

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

### Appendix A

This Appendix to the Schools Budget 2015/16 report has been prepared following receipt of pupil data and Dedicated Schools Grant (DSG) allocation information from the Education Funding Agency in mid-December 2014 and presents the initial estimated budget position as at 18<sup>th</sup> December 2014. A final appendix will be submitted to the Cabinet Member on the 16<sup>th</sup> January 2015.

#### Summary

On 12 December 2014, the Education Funding Agency (EFA) provided the final schools block data based on the October 2014 School Census to be used in the calculation of the Schools Budget for 2015/16.

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. On 17 December, the EFA issued the 2015/16 Dedicated Schools Grant (DSG) allocation for Lancashire.

The DSG for 2015/16 comprises:

- Schools block - based on school block units of funding (SBUF) announced in July 2014 plus a cash transfer to bring non-recoupment academies into local authorities' overall budget calculations.
- Early years block covering:
  - The three and four year old entitlement - set at the same per pupil rate as 2014/15 as announced in October 2014;
  - The early years pupil premium - a provisional allocation as announced in October 2014; and
  - funding for disadvantaged two year olds for which the hourly rates were announced in October 2014. Initial allocations will be made in June 2015.
- High needs block - the total high needs block for 2014/15 has been carried forward plus:
  - Increases in places for academic year 2015/16 resulting from the exceptions process; and
  - Lancashire has received £1.003m additional top-up of £47m nationally distributed based on the 2-19 aged population in each local authority.

The DSG allocation notified is prior to adjustments for:

- Academies recoupment from the schools block;
- Deductions for high needs places in academies and non-maintained special schools;
- Changes to the non-recoupment academies cash transfer in relation to estimated pupil number and central budgets;
- Deduction for national copyright licences;
- Updates to the funding for three and four year olds;
- Initial allocations for disadvantaged two year olds; and

- Updates to the early years pupil premium.

### **One Off allocation of DSG reserves**

In July 2014 the Schools Forum supported funding held in the DSG reserve over and above £8.4m would be distributed on a one off basis in 2015/16, in accordance with decisions to be taken as part of the budget setting process. The amount to be allocated is £10.600m.

### **Budget setting basis**

For the purpose of this paper, the schools budget refers to all budgets in the three funding blocks. The schools budget setting process for the 2015/16 financial year can only be set by considering the interactions of the three funding blocks together.

Annex A provides information on the agreed funding formulae to be used in the calculation of each of the funding blocks.

### **Forecast funding available 2015/16**

The forecast funding to be used in the calculation of the Schools Budget for 2015/16 is set out in the table below and amounts to a total of £861.255m.

This figure includes:

- DSG Allocation notified by the EFA;
- Lancashire's estimate of participation for disadvantaged two year olds;
- Lancashire's estimate of growth in funding for three and four year olds;
- Lancashire's estimate of the High Needs reduction;
- allocation of the £10.600m DSG reserves as a one off.

The EFA have included Early Years PPG within the Early Years block DSG. For the purpose of setting the schools budget this has been removed as it will be distributed as a separate allocation.

## **Forecast DSG Income from EFA 2015/16**

	£m
<u>DSG</u>	
Schools Block	692.186
Early Years Block	47.135
High Needs Block	100.405
Additions for non block funding	0.231
2015/16 DSG Allocation notified	839.957
<u>Included in DSG but not schools budgets (separate budget)</u>	
Early Years PPG	(0.959)
<u>Estimated Allocation in June 2015</u>	
Participation for disadvantaged two year olds	13.823
<u>Estimated Growth</u>	
Early Years Block	1.834
Forecast DSG	854.655
<u>Estimated High Need Block Reduction</u>	
High Need Block Reduction for pre & post 16 which are funded outside DSG	(4.000)
<u>Additional funding Available</u>	
Allocation of reserves as a one off	10.600
Total forecast funding available 2015/16	861.255

## **DSG allocations**

### Schools Block £692.186m

The authority's Schools Block Unit of Funding (SBUF) for the Schools Block is the amount announced in July 2014 of £4,478.54 per pupil. This has been reduced by £7.51 compared to 2014/15 following the introduction of a formulaic approach to charging for the carbon reduction commitment compared to a top slice methodology used previously.

This amount has been multiplied by the pupil numbers from the October 2014 school census and the January 2014 alternative provision census plus the reception uplift, minus high needs places as set out in the Education Funding Agency (EFA) pupil number tool notification.

