

## **Report to the Cabinet Member for Children, Young People and Schools Schools Budget 2016/17**

### **Appendix 'A'**

This Appendix to the Schools Budget 2016/17 report has been prepared following receipt of pupil data and Dedicated Schools Grant (DSG) allocation information from the Education Funding Agency (EFA) in mid-December 2015 and presents the initial estimated budget position as at 18 December 2015. A final Appendix will be submitted to the Cabinet Member on 15 January 2016, following consultation with the Lancashire Schools Forum.

#### **Summary**

On 10 December 2015, the EFA provided the final schools block data based on the October 2015 School Census to be used in the calculation of the Schools Budget for 2016/17.

The EFA sub-divide the DSG into three un-ring fenced blocks, namely: Early Years Block, Schools Block and High Needs Block.

On 17 December 2015, the EFA issued the 2016/17 Dedicated Schools Grant (DSG) allocation for Lancashire.

The DSG for 2016/17 comprises:

- Schools block – This is based on the school block units of funding (SBUF). The EFA have confirmed that the 2016/17 SBUF 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 are now included in the Schools Block DSG allocation in exactly the same way as other schools and academies. The result of this adjustment increases Lancashire's SBUF marginally from £4,478.54 to £4,481.89 in 2016/17.
- Early years block covering:
  - The three and four year old entitlement - set at the same per pupil rate as 2015/16;
  - The two year old entitlement - set at the same per pupil rate as 2015/16;
  - The early years pupil premium - a provisional allocation as announced in October 2014;
- High needs block - the total high needs block for 2014/15 has been carried forward plus:
  - Increase in funding of £1.7m; and
  - Increased deduction in funding of £0.7m due to commissioned places.

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;
- Deduction for national copyright licences;
- Updates to the funding for three and four year olds;

- Updates to the funding two year olds; and
- Updates to the early years pupil premium.

### **One-off allocation of DSG reserves**

In July 2015 the Schools Forum supported funding held in the DSG reserve over and above £8.4m would be distributed on a one-off basis in 2016/17, in accordance with decisions to be taken as part of the budget setting process. The amount to be allocated is £6.164m.

### **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 2016/17 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 2016/17**

The forecast funding to be used in the calculation of the Schools Budget for 2016/17 is set out in the table below and amounts to a total of £857.813m.

This figure includes:

- DSG Allocation notified by the EFA;
- Lancashire's estimate of participation for 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 £6.164m 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 2016/17**

<b><u>Forecast DSG Income</u></b>	<b>£m's</b>
Schools Block	701.389
Early Years Block 3/4 year olds	47.395
Early Years Block 2 year olds	8.565
Early Years PPG	0.959
High Needs Block	101.578
High Needs Block Reduction for pre & post 16 which are funded outside DSG	(4.672)
Additions for non block funding	0.227
<b>Total forecast DSG Income</b>	<b>855.441</b>
Less Early Years PPG included in DSG but not schools budget	(0.959)
Plus estimated growth in Early Years Block 3/4 year olds	1.736
Plus estimated growth in Early Years Block 2 year olds	1.594
<b>Total forecast funding available 2016/17</b>	<b>857.813</b>

### **DSG allocations**

#### Schools Block £701.097m

The authority's SBUF for the Schools Block is the amount announced in September 2015 of £4,481.89 per pupil. This has been increased by £3.35 compared to 2015/16 following the incorporation of funding for former NRA academies within the allocation.

This amount has been multiplied by the pupil numbers from the October 2015 school census and the January 2015 alternative provision census plus the reception uplift, minus high needs places as set out in the EFA pupil number tool notification.

#### Early Years Block £47.395m

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
- Funding for disadvantaged two year olds entitlement to 15 hours free education.

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

The amount per pupil for the Early Years free entitlement is the same as for 2015/16. Initially, this has been multiplied by pupil numbers from the January 2015 early years census and school census to produce a provisional allocation. This will be updated in:

- July 2016 based on January 2016 pupil numbers; and
- July 2017 based on 5/12ths of the January 2016 pupil numbers (to cover the April 2016 to August 2016 period) and 7/12ths of the January 2017 pupil numbers (to cover the September 2016 to March 2017 period).

