attainment
 - Primary schools: A new EYFSP was published in March 2012. The new Profile was introduced in September 2012 and the first assessments using the new Profile took place in the summer of 2013. This means that for pupils in October 2013, pupils in year 1 will have been assessed using the new Profile and pupils in other years will have

been assessed using the old Profile. Low Prior Attainment Primary (73) which will be derived from the number of pupils in years 2 to 5 who achieved fewer than 73 points and pupils in year 1 who did not achieve a good level of development. £ 348.51 per qualifying pupil

- Secondary based on pupils not achieving KS2 level 4 English or Maths £ 293.23 per qualifying pupil
- Rates (as per latest estimates)
- PFI (PFI affordability gap funding for 2014/15 has been estimated using the PFI affordability models taking account of the latest available RPIX)
- Split site at the same rate as in 2013/14
 - Primary £ 33,901.73 per qualifying school
 - Secondary £ 99,494.85 per qualifying school
- Exceptional Factors approved by DfE for Rents meeting defined criteria

CAPPING GAINS

In order to fund the Minimum Funding Guarantee (MFG) protection that will be provided to schools losing under the reforms gains arising from the revised funding framework will be capped at 1.5% (the same level as MFG).

EARLY YEARS BLOCK MODELLING ASSUMPTIONS

The Early Years Block funding is split into two areas:

- Early Years Single Finding Formula 3 and 4 year old entitlement to free early years education and
- Two year old entitlement

EARLY YEARS SINGLE FUNDING FORMULA (EYSFF) 3 & 4 YEAR OLDS

The DfE have advised that there will be no changes to the EYSFF for 2014/15, however following consultation with all Early years providers the Early Years Working Group has recommended to the Schools Forum that funding previously allocated through the quality and flexibility supplements be rolled up into the base rates. The EYSFF now comprises of:

- Base rates
- Supplements for
 - Teachers pay and conditions
 - PFI
 - Deprivation

Base rates - The base rates proposed for the 2014/15 formula are summarised in the table below:

	Nursery £	Primary/PVI £	Childminder £
13/14 Base Rate	6.50	3.62	3.17
Quality Supplement	0.09	0.09	0.09
Flexibility Supplement	0.08	0.14	1.63
Total	6.67	3.85	4.89

Teachers Supplement – To be funded on the same basis as 2013/14

PFI Supplement – PFI affordability gap funding for 2014/15 has been estimated using the PFI affordability models taking account of the latest available RPIX. The DfE require nursery school PFI charges to be funded through the EYSFF. This covers the contractual maintenance agreement for our PFI nursery school. As this is a contractual obligation and DfE requirement, we do not have discretion about the payment of the required PFI contribution.

Deprivation Supplement – To be funded on the same basis as 2013/14. The bandings agreed for 2013/14 are shown for information in the table below.

Band	Weighting	Band hourly Rate
0	0.00	£0.00
1	0.30	£0.12
2	0.48	£0.19
3	0.70	£0.28
4	0.78	£0.31
5	0.88	£0.35
6	1.00	£0.40

The DfE methodology ensures that the deprivation funding is targeted to the children with the greatest need. IDACI Band 6 therefore has a weighting of 1. The DfE will not allow any funding to be allocated to IDACI band 0.

New Delegations - The Schools and Early Years Finance (England) Regulations require funding that can be de-delegated by primary and secondary schools in 2014/15 to be delegated to nursery school 3 and 4 year olds. This will be delegated to nursery schools through their base rate. All nursery schools have agreed to pool the funding back to the County Council for the services provided.

TWO YEAR OLD ENTITLEMENT

From September 2013, children and families meeting the criteria used to decide eligibility for free school meals and looked after children became eligible for the free early education for 2 year olds. Nationally, this represents around 20% of all two years olds in England. From September 2014, the eligibility criteria will be expanded so that around 40% of all two year olds in England will be eligible.

In 2013/14 the DfE increased Lancashire's DSG by £10.110m to provide revenue funding to pump prime the 2 year old offer and funding for settings, through the EYSFF for 2 year olds to deliver the offer. The DfE also provided £1.7m in the capital programme to supplement this investment.

Base Rate - At their meeting on the 10 January 2013, the Forum agreed to set the base rate for the 2 year old offer at £4.70 per child per hour. This base rate is applied to all settings that deliver the 2 year old offer. The funding reflected the legal requirement for the staffing ratio for 2 year olds of 1:4, this compares to the 1:8 ratio for 3 and 4 year olds. In essence, this element of the funding for staffing has doubled from that applied to the 3 and 4 year old formula. This accounts for £4.34 per child per hour of the base rate. In addition to this the Forum agreed to apply an uplift of £0.36 per child per hour to the base rate to reflect the additional needs of this target population of 2 year olds.

Transitional Protection - The Forum also agreed as part of the budget setting process for 2013/14 to pay transitional protection of £0.08 per child per hour on top of the base rate of £4.70 per child per hour. This protection was to aid the transition to the new 2 year old formula. It was agreed that this protection would be provided for one year only and therefore this will cease from April 2014.