### Early Years Block £47.135m

The Early Years block comprises:

- Funding for the three and four year old entitlement to 15 hours free education;
- The early years pupil premium; and
- Participation funding for disadvantaged two year olds (to be allocated in June 2015).

### Early Years entitlement for three and four year olds

The amount per pupil for the Early Years free entitlement is the same as for 2014/15. Initially, this has been multiplied by pupil numbers from the January 2014 early years census and school census to produce a provisional allocation. This will be updated in:

- July 2015 based on January 2015 pupil numbers; and
- July 2016 based on 5/12ths of the January 2015 pupil numbers (to cover the April 2015 to August 2015 period) and 7/12ths of the January 2016 pupil numbers (to cover the September 2015 to March 2016 period).

This means that the final allocation for three and four year olds for 2015 /16 will be based on  $5/12 \times$  January 2015 pupil numbers plus  $7/12 \times$  January 2016 pupil numbers.

Officers have estimated growth of 1.8% for three and four year olds to reflect increase in demand, this equates to a potential further £1.834m of DSG.

### Early Years pupil premium

Provisional allocations for the Early Years pupil premium (EYPP) were announced in October 2014 and are being dealt with under a separate allocation process to the schools budget and therefore the value of grant has been deducted from the DSG for the purpose of calculating funding available for the schools budget.

### Participation funding for disadvantaged two year olds

The 2015/16 per child hourly rates for disadvantaged two-year-olds were published in October 2014 and Lancashire's rate is £4.85.

Initial allocations for the funding of two year olds will be announced in June 2015. The allocations will be based on number of eligible children participating in early education as recorded in the January 2015 Early Years census and school census.

The EFA will offer local authorities an opportunity in the autumn term of 2015 to report any significant increases in participation since January 2015 via a voluntary data collection. Allocations will be adjusted in January 2016 to reflect these increases. A local authority's initial 2015/16 allocation will not be adjusted at this point if local authorities choose not to submit an autumn count.

The allocations will be updated in June 2016, based on 5/12ths of the January 2015 participation numbers (to cover the April 2015 to August 2015 period) and 7/12ths of the January 2016 participation numbers (to cover the September 2015 to March 2016 period). This means that the final allocations for the funding for two year olds will be based on  $5/12 \times$  January 2015 participation numbers plus  $7/12 \times$  January 2016 participation numbers.

Officers have estimated participation funding for disadvantaged two year olds of £13.823m.

### High Needs Block £100.405m

The high needs block is a single block for local authorities, high needs pupils/students aged 0-24. The block includes place funding for pre 16 and post 16.

For 2015 to 2016 the high needs block is made up of:

- each local authority's total high needs block from 2014/15; plus
- 5/12ths of the growth/deduction in pre 16 high needs places agreed for 2014/15 academic year; plus
- 4/12ths of growth/deduction in post 16 high needs places agreed for 2014/15 academic year; plus
- changes to place funding in schools for the 2015/16 academic year resulting from the outcome of the high needs exceptions process, covering the first two terms of that increase (i.e. 7/12ths for pre 16 and 8/12ths for post 16); plus
- increases in hospital funding resulting from the high need exceptions process; and
- each local authority's share of additional top-up funding of £47m based on each local authority's proportion of the 2-19 aged population projections for 2015. Lancashire's share of this £ 1.003m.

### Estimate of EFA adjustment to High Needs Block – Reduction £4.000m

Adjustments will be made to this sub block to account for both pre and post 16 places which are funded outside of the DSG: those that are funded by the EFA through direct payments to academies (with special units or resourced provision), special academies, alternative provision academies, academies with hospital education and non-maintained special schools; and post 16 places that are funded through the sixth form grant to local authorities.

### Induction for newly qualified teachers (NQTs) £0.231m

In September 2012, the induction regulations changed so that teaching schools can act as the appropriate body to monitor and quality assure NQT induction. In order to allow schools to pay for the services of their preferred appropriate body, the funding for statutory induction of NQTs was moved into the DSG in 2013/14, to allow funding to be delegated to all schools through local funding formulae. This is allocated to each local authority on a per pupil basis (using the pupil numbers used for the schools block).

### Allocation of reserves as a one off £10.600m

In July 2014, the Lancashire Schools Forum supported funding held in the DSG reserve over £8.400m would be distributed on a one off basis in 2015/16, in accordance with decisions to be taken as part of the budget setting process. Officers have asked the Secretary of State to exempt this one off additional funding from Minimum Funding Guarantee (MFG).