This means that the final allocation for three and four year olds for 2016/17 will be based on 5/12 x January 2016 pupil numbers plus 7/12 x January 2017 pupil numbers.

Officers have estimated growth of 2 % for three and four year olds to reflect increase in demand, this equates to a potential further £1.736m of DSG.

#### Early Years pupil premium

Provisional allocations for the Early Years pupil premium (EYPP) 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.

#### Early Years entitlement for two year olds £8.565m

The 2016/17 per child hourly rates for disadvantaged two-year-olds is the same as for 2015/16 and Lancashire's rate is £4.85 per hour.

Pupil numbers have initially been taken from the January 2015 early years census and school census. The allocations will be updated in July 2017, based on 5/12ths of the January 2016 pupil numbers (to cover the April 2016 to August 2016 period) and 7/12ths of the January 2017 pupil numbers (to cover the September 2016 to March 2017 period). This means that the final allocations for the funding for two year olds will be based on 5/12 x January 2016 pupil numbers plus 7/12 x January 2017 pupil numbers.

Officers have estimated growth of 2% for 2 year olds to reflect increase in demand, this equates to a potential further £1.594m DSG funding for disadvantaged two year olds.

#### High Needs Block £101.578m

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 2016 to 2017 the high needs block is made up of:

- each local authority's total high needs block from 2015/16; plus
- Increased funding of £1.7m;

#### Estimate of EFA adjustment to High Needs Block – Reduction £4.672m

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) £0.227m

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).

### **Budget 2016/17**

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 AWPU). Factors are limited to the 2015/16 levels. The funding rates for some factors have reduced in comparison to 2015/16 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 2015/16.

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

	Primary	Secondary
	£'s	£'s
Basic Entitlement	(39.97)	(52.13)
Lump Sum	0	0
Split Site	0	0
Rates	0	0
PFI	0	0
Rents	0	0
6th Form DSG	0	0
Prior Attainment	0)	0
EAL	(13.28)	(19.32)
CLA	(44.89)	(44.89)
FSM	(0.51)	(19.61)
IDACI Band 1	0	0
IDACI Band 2	0	0
IDACI Band 3	0	0
IDACI Band 4	0	0
IDACI Band 5	0	0
IDACI Band 6	0	0

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

The table below summarises the budgets 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's
Schools Block	696.793
Early Years Block 3/4 year olds	48.326
Early Years Block 2 year olds	12.173
High Needs Block (HNB)	
HNB Mainstream	5.457
HNB Special Schools	46.177
HNB PRU Places	10.952
HNB PRU WPN	0.053
HNB FE	5.406
Centrally retained budget	35.933
Total of Allocations	861.270

At this stage, we have within the schools block:

- 122 schools and academies in MFG (109 primary and 13 secondary) compared to 105 in 2015/16;
- 142 schools and academies capped (122 primary and 20 secondary) compared to 170 in 2015/16;
- 304 schools and academies not in MFG or capped compared to 292 in 2015/16;
- Net cost of MFG after applying the cap is £5.569m compared to £3.581m in 2015/16.

As in 2015/16, no special schools, PRUs 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.

The DfE has indicated that the funding rates for 2016/17 will be held at the 2015/16 level.

#### **Central Services and Commissioned Services Budget 2016/17**

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 local authority. These areas are generally local authority 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 2015/16 and 2016/17:

