

Report to the Cabinet Member for Children, Young People and Schools
Report submitted by: County Treasurer
Date 16 January 2015

Part I

Electoral Division affected:
All

Schools Budget 2015/16

(Appendices 'A' and 'B' refer)
(Appendix 'B' will be tabled)

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Executive Summary

In accordance with the Government's school funding framework, the Authority is required to submit a final Schools Block budget proforma for 2015/16 to the Education Funding Agency (EFA) by 20 January 2015.

This report seeks the approval of the Cabinet Member for Children, Young People and Schools to submit the Schools Block budget proforma and requests approval of the Lancashire Early Years and High Needs Block Budgets for 2015/16.

Decisions and recommendations arising from the Schools Forum's consideration of the 2015/16 budget proposals will be provided for the Cabinet Member's consideration.

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 recommended to:

- (i) Note the report, including the 2015/16 Dedicated Schools Grant (DSG) allocation, the final budget proposals for each funding block and any comments made by the Lancashire Schools Forum;
- (ii) Approve the estimated level of Dedicated Schools Grant for 2015/16, on which to base the Schools Budget;

(iii) Authorise the County Treasurer to submit the final Schools Block budget proforma for 2015/16 to the EFA by 20 January 2015, on the basis set out in this report;

(iv) Approve the 2015/16 budgets for the Early Years and High Needs Blocks; and

(v) Approve that the Dedicated Schools Grant Reserve underwrite the uncertainties around the Early Years and High Needs Blocks.

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 to ensure that the necessary proforma can be submitted as required to the Education Funding Agency by 20 January 2015.

Background and Advice

In April 2013, the government introduced a new school funding framework to bring a greater consistency to the arrangements for funding schools and early years settings across England. The Department for Education's (DfE) school funding reforms allocated amounts to each local authority for each pupil through the Dedicated Schools Grant (DSG) based on previous funding levels, but from April 2013 DSG funding was allocated in three notional blocks:

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

The notional blocks are not ring-fenced.

This report sets out the budget proposals for 2015/16 across the three funding blocks and for the centrally retained budget.

SUBMISSION OF DRAFT PROFORMA FOR SCHOOLS BLOCK BUDGET 2015/16

The new funding framework requires that a draft Schools Block proforma is submitted to the Education Funding Agency (EFA) in October 2014, based on provisional pupil data. The Schools Block is the main source of funding for primary schools, secondary schools, free schools and academies in Lancashire.

On 23 October 2014, the Cabinet Member for Children, Young People and Schools approved the draft proforma for the Schools Block budget for 2015/16, which was then submitted to the EFA before the 31 October 2014 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 to the EFA and on 27 November the EFA provided confirmation that Lancashire's formula appears to be compliant with regulations.

A further proforma must be submitted by 20 January 2015, to confirm final values attributable to each factor. The January submission cannot alter the Schools Block factors from those submitted in October, but allows the values to change based on final data from the October school census.

No equivalent submissions are required for the Early Years or High Needs Block budgets.

TIMETABLE FOR SETTING FINAL SCHOOLS BUDGET 2015/16

Calculation of final budget proposals cannot begin until after DfE release data arising from the October 2014 school census and provide 2015/16 Dedicated Schools Grant (DSG) allocations for Lancashire.

The EFA timetable for issuing this information to local authorities and then receiving the agreed Schools Block proforma for compliance checking does not easily fit with the County Council's submission deadlines for seeking approval for the 2015/16 Schools Budget. These timetabling challenges are further compounded as the January Schools Budget decision is deemed a key decision under the constitution and must therefore be considered by the Executive Scrutiny Committee prior to the Cabinet Member's consideration. Due to the Christmas/New Year holidays, the report needs to be submitted before essential information required to develop 2015/16 Schools Budget proposals will be received from the EFA.

This report therefore sets out an outline of the Schools Budget setting process, the key principles that will be used to develop final proposals for 2015/16 and some of the budget pressures being faced.

Once the EFA publish relevant pupil data and Dedicated School Grant allocation information in mid-December 2014 an Appendix to the report will be produced that provides more detailed budget information for the 2015/16 Schools Budget in Lancashire (Appendix 'A'). Subject to the timely receipt of data from the EFA, it is intended that Appendix 'A' will be produced by 19 December 2014.