£10.600m will be distributed through the basic pupil element and lump sum to primary schools, secondary schools and their academy equivalents, top up elements in Special Schools and PRUs, and base rates to Early Years providers.

### **Budget 2015/16**

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. The budget setting principles agreed by the Schools Forum have been used as the basis for developing the initial forecast of ISBs. This has allowed Officers to calculate the headroom / shortfall in funding available in the schools budget.

This Schools Block budget estimate has been calculated using the School Forum principle of stability in cash values attributed to each formula factor (excluding AWPUs). Factors are limited to the 2014/15 levels. The funding rates for some factors have reduced in comparison to 2014/15 rates because of data variations.

The table below shows those reductions. The reduction in the basic entitlement is the result of the removal of a one-off allocation of reserves in 2014/15.

### **Schools Block Budget funding rate changes**

	£	£
	<b>Primary</b>	<b>Secondary</b>
Basic Entitlement	(12.05)	(14.61)
Lump Sum	0.00	0.00
Split Site	0.00	0.00
Rates	0.00	0.00
PFI	0.00	0.00
Rents	0.00	0.00
6th Form DSG	0.00	0.00
Prior Attainment	(8.59)	0.00
EAL	(20.42)	0.00
CLA	(130.86)	(130.86)
FSM	(22.01)	(19.60)
IDACI Band 1	(8.09)	0.00
IDACI Band 2	(8.09)	0.00
IDACI Band 3	(8.09)	0.00
IDACI Band 4	(8.09)	0.00
IDACI Band 5	(8.09)	0.00
IDACI Band 6	(8.09)	0.00

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

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.

#### **DSG allocated to**

	£m
Schools Block	699.878
Early Years Block	61.848
High Needs Block	65.988
Centrally retained budget	35.626
<b>Total Allocations</b>	<b>863.340</b>

At this stage, we have within the schools block:

- 105 schools and academies in MFG (97 primary and 8 secondary) compared to 144 in 2014/15;
- 170 schools and academies capped (154 primary and 16 secondary) compared to 225 in 2014/15;
- 231 schools and academies not in MFG or capped compared to 197 in 2014/15;
- Net cost of MFG after applying the cap is £3.581m compared to £3.653m in 2014/15.

As in 2014/15, 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.

At present we have not been notified of funding rates for 2015/16.

#### **Central Services and Commissioned Services Budget 2015/16**

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 2014/15 and 2015/16:



Central Expenditure Limit	Approved Budget 2014/15 £m	2015/16			Total £m	Variance from 2014/15 £m	Notes
		High Needs Budget £m	Early Years Budget £m	Central Provision £m			
<b>Central Services</b>							
Carbon Trading	0.047	0.047	-	-	0.047	-	
Prudential Borrowing	0.240	-	-	0.240	0.240	-	
Licences negotiated centrally by Secretary of State	-	-	-	0.500	0.500	0.500	1
School Forum	0.188	-	-	0.188	0.188	-	
<b>Sub total Central Services</b>	<b>0.475</b>	<b>0.047</b>	<b>-</b>	<b>0.928</b>	<b>0.975</b>	<b>0.500</b>	
<b>Commissioned Services</b>							
EU Energy Performance Directive	0.022	0.011	0.011	-	0.022	-	
Schools Budget PRC	0.500	-	-	-	-	(0.500)	2
High Needs Block Top up	2.249	2.249	-	-	2.249	-	
Pupil Access							
Children Missing Education & Vulnerable Children	0.161	0.161	-	-	0.161	-	
Admissions	0.937	-	-	0.937	0.937	-	
ICT	0.029	0.029	-	-	0.029	-	
Commissioned services	1.459	1.459	-	-	1.459	-	
Hospital Provision	0.610	0.610	-	-	0.610	-	
IDSS							
Out County - Specialist provision	15.097	15.097	-	-	15.097	-	
Out County - Mainstream / academies	1.374	1.374	-	-	1.374	-	
Specialised Equipment	0.447	0.447	-	-	0.447	-	
Inclusion Projects	0.897	0.897	-	-	0.897	-	
Lovaas/Aba	0.050	-	-	-	-	(0.050)	3
Teachers & Support	3.964	4.264	-	-	4.264	0.300	4
Multi Agency Development	0.075	0.075	-	-	0.075	-	
Early Intervention	1.400	1.400	-	-	1.400	-	
Careers Education Information Advice & Guidance	0.150	0.150	-	-	0.150	-	
Support for Vulnerable Pupils	0.977	0.977	-	-	0.977	-	
Special School PFI	0.950	1.051	-	-	1.051	0.101	5
Overheads	1.912	1.912	-	-	1.912	-	
Growth Fund	1.384	-	-	1.540	1.540	0.156	6
2 Year Old Capacity Building / Pump Priming	0.300	-	-	-	-	(0.300)	7
<b>Sub Total Commissioned Services</b>	<b>34.944</b>	<b>32.163</b>	<b>0.011</b>	<b>2.477</b>	<b>34.651</b>	<b>(0.293)</b>	
<b>Total Central Expenditure Limit</b>	<b>35.419</b>	<b>32.210</b>	<b>0.011</b>	<b>3.405</b>	<b>35.626</b>	<b>0.207</b>	

