

**Report to the Cabinet Member for Children, Young People and Schools**  
**Report submitted by: Head of Service Financial Management Development and Schools**  
**Date 15 January 2016**

**Part I**

Electoral Division affected:  
All

**Schools Budget 2016/17**  
(Appendices 'A' and 'B' refer)

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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 2016/17 to the Education Funding Agency (EFA) by 20 January 2016.

This report seeks the authorisation of the Cabinet Member to submit the Schools Block budget proforma and requests approval of the Lancashire Early Years and High Needs Block Budgets for 2016/17.

Decisions and recommendations arising from the Schools Forum's consideration of the 2016/17 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 2016/17 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 2016/17, on which to base the Schools Budget;
- iii. Authorise the Head of Service Financial Management Development and Schools to submit the final Schools Block budget proforma for 2016/17 to the EFA by 21 January 2016, on the basis set out in this report;

- iv. Approve the 2016/17 budgets for the Early Years and High Needs Blocks;
- v. Agree 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 to the Education Funding Agency ahead of the required deadline.

## **Background and Advice**

In the current school funding framework the Government allocates amounts to each local authority through the Dedicated Schools Grant (DSG), based on three notional blocks:

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

The notional blocks are not ring-fenced.

This report sets out the budget proposals for 2016/17 across the three funding blocks and for the centrally retained budget.

## **Submission of draft proforma for the Schools Block Budget 2016/17**

The funding framework requires that a draft Schools Block proforma is submitted to the Education Funding Agency (EFA) in October 2015, 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.

At the Decision Making Session on 26 October 2015, the Cabinet Member for Children, Young People and Schools approved the draft proforma for the Schools Block budget for 2016/17, which was then submitted to the EFA before the 31 October 2015 deadline.

On 16 November, the Authority was contacted by the EFA with two queries on Lancashire's submission, as part of the compliance checking process.

The first query related to the exclusion of the 2015/16 one off funding from the 2016/17 Minimum Funding Guarantee (MFG) baseline in our Authority Proforma Tool (APT) submission and the second concerned Lancashire's Growth fund criteria. Resubmissions were made in connection with these queries and on 18 November, the EFA confirmed Lancashire's 'adherence to the finance regulations and proforma appear to meet the required criteria'.

This approval is subject to the confirmation that the additional disapplication request relating to the MFG exclusion has been approved by the Secretary of State in the January APT return.

The final 2016/17 Schools Block proforma must be submitted to the EFA by 21 January 2016, 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 the Final Schools Budget 2016/17**

Calculation of final budget proposals cannot begin until after the Department for Education (DfE) release data arising from the October 2015 school census and provide the 2016/17 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 2016/17 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 2016/17 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 2016/17 and some of the budget pressures being faced.

Detailed budget information for the 2016/17 Schools Budget in Lancashire is attached at Appendix 'A'.

The Lancashire Schools Forum are scheduled to meet on 14 January 2016 to consider the 2016/17 Schools Budget. A further appendix (Appendix 'B') will be tabled at the Cabinet Member's decision making session on 15 January setting out the decisions and recommendations arising from the Forum. A copy of this document will also be published on the council's website in due course.

The proposed timetable for approving the final Schools Budget for 2016/17, submitting Lancashire's Schools Block proforma to the EFA and issuing budgets to individual schools and early years' settings is set out below.

<b>Date</b>	<b>Action</b>
26 October 2015	Cabinet Member for Children, Young People and Schools Decision Making Session where approval was given to submit the provisional Schools Block budget proforma for 2016/17.
27 October 2015	Lancashire provisional 2016/17 Schools Block proforma submitted.
November 2015	Clarification provided to EFA in response to queries on Lancashire's provisional proforma and confirmation of compliance with regulations received.

10 December 2015	APT to be re-issued by DfE, containing Lancashire October 2015 census based pupil data and factors
14 December 2015	Outline Schools Budget 2016/17 report for Cabinet Member submitted
Week commencing 14 December 2015	Publication of DSG Schools Block allocations for 2016/17 (prior to academy recoupment)
18 December 2015	Appendix 'A' to the Cabinet Member report to be submitted, setting out details of Lancashire's 2016/17 Schools Budget funding allocation from EFA
5 January 2016	Executive Scrutiny Committee
11 January 2016	Schools Forum Chairman's Working Group
14 January 2016	Schools Forum
15 January 2016	Cabinet Member for Children, Young People and Schools Decision Making Session to agree the 2016/17 Schools Budget, at which Appendix 'B' setting out any comments from the Schools Forum, will be tabled
21 January 2016	Deadline for submission of final 2016/17 authority Schools Block proforma tool to EFA
By 29 February 2016	Deadline for confirmation of schools budget shares to maintained schools.

## Schools Budget Principles

Each year, the Authority consults the Schools Forum on principles to be applied when finalising the Schools Budget. The recommended principles for 2016/17 are set out below:

### *General principles*

- Maximisation of delegated resources;
- Increase in level of Age Weighted Pupil Unit (AWPU);
- Maximisation of headroom;
- Minimise schools in MFG.

