

LANCASHIRE SCHOOLS FORUM

Date of meeting 14 January 2014

Item No 6A

Schools Budget 2014/15

Appendices (if applicable) Annex A refers

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Executive Summary

In October 2013, the authority submitted Lancashire's Schools Block budget proforma for 2014/15 to the Education Funding Agency (EFA). This was based on provisional data. At close of play on the 13th December the DfE issued the final schools block data based on the October 2013 School Census to be used in the calculation of the Schools Budget for 2014/15. Following an error identified by Lancashire in the DfE APT model, the data and updated model were re-issued to LAs on the 17th December.

The DfE have also issued the final 2014/15 Dedicated Schools Grant (DSG) allocation for Lancashire's schools block on 18th December. In addition the DfE have also issued a forecast Early Years block DSG which will be uplifted for growth during 2014/15 together with an initial high needs block DSG which will be finalised by 31st March 2014

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, taking into account forecast growth in the uptake of early year's free entitlement and sets the funding envelope for the High Needs Block in 2014/15.

Recommendations

The Forum is asked to:

- a) Note the report;**
- b) Note the tabled recommendations discussed with the Forum Chairman's Group for the use of headroom in 2014/15;**
- c) Support the Schools Budget proposals for 2014/15 for the Schools Block, Early Years Block and Centrally Retained Expenditure, and support budget envelope for the High Needs Block;**
- d) Express any views to be brought to the attention of the Cabinet Member for Children, Young People and Schools when setting the 2014/15 Schools Budget.**

Background

The Department for Education (DfE) sub divided the Dedicated Schools Grant into three un-ring fenced blocks, namely: Early Years Block, Schools Block and High Needs Block. The latest guidance from the DfE regarding the construction of the wider schools budget for 2014/15 has been discussed in detail at the Forum's Early Years Block Working Group, Schools Block Working Group and High Needs Block Working Group.

For the purpose of this paper, the schools budget refers to all budgets in the three funding blocks. The schools budget setting process for 2014/15 financial year can only be set by the Forum considering the interactions of the three funding blocks. If decisions are made in isolation this could have an adverse impact on one or more areas of the overall schools budget. In January 2014, uncertainties around the individual allocations to special schools, Pupil Referral Units (PRUs), high needs provision in post 16 and hospital education still remain, and hence at this stage it is proposed simply to set an overall budget for the High Needs Block.

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 budget proposals for the Early Years Block 2014/15 and sets the funding envelope for the High Needs Block in 2014/15. The Forum is therefore asked to agree the 2014/15 budget envelope for the High Needs Block at the January 2014 meeting and to finalise the individual allocations within this Block at the March 2014 meeting.

Any decisions and recommendations arising from the January meeting of the Forum will be reported to the Cabinet Member for Children, Young People and Schools on 15 January 2014.

The final Schools Block pro-forma 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 immediately after the February Half-term holiday.

SCHOOLS BUDGET PRINCIPLES AGREED BY FORUM

At the October meeting of the Forum the schools budget principles for 2014/15 were agreed. These principles are set out below for information.

Principles for 2014/15

- Stability – Minimise turbulence at an individual setting level;
- Minimum Funding Guarantee (MFG) - DfE set 2014/15 MFG at minus 1.5%;
- Capping – Apply the same rate as MFG 1.5%;
- Funding by phase – Maintain at the 2013/14 funding level subject to changes in pupil numbers if headroom will allow;
- Volume Changes - To aid stability global cash values attributed to each formula factor (excluding AWPU) be limited at the 2013/14 levels by reducing the funding rate;

- Cost Pressures – To be met from headroom (if available) in the first instance. Then, if need be, by reducing all unit values excluding the lump sum;
- Shortfall - All funding rates excluding lump sums are reduced;
- Headroom - 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