Notes:

1. Expenditure on licenses which are negotiated centrally by the Secretary of State – Realignment £0.500m  
This has previously been treated as a top-slice from the DSG, regulations allow this to be included within central schools expenditure and therefore this is a realignment of where the expenditure is recorded.
2. Schools Budget Termination of Employment costs – Reduction £0.500m  
In accordance with DfE guidance it was agreed that the funding of Termination of Employment costs would cease to be funded via the central expenditure limit and instead be delegated to schools within the Schools Funding Formula in 2015/16.
3. LOVASS – Reduction £0.050m  
The requirement of this funding ends in the current year. The budget of £0.050m is not required in 2015/16.
4. Teachers & Support - Increase £0.300m  
This allocation represents a movement to reflect the services offered for SEND by IDSS.

5. Special Schools PFI – Increase £0.101m

The DfE 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. As with all PFI costs they are index linked and vary each year which has resulted in the increase.

6. Growth Fund – Increase £0.156m

There is a need to increase the top-slice of the DSG for the Growth Fund to support schools which are required to provide extra places in order to meet basic need with the authority.

7. Two Year Olds Capacity building / pump priming – Reduction £0.300m

The requirement of the Two Year Old pump priming funding ends in the current year. The budget of £0.300m is not required in 2015/16.

### **Funding Shortfall**

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

### **Calculation of funding shortfall**

	£m
Forecast DSG	854.655
High Need Block Reduction for pre & post 16 which are funded outside DSG	(4.000)
Allocation of reserves as a one off	10.600
Total forecast funding available 2015/16	861.255
<u>Allocated to</u>	
Schools Block	699.878
Early Years Block	61.848
High Needs Block	65.988
Centrally retained budget	35.626
Total Allocations	863.340
Shortfall in funding	(2.085)

It should be noted that there is a shortfall in funding and therefore the Lancashire Schools Forum will be presented with a number of options in January 2015 on how this will be met.

Recommendations from the Forum will be tabled at the Cabinet Member Decision Making Session on 16 January 2015, as Appendix B.

## SCHOOL FUNDING FORMULAE 2015/16

### **Schools Block Formula 2015/16**

The Authority's 2015/16 Schools Block funding formula contains the following factors:

1. A basic per-pupil element, one rate for the primary phase and another for the secondary phase;
2. Deprivation, measured by Free School Meals EVER6 (FSM6) and Income Deprivation Affecting Children Index (IDACI);
3. Looked after children;
4. Prior attainment as a proxy measure for SEN;
5. English as an additional language, for a period of 3 years;
6. A lump sum for each primary school and a lump sum for each secondary school;
7. Split sites;
8. Rates;
9. Sixth form;
10. Private finance initiative (PFI) contracts.

A Pupil Mobility factor and a Sparsity factor were also available in the national framework, but it was decided not to use these factors in Lancashire.

Authorities were also allowed to ask the Education Funding Agency (EFA) to approve a limited number of premises related exceptional formula factors, if they met the following criteria:

- Apply to less than 5% of in the local authority; and
- Account for more than 1% of the budget of the school or schools affected.

Lancashire was successful in applying for a Rents factor under this process.