### *Principles for 2016/17*

- Stability – Minimise turbulence at an individual setting level;
- 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 2015/16 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 2015/16 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 2016/17 from underspends in 2014/15 should be accompanied by guidance cautioning schools that if they choose to use any one-off funding as part of their core budget they must be aware that there can be no guarantee that there will be similar one-off funding available in future years. Budget plans for future years should exclude the one-off funding.

Once final data is received from the EFA, these principles will be used to shape the 2016/17 budget proposals that will then be produced as Appendices 'A' and 'B'.

### **Schools Budget Pressures 2016/17**

The EFA guidance has already confirmed that the schools block per pupil unit of funding (SBUF) in 2016/17 will be the same value as in 2015/16, subject to some minor adjustments to take account of funding and pupil numbers at Lancashire Non-Recoupment Academies (NRAs), which will be included in the Schools Block DSG allocation in exactly the same way as other schools and academies in 2016/17. EFA say that this change is designed to be cost neutral for local authorities, although local formula changes since 2014/15 may vary the figures slightly.

The result of this adjustment increases Lancashire's SBUF marginally from £4,478.54 to £4,481.89 in 2016/17.

Further details of the High Needs Block and Early Years Block allocations will be included in the DSG notification that is expected in the week commencing 14 December.

The January 2016 submission of a final 2016/17 APT to the EFA will be calculated on updated data. The January APT cannot alter the factors to be used in the 2016/17 formula, but unit values will change in light of new pupil data and other costs/income pressures or headroom that may be available.

Other income/cost pressures that could impact on schools in 2016/17, include:

- Staff pay settlement (1%);
- Ending of contracting out from State Second Pension in April 2016 increases employer National Insurance Contributions (10.1% to 13.8%)
- Increase in the Living Wage;
- Secondary sector pressures relating to curriculum changes and loss of transitional protection in sixth form funding.

### **Chancellor of the Exchequer's Spending Review and Autumn Statement**

On 25 November, the Chancellor of the Exchequer delivered his Spending Review and Autumn Statement. These announcements contained a number of important matters for schools that could impact on the Schools Budget in future years, including:

- Protection for the core schools budget in real terms, enabling the per pupil rate for the Dedicated Schools Grant to be protected in cash terms, including £390 million of additional funding given to the least fairly funded areas in 2015/16. The pupil premium will also be protected at current rates;

- Introduction of a national funding formula for schools, high needs and early years. There will be a transitional phase to help smooth the implementation of the new schools formula. The government will launch a detailed consultation in 2016 and will implement the new formulae from 2017 to 2018;
- Savings of around £600 million will be made on the Education Services Grant (ESG), including phasing out the additional funding schools receive through the ESG. The government will reduce the local authority role in running schools and remove a number of statutory duties. The government will consult on policy and funding proposals in 2016;
- Help for schools to make savings on procurement, including by exploiting economies of scale. In 2016 the government will publish a set of specific actions to support school leaders target over £1 billion a year in procurement savings by the end of the parliament through benchmarking, guidance and improved framework contracts;
- Sixth Form Colleges in England will be given the opportunity to become academies, allowing them to recover their non-business VAT costs. The current national base rate per student for 16 to 19 year-olds in England will be protected in cash terms over the Parliament.

The implications of these announcements for Lancashire schools and the County Council are not yet clear, but the Government has indicated that there will be consultations on the detailed proposals in 2016.

### **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 2016 will be reported to the Decision Making Session.

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

As set out in the report.

### **Financial**

Lancashire faced a £2.6m shortfall in the core DSG funding for 2015/16, which was bridged by the use of reserves.

The 2016/17 Schools Budget is again likely to face a significant core budget shortfall. Final details are provided in Appendix 'A'.

The Schools Forum has recommended that the DSG reserve be used to bridge the core funding gap, but clearly this position is not sustainable in the longer term. Other options to decrease the level of funding distributed from the DSG may need to be

considered, for example by reducing the unit values allocated through Lancashire's school funding formulae.

Any Schools Budget funding gap would be contained within the ring-fenced DSG resources.

## Legal

At the time of writing, this report reflects arrangements required by the draft School and Early Years Finance (England) Regulations 2015. The DfE have indicated that the regulations will come into force by 1 January 2016. The draft Regulations give effect to changes announced by the government in connection with school funding for 2016/17, and contained in the EFA Operational Guidance, so they are unlikely to change. However, a small risk remains that 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 2016/17 funding documentation, including: <ul style="list-style-type: none"><li>Schools revenue funding 2016 to 2017 Operational Guide</li><li>Schools revenue funding 2016 to 2017: Criteria for allocating the growth fund, falling rolls fund and targeted high needs funding</li></ul>	July 2015	<a href="https://www.gov.uk/government/publications/schools-funding-arrangements-2016-to-2017">https://www.gov.uk/government/publications/schools-funding-arrangements-2016-to-2017</a>
Draft School and Early Years Finance (England) Regulations 2015	September 2015	<a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/459796/The_School_and_Early_Years_Finance_England_Regulations_2015_CONSULTATI...pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/459796/The_School_and_Early_Years_Finance_England_Regulations_2015_CO NSULTATI...pdf</a>
Lancashire formula and de-delegation consultations with schools	September 2015	Paul Bonser, Financial Management Development and Schools, 01772 531815

Reason for inclusion in Part II, if appropriate

N/A