As members will be aware, the Guaranteed Unit of Funding that Lancashire's DSG will be based on is fixed 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;
- Members will be aware that the County Council has resolved to become a Living Wage employer from, April 2014. Individual schools will be asked to consider adopting the Living Wage at the Spring term governor meetings. Clearly, there is a cost pressure on schools that choose to pay the Living Wage;
- Pupil numbers in the secondary phase are still on a downward trajectory;
- 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 need to be maintained in the short term to ensure sufficient places in the medium term. 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. On 18 December 2013, the DfE announced the capital allocations to support the Universal Infant Free School Meals Entitlement. Lancashire received just over £3.3m. However, no details have yet been provided on the revenue funding implications. Officers have contacted EFA officials to seek clarification of the revenue position but have been informed that no further information is available at this stage. It is estimated that the revenue funding consequences will be several million pounds in Lancashire. On 19 December, the Forum Chairman wrote to the EFA requesting urgent details of the revenue funding allocations for the Universal Infant Free School Meals Entitlement, or at least provide confirmation that any allocations will be funded by a direct grant, which will cover the revenue costs associated with the project. For the purposes of this report it has been assumed that revenue costs for this project will be covered by a direct Government grant;

- From September 2014 the DfE will expand the entitlement to fund early education places for 2 year olds from the 20% lower income households to the 40% lower income households. It is anticipated that this will result in the delivery of 1.8 million hours of free entitlement to 2 year olds;
- A number of pressures have been identified around the centrally retained commissioned services budgets for pupils with high needs. These will be covered in detail in the paper discussing the proposed use of headroom.
- The DfE have top sliced the DSG to allow them to purchase Carbon Reduction Commitments (CRC) on behalf of all state funded schools and academies in England. The top slice to Lancashire's DSG amounts to £1.139m which is £0.270m higher than the saving of £0.869m in the centrally retained budget. The national cost to all LAs in England in 2013/14 was £43.103m, the national top slice for 2014/15 is £50.548m;

DSG ALLOCATION

The DfE issued the final 2014/15 Dedicated Schools Grant (DSG) allocation for Lancashire's schools block on 18th December. In addition the DfE have also issued a forecast Early Years block DSG which will be uplifted for growth during 2014/15 together with an initial high needs block DSG which will be finalised by 31st March 2014.

The DSG used to construct the schools budget is set out in the table below together with a forecast of growth in Early Years DSG and additional funding made available by the Forum amounts to £843.574m:

Forecast DSG 2014/15		
	Notes	DSG £m
<u>DSG</u>		
Schools Block	1	686.786
Early Years Block	2	61.485
High Needs Block	3	95.401
<u>Growth</u>		
Early Years Block	2	1.010
<u>DfE Adjustment to HNB</u>		
Post 16 Special Schools	4	(2.200)
High Needs pupils 6th Forms	4	(0.068)
<u>DfE Top Slice</u>		
National copyright licences	5	(0.500)
Carbon Reduction Comitments	5	(1.139)
Total DSG 2014/15		840.774
<u>Additional Funding Available</u>		
Carried forward from 2012/13	6	1.700
Reserves	6	1.100
Forecast funding available 2014/15		843.574

1. Schools Block £686.786m

DfE have set a final DSG for the schools block at £686.786m. This has been calculated by taking pupil numbers for years R to 11 from the October 2013 school census and multiplied by the schools block Guaranteed Unit of Funding (GUF) of £4,488.05. As in 2013/14, NQT funding of £0.232m has been added to the schools block settlement.

2. Early Years Block £61.485m

The DfE have provided a DSG settlement for the Early Years Block of £61.485m for the 2 year old offer and 3 and 4 year old free entitlement.

- 2 year old offer - £16.074m reflects the continued roll out of 2 year old funding;
- 3 & 4 year old offer - £45.411m based on the January 2013 Early Years Census. This will be adjusted to reflect the actual delivery of the 3 and 4 year old entitlement to early year's education based on 5/12ths of the January 2014 Early Years Census and 7/12ths of the January 2015 Early Years Census.
- Growth of 2.2% 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. Officers have estimated that this will generate an additional £1.010m to fund the growth in early years.