The Lancashire Schools Forum are scheduled to meet on 15 January 2015 to consider the 2015/16 Schools Budget. A further appendix (Appendix 'B') will be tabled in time for consideration of report setting out the decisions and recommendations arising from the Forum.

The proposed timetable for approving the final Schools Budget for 2015/16, submitting Lancashire's Schools Block proforma to the EFA and issuing budgets to individual schools and early years settings is set out below.

Date	Action
23 October 2014	Cabinet Member for Children, Young People and Schools approval was given to submit the provisional Schools Block budget proforma for 2015/16
24 October 2014	Lancashire provisional 2015/16 Schools Block proforma submitted

November 2014	Clarification provided to EFA in response to queries on Lancashire's provisional proforma and confirmation of compliance with regulations received.
12 December 2014	Outline Schools Budget 2015/16 report for Cabinet Member submitted
Mid-December 2014	Authority Proforma Tool (APT) to be re-issued by DfE, containing Lancashire October 2014 census based pupil data and factors
Week commencing 15 December 2014	Publication of DSG Schools Block allocations for 2015/16 (prior to academy recoupment)
19 December 2015	Appendix 'A' to the Cabinet Member report to be submitted, setting out details of Lancashire's 2015/16 Schools Budget funding allocation from EFA
6 January 2015	Executive Scrutiny Committee
12 January 2015	Schools Forum Chairman's Working Group

15 January 2015	Schools Forum
16 January 2015	Cabinet Member for Children, Young People and Schools to agree the 2015/16 Schools Budget, at which Appendix 'B' setting out any comments from the Schools Forum will be tabled
20 January 2015	Deadline for submission of final 2015/16 authority Schools Block proforma tool to EFA
Mid/end February 2015	Issue school and early years setting budgets.

SCHOOLS BUDGET PRINCIPLES

When the Authority consulted the Schools Forum about the submission of the provisional Schools Budget proforma in October 2014, views were also sought on the principles that should apply to finalising the Schools Budget for 2015/16, once the EFA issue final data. The recommended principles are set out below:

General principles

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

Principles for 2015/16

- Stability – Minimise turbulence at an individual setting level;
- Minimum Funding Guarantee (MFG) - DfE set 2015/16 MFG at minus 1.5%;
- Capping – Apply the same rate as MFG 1.5%;
- Funding by phase – Maintain at the 2014/15 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 2014/15 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;
- Primary prior attainment – Apply a weighting to pupils assessed under the new Early Years Foundation Stage Profile, so that funding is commensurate with the percentage of pupils not reaching 73 points under the old profile;
- Any one-off funding to be distributed in 2015/16 from underspends in 2013/14 should be accompanied by strong guidance to urge schools to use this funding for one-off expenditure, for example maintenance funding, and not to commit it to ongoing staffing costs or hold it in reserve.

Once final data is received from the EFA, these principles will be used to shape the 2015/16 budget proposals that will then be produced as Appendices A and B.

SCHOOLS BUDGET PRESSURES 2015/16

The DfE have already confirmed that Guaranteed Unit of Funding (GUF) that Lancashire will receive per pupil in our 2015/16 Dedicated Schools Grant (DSG) will remain fixed at the 2011/12 level.

Following a DfE consultation on 'Fairer schools funding in 2015-16' earlier this year, the final 2015/16 funding guidance confirms that an additional £390m will be made available nationally for the lowest funded authorities. Whilst the level of school funding received by Lancashire is below the national average, we will not benefit from the DfE proposals.

However, there are significant income pressures, cost pressures and risks on school budgets in 2015/16, and some key issues are set out below:

2 Year Old DSG Calculation

From April 2015, DSG funding to local authorities for 2 year olds will be based on participation instead of demographic information. The EFA propose to use two data collections in 2015/16 only, to ensure the most up-to-date data is available when determining funding for 2 year olds in the first year of the new arrangements.

The count dates for calculating the 2015/16 two year old DSG are scheduled for January 2015 and October 2015, with a final notification of the funding to be announced in December 2015.

Clearly, the 2 year old element of DSG will not therefore be included in the DSG announcement that is expected in December 2014 and the Lancashire Early Years Block budget will need to include a local estimate of our likely 2 year old DSG.