### **High Needs Block (HNB) funding for Special Schools 2015/16**

**There are three sources of funding:**

A. Lancashire HNB

B. EFA

C. Other commissioners / authorities

A. Lancashire HNB funding has 3 components

- Base funding for all pre 16 places funded at £10,000 per place.
- Top up funding for pre and post 16 Lancashire pupils comprising of
  - WPN
  - School specific
- Pre 16 place related top up funding

B. EFA – Post 16

- Base Funding for all post 16 pupils, this is the equivalent of the £10,000, the value is calculated by the EFA and passported through the authority to schools.

C. Other commissioners / authorities

- Top up funding for other commissioners / authorities pupils in a commissioned place in a Lancashire school, this top up will comprise of
  - WPN
  - School specific
- The financial responsibility / risk for the recoument of this funding is the responsibility of the school.

**Lancashire funding – how it is calculated**

**Pre 16 Base funding**

This is based on the number of pre 16 places and will include any places taken by pupils from out of authority. Base funding is fixed for the year and will not be re-determined within the year.

**Lancashire pupil related top up funding (pre and post 16)**

This will be re-determined up or down termly in line with the SEN counts in June, November and February.

- WPN funding will be allocated for the total WPN of all Pre and Post 16 Lancashire pupils. The WPN's funded are net of the 2.5 WPN (the amount relating to the value of up to £10,000)
- School specific funding will allocated to the total number of all pre and post 16 Lancashire pupils on the SEN count.

**Pre 16 place related top up funding**

This will be re-determined termly in line with the SEN count terms but using the school census dates in May, October and January. This funding will be allocated on a pro rata termly basis. If the total number of pre 16 pupils on the census exceeds the number of pre 16 base funded places then the school / academy will receive an additional £10,000 pro rata for that term for each place above that funded in the pre 16 base funding.

It should be noted that Lancashire does not receive base funding for post 16 places, this funding is an allocation made by the EFA, as a consequence of this Lancashire does not receive any funding to fund additional post 16 places.

**Funded terms**

April - August	September - December	January - March
5/12	4/12	3/12

**High Needs Block (HNB) funding for Pupil Referral Unit 2015/16**

**Base funding**

Base funding will be provided at £10,000 per funded place from September 2015 and £8,000 per funded place from before that date. Base funding is fixed for the year and will not be re-determined within the year.

PRUs will be expected to admit pupils in year up to the number of funded places.

### **Place related top up**

It has been decided locally to supplement the base funding with additional place related top up, this will be re-determined termly in line with the PRU count dates in June, November and February. This funding will be allocated on a pro rata termly basis.

There are two elements to this top up:

- Top up for places exceeding approved places.

If the total number of pupils on the census exceeds the number of funded places then the PRU will receive an additional £8,000/£10,000 pro rata for that term for each place above that funded in the base funding.

- For the period April to August 2015, in addition to the DfE place funding of £8,000, the Authority has agreed to supplement this with an additional £2,000 for each pupil on roll, pro rata.

### **Pupil related top up funding**

Top up funding will be provided for:

- Exclusions
- Medical needs
- Other needs
- Primary support

### **Re-determinations of top up funding**

Top up Funding will be re-determined up or down in accordance with the Schools and Early Years Finance (England) Regulations. This will be applied to place related top up and pupil related top up funding, meaning budgets can increase or reduce.

Termly re-determinations will be applied from in line with re-determinations of all schools and academies:

- June PRU count (April to August)
- November PRU count (September to December)
- February PRU count (January to March)

### **Transitional Protection**

As previously agreed by the Forum, transitional protection funding has ceased and is not funded in 2015/16.

### **Other funding**

In addition to the formula funding PRUs may receive funding for the following:

CIAG Secondary - The Forum have agreed to commission YPS to continue to deliver CIAG on behalf of PRUs for the 2015/16 financial year. This funding will be passported to YPS in its entirety

Pupils with statements - Funding from the high needs block will also be provided for pupils with statements where the cost is above £10,000, this will be funded at the 2015/16 WPN rate.

One to One support – Funding provided for via ACERS for hard place pupils with significant additional needs such as one to one or two to one support. This funding will be agreed in an individual package basis.

### **Early Years Single Funding Formula (EYSFF) 2015/16**

The 2015/16 guidance does not introduce any changes to the Early Years funding formulae nationally.

The 3 and 4 year old formula will comprise:

- Base Rates;
- Deprivation Supplement;
- Rurality Supplement;
- Teachers Supplement;
- PFI Supplement.

The 2 Year old formula will comprise:

- 2 year old base rate;
- Targeted support.