3. High Needs Block £95.401m

The DfE have set the initial high needs block DSG at £95.401m, this will be finalised during February 2014 once the DfE have reviewed and cleaned the High Needs Data submission made on the 23rd December 2013.

4. DfE Adjustment to High Needs Block – Reduction £2.268m

One very important change for 2014/15 is that the DfE have included the £10k place funding for each post 16 pupil at special schools and £6k element 2 funding for each high needs in a 6th form. The DfE will deduct this funding from our allocation in February.

5. DfE Top Slice – Reduction of £1.639m

The DfE have top sliced DSG to allow them to purchase:

- Carbon Reduction Commitments (CRC) on behalf of all state funded schools and academies in England. The top slice to Lancashire's DSG amounts to £1.139m.
- National copyright licences - £0.500m
 - In 2013/14, the DfE purchased a national licence for state funded schools for the Copyright Licensing Agency (CLA) and Music Publishers Association (MPA). This cost £0.278m and was funded from the centrally retained budget.
 - In 2014/15 the DfE have extended these arrangements to include:
 - Newspaper Licensing Authority (NLA)

- Education Recording Agency (ERA) (Was part of the Licences Delegation agreed by Forum)
- Motion Picture Licensing Company (MPLC), and Filmbank Distributors Ltd. (for the PVSL)

It is estimated that the cost of purchasing these additional national licences for Lancashire will be in the region of £0.222m. These licences were previously purchased on an individual school basis or delegated back to the county council to purchase on behalf of schools. In essence this £0.222m will represent a saving at an individual school budget level.

6. Additional Funding Available £2.8m

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 from 2012/13</u>		
Schools Block	A	1.400
High Needs Block	B	0.300
<u>Funding from Reserves</u>		
CRC Reserve	C	1.100
Total additional funding available		2.800

- A. £1.400m will be distributed through the basic pupil element to primary schools, secondary schools and their academy equivalents.
- B. £0.300m will be distributed to special schools and PRUs through top up funding
- C. £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.

BUDGETS 2014/15

The latest guidance from the DfE regarding the construction of the wider schools budget for 2014/15 has been discussed in detail at the Forum's Early Years Block Working Group, Schools Block Working Group and High Needs Block Working Group.

The latest Individual School Budgets (ISB) across all phases has been constructed using the final datasets made available from the DfE on the 17th December and our latest Early Years data. The principles approved by Forum in October 2013 have been used as the basis of this initial forecast of ISBs. This has allowed Officers to calculate the headroom available in the schools budget.

The High Needs data return, which has been constructed from the November SEN count and uplifted to reflect the impact new students will have on post 16 SEN has been used to construct a global high needs budget.

The first estimate of the schools block ISBs included all forecast growth and left the funding rates for each factor at the 2013/14 level. This gave a total schools budget cost of £685.471m, an increase of £6.701m. This is unaffordable against our DSG allocation.

A second estimate of the budget was then produced, which applied the Forum principle that to aid stability global cash values attributed to each formula factor (excluding AWPU) be limited at the 2013/14 levels by reducing the funding rate of each factor. This provides an affordable base for the Schools Block in 2014/15, giving a budget of £680.841m. As can be expected, the funding rates for some factors have reduced and a comparison of 2013/14 to 2014/15 rates are provided in the table below:

Schools Block - Funding Rate Changes		
	Primary	Secondary
	£	£
6th Form DSG	-	(9.22)
Prior Attainment	(5.57)	(422.05)
EAL	(11.15)	(70.28)
CLA	(367.51)	(367.51)
FSM	(46.89)	(61.75)
IDACI Band		
1	(3.50)	-
2	(5.60)	-
3	(8.40)	-
4	(9.10)	-
5	(10.50)	-
6	(11.90)	-

Schools Forum Consultation on changes to the Primary Prior Attainment Formula

On 16 December 2013, DfE released the data and guidance to enable the Schools Budget for 2014/15 to be calculated. This release included a change to the rules around the formula to be used for primary prior attainment. The latest DfE guidance will allow a weighting by which the percentage of pupils in year 1 not meeting the “good development” level will be multiplied to be commensurate with the percentage of pupils in years 2 to 5 not reaching 73 points under the old profile. DfE indicate that this is because some schools and authorities have significantly more pupils qualifying under the new criteria and this might distort allocations for individual schools.