The Authority is working to maximise the number of places taken up in Lancashire by eligible 2 year old children and a second count date allows increased take up during the year to be used in the calculation of our final 2 year old DSG figure.

However, there is a significant risk that the overall level of DSG allocated on the basis of 2 year olds will reduce in 2015/16.

3 and 4 Year Old DSG Calculation

The December 2014 DSG notification will include an estimated value attributable to 3 and 4 year olds. This figure will be adjusted in June 2015, based on figures from the January 2015 Early Years Count.

The 3 and 4 year old DSG for 2015/16 will therefore need to be estimated. This arrangement is similar to that which operated in 2014/15.

SEND reforms

The introduction of the Special Educational Needs and/or a Disability (SEND) reforms introduces a new Education, Health and Care Plans assessment system. This new system may have cost implications for schools, which could bring pressure on the High Needs Block Budget.

Budget Redeterminations

The new school funding framework fixes the funding that is distributed through the Schools Block once the proforma has been compliance checked by the EFA. No in-year budget redeterminations are allowed.

However, Early Years and High Needs Block funding is redetermined each term based on participation/take-up. As described above, the level of DSG received in Lancashire will go up or down based on Early Years participation. There are however some children that receive funding based on local criteria, and this poses a risk in the Early Years Budget, as no additional funding will be received if the number of eligible pupils in this cohort increases.

Funding for High Needs will be fixed in the December DSG notification and therefore no additional income will be received if the High Needs Budget costs increase in-year at redeterminations (for example, as a result of the SEND reforms).

Teachers Pension Scheme

The Government have confirmed that they are introducing changes to employers' pension contributions for teaching staff from September 2015. This change will increase the employers contribution schools need to make for their teaching staff to 16.48% from 14.1%.

Insurance Costs

The County Council has retendered for part of its insurance cover from April 2015 and there have been significant cost rises in some areas. This will impact on the charges for schools that buy into the LCC cover arrangements.

Pay Awards

Teaching staff have received a 1% pay award for 2015/16, whilst support staff unions have recently agreed a pay increase of 2.2% from January 2015.

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 15 January 2015 will be reported to Cabinet Member on 16 January 2015.

Implications:

This item has the following implications, as indicated:

Risk management

Financial

The major financial risk contained in the 2015/16 funding proposals relates to the Government's decision to change Dedicated Schools Grant funding for 2 year olds to a participation based calculation. Even though the Authority is working to maximise the number of places taken up in Lancashire there is a significant risk that the overall level of DSG allocated on the basis of 2 year olds could reduce in 2015/16.

Any reduction in DSG funding would be contained in the overall school and early years funding envelope by reducing the level of funding distributed.

There are also some uncertainties surrounding the calculation of the Early Years and High Needs Blocks, as described in the report.

The authority holds a DSG Reserve, at a level of 1% of the total DSG. It is proposed that this Reserve underwrite the uncertainties around the Early Years and High Needs Blocks.

Legal

At the time of writing, this report reflects arrangements required by the draft School and Early Years Finance (England) Regulations 2014. The DfE have indicated that the regulations will come into force by 1 January 2015. The draft Regulations give effect to changes announced by the government in connection with school funding for 2015/16, as set out in 'Fairer Schools Funding Arrangements for 2015 to 2016', 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 should be in place before the Cabinet Member considers the report and the submission to the EFA is required.

List of Background Papers

Paper	Date	Contact/Directorate/Tel
DfE/EFA 2015/16 funding documentation, including: <ul style="list-style-type: none">• Fairer schools funding: arrangements for 2015 to 2016• Schools revenue funding 2015 to 2016: technical note• Schools revenue funding 2015 to 2016: operational guide	July 2014	https://www.gov.uk/government/publications/fairer-schools-funding-arrangements-for-2015-to-2016
Draft School and Early Years Finance (England) Regulations 2014	August 2014	https://www.gov.uk/government/consultations/school-and-early-years-finance-england-regulations-2014
Lancashire formula and delegation consultations with schools	September 2014	Paul Bonser, Directorate for Children and Young People, 01772 531815
Reason for inclusion in Part II, if appropriate		
N/A		