The impact for Lancashire has been modelled and the results were shared via email with the Forum on 17 December, for urgent comment.

Option 2, which lowered the weighting to 40% on Y1 results, appeared to offer greatest stability and was therefore used in the modelling work on the 2014/15 Schools Budget.

6 responses to the consultation were received, five for primary school/academy headteachers and governors and one from a secondary governor.

Five responses were broadly supportive of the proposal, some more strongly than others, whilst one response cautioned against restricting the distribution.

Of the responses supportive of option 2, four responses from primary colleagues supported the proposal (one strongly, whilst another one agreed but commented on the impact of PPG outside the formula) and a fifth was from a secondary governor that indicated the response had been submitted following discussions with a couple of primary heads.

The response opposed to the 40% level from a primary headteacher noted that prior attainment funding had already been reduced and indicated that restricting the distribution may impact on children needing additional support.

A full set of comments is provided at Annex A.

Budget Summary – before the distribution of headroom

The table below summarises the ISBs for primary, secondary, academy and early years together with a global high needs budget using the principles agreed by the Forum on 15 October 2013.

Second estimate of ISBs 2014/15

	ISBs
	£m
ISBs	
Schools Block	680.841
Early Years Block	53.705
High Needs Block	64.582
Total Second Estimate	799.128

At this stage, we have within the schools block:

- 144 schools and academies in MFG (125 primary and 19 secondary) compared to 173 in 2013/14;
- 225 schools capped (198 primary and 27 secondary) compared to 274 in 2013/14;
- 197 schools not in MFG or capped (160 primary and 37 secondary) compared to 119 in 2013/14;
- Net cost of MFG after applying the cap is £3.653m compared to £2.692m in 2013/14.

As in 2013/14, no special schools or early years providers are in MFG.

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. (In 2013/14 this was a flat rate of £900);
- 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 (In 2013/14 this was a £900);
- The service premium will be paid to schools at the rate of £300 per pupil (In 2013/14 this was £300)

Members will see that there are significant increases in the PPG payments relating to eligible primary FSM Ever 6 and Looked-after children pupils.

CENTRAL SERVICES AND COMMISSIONED SERVICES BUDGET 2014/15

A separate paper on the agenda provides further details of the Central Services and Commissioned Services Budget 2014/15 and seeks the formal approval of the Forum to the proposals.

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 this has identified a number of savings as shown in the table below:

Initial Centrally Retained budget 2014/15		
	2014/15 Budget	
	£m	£m
Approved Budget 2013/14		36.344
<u>Reduction in</u>		
Central Services	(4.502)	
Comissioned Services	(0.450)	(4.952)
Total		31.392

As can be seen, the centrally retained budget has reduced from £36.344m as approved for 2013/14 to £31.392m before transfers into the centrally retained budget from the ISB and budget pressures. Budget pressures are covered in the Schools Budget report also on today's agenda. Overall this shows a reduction of £4.952m (£36.344m - £31.392m)

DfE TRANSFERS FROM ISB TO CENTRALLY RETAINED BUDGET

For 2014/15 the DfE have amended the Schools and Early Years Finance (England) Regulations to allow the transfer of special school PFI liabilities and to allow the provision of a growth fund available to allow expansion of mainstream schools and academies. These transfers are detailed in the table below together with accompanying notes:

DfE Transfers to Centrally retained Budget	
	Budget
	£m
<u>DfE transfers</u>	
Special School PFI	0.950
Growth Fund	1.327
Total DfE Transfers	2.277

Special Schools PFI – £0.950m

PFI affordability gap funding for special schools was funded in 2013/14 through the special schools formula as part of top up funding. Officers have met with the DfE to seek clarification as to which elements of top up for special schools are required to

be re-determined under the regulations in 2014/15. The DfE have advised that all top up funding will have to be re-determined in 2014/15. This will create a problem for the PFI special schools because funding to meet their PFI affordability gap liabilities can increase or reduce in year when their costs are fixed.

The DfE have amended the Schools and Early Years Finance (England) Regulations to allow the PFI affordability gap funding for special schools to be retained within the High Needs Block central items budget. This is the only way to ensure that this funding will not be re-determined in year with the consequential impact on funding. It is therefore proposed that for 2014/15 special schools PFI affordability gap funding will be budgeted within the High Needs Block central items. Officers will also seek the approval of the Secretary of State to remove the PFI top up funding from special schools MFG calculation.

This increase in the high needs central items budget will be balanced by a reduction in special schools ISBs. This will have no impact on the schools budget.

Growth Fund – £1.327m

In 2013/14 the Forum agreed to de-delegate the growth fund for primary and secondary schools. This fund provides support to schools for authority approved expansions. As this fund was de-delegated, it was not available for academy expansions. From 2014/15, the DfE have amended the Schools and Early Years Finance (England) Regulations to allow authorities to top slice the DSG and provide a growth fund within their centrally retained budget to meet all LA approved expansions including academies. This increase in the budget will be reflected by an equal reduction in primary, secondary and academy ISBs.

HEADROOM

The table below has taken the figures discussed above for the DSG allocation, additional funding made available by the Forum from reserves, the second estimate of ISBs and the centrally retained budget together with DfE transfers to calculate the initial headroom available to the Forum. This is detailed in the table below:

Calculation of available headroom

	£m	£m
<u>Funding available</u>		
Forecast DSG		840.774
Forum allocation from reserves		2.800
Total funding available for 2014/15		843.574
<u>Allocated to</u>		
Schools Block	680.841	
Early Years Block	53.705	
High Needs Block	64.582	799.128
Centrally retained budget		31.392
DfE Transfers		2.277
Total allocations before headroom		832.796
Available Headroom		10.778

A paper will be tabled at the Forum meeting setting out a number of proposals for the use of headroom in 2014/15. These proposals will have been steered following discussions with the Forum Chairman's group which are scheduled to take place on 9 January 2014.

Responses to the Primary Prior Attainment consultation

It's good to note that the Govt recognise that changes in assessment protocols in the EYFS do have an impact on prior attainment measures and therefore on the budgets of schools.

I am strongly in favour of Option 2. This will enable a more equitable distribution of available funds.

I agree with option 2 being the best in theory. However, once again I still ask the question about how much those schools losing would be affected if pupil premium was borne in mind. I know in theory that it shouldn't be but someone somewhere needs to do that exercise, otherwise once again some schools will be on a win-win and others will continue to lose out.

My personal opinion regarding the change to prior attainment is that having already reduced the total sum available to distribute through this aspect of the formula we should be very wary of reducing it again or even restricting its distribution.

Can I remind the forum that recent decisions have already reduced the amount of funding in the county for children at the bottom end of the ability range. From memory millions were taken out of the prior attainment factor and put into others to reduce turbulence and make the new formula work. The impact of this has hit schools with high percentages of children who enter school with abilities below the national average. On top of the reduced funding for special educational needs it is hardly surprising that the only thing keeping some schools afloat is the pupil premium.

I may well be reading this wrongly but it looks like the focus on the 40% weighting rather than 100% is reducing those eligible for additional funding in Year 1 by 25%.

I understand the need to make the formulae work but there is also the ethic of ensuring those children who need additional resource get it. I'm of the opinion that if we go for the 40% weighting we are overstepping the mark and will be not only disadvantaging children but also making the task of some schools to ensure expected progress harder than ever. As well as ensuring all schools have a realistic budget across the county we are surely charged with distributing resources in light of information we have relating to children's ability to learn and supporting schools who have a higher than average proportion of children with learning difficulties.

Obviously do know the detail but from the information presented and I've spoken briefly to a couple of primary heads today so I think I would support option 2.

Agree with Option 2.

I am happy with Option 2.