Central Expenditure Limit	Approved Budget 2015/16 £m	2016/17			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	-	
Copyright Licence	0.500	-	-	0.828	0.828	0.328	1
School Forum	0.188	-	-	0.188	0.188	-	
<b>Sub total Central Services</b>	<b>0.975</b>	<b>0.047</b>	<b>-</b>	<b>1.256</b>	<b>1.303</b>	<b>0.328</b>	
<b>Commissioned Services</b>							
EU Energy Performance Directive	0.022	0.011	0.011	-	0.022	-	
High Needs Block Top up	2.249	2.249	-	-	2.249	-	
Children Missing Education & Vulnerable Children Admissions	0.161	0.161	-	-	0.161	-	
ICT	0.937	-	-	0.937	0.937	-	
Commissioned services	0.029	0.029	-	-	0.029	-	
Hospital Provision	1.459	1.459	-	-	1.459	-	
IDSS	0.610	0.610	-	-	0.610	-	
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	-	
Teachers & Support	4.264	4.264	-	-	4.264	-	
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	1.051	1.086	-	-	1.086	0.035	2
Overheads	1.912	1.912	-	-	1.912	-	
Growth Fund	1.540	-	-	1.462	1.462	(0.078)	3
<b>Sub Total Commissioned Services</b>	<b>34.651</b>	<b>32.198</b>	<b>0.011</b>	<b>2.399</b>	<b>34.608</b>	<b>(0.043)</b>	
<b>Total Central Expenditure Limit</b>	<b>35.626</b>	<b>32.245</b>	<b>0.011</b>	<b>3.655</b>	<b>35.911</b>	<b>0.285</b>	

Notes:

1. Expenditure on licenses which are negotiated centrally by the Secretary of State – Increase £0.328m \*

As copyright licences are centrally negotiated by the Secretary of State regulations allow this to be included within central schools expenditure. The DfE have included additional licences in the national licensing arrangements which has caused an increase in the budgeted cost. This element of expenditure is excluded from the limit on central items.

(\*subsequent to the production of the table above, DfE confirmed a final figure for the 2016/17 copyright licences, which was £0.850m, excluding VAT. The final figure is therefore £0.350m higher than 2015/16.)

2. Special Schools Private Finance Initiative (PFI) – Increase £0.035m

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.

3. Growth Fund – Reduction £0.078m

The Growth Fund supports schools which are required to provide extra places in order to meet basic need within the authority which varies each year along with the payments to schools.

Subsequent to agreeing the above Central Expenditure Limit with the Schools Forum, the DfE has advised of an additional increase in the copyright license of £0.022m which has been included in the allocations table. Therefore in the allocations table the Central Expenditure Limit has been set at £35.933m.

**Funding Shortfall**

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

**Calculation of funding shortfall**

Total forecast DSG income funding available 2016/17	857.813
Total DSG of Allocations 2016/17	861.270
Surplus/(Shortfall) in funding	(3.457)
Allocation of reserves as a one off	6.164
Remaining reserves to be distributed	2.707

**Allocation of reserves as a one off £6.164m**

In July 2015, the Lancashire Schools Forum supported funding held in the DSG reserve over £8.400m being distributed on a one off basis in 2016/17, 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 the Minimum Funding Guarantee (MFG).



In accordance with the Schools Forum decision, funding of £6.164m will be distributed from reserves. The Schools Forum agreed that the first call on this this funding would be to offset shortfalls in funding, with any residual amount distributed through the basic pupil element to primary schools, secondary schools and their academy equivalents, top up elements in Special Schools and PRUs, and base rates to Early Years providers.

Recommendations from the Forum will be presented at the Cabinet Member Decision Making Session on 15 January 2016, as an Appendix 'B'.

### **School Funding Formulae 2016/17**

The Authority's 2016/17 Schools Bock 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. 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 EFA to approve a limited number of premises related exceptional formula factors, if they met the following criteria:

- Apply to less than 5% of schools 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 2016/17**

**There are three sources of funding:**

A. Lancashire HNB

B. EFA

C. Other commissioners / authorities

A. Lancashire HNB funding has the following 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
- Post 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 recoupment 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 be 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 January, May and October. 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.

### **Post 16 place related top up funding**

It should be noted that Lancashire does not receive the EFA base funding allocation for the number of Post 16 places agreed and paid for by the EFA.

The EFA Post 16 places were agreed several years ago and do not now always represent the number of places required by the authority. In addition the EFA have also amended their guidance on the funding of additional Post 16 places.

The EFA Post 16 places for Special Schools were agreed several years ago and do not now always represent the number of places required by the authority. In addition the EFA have facilitated FE post 16 growth for 2016/17 along with amending their guidance on the funding of additional Post 16 places.

As a consequence of this Lancashire has reviewed its policy and where it is agreed that additional Post 16 places need commissioning, top up funding will be provided.

## Funded terms

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

## High Needs Block (HNB) funding for Pupil Referral Unit (PRU) 2016/17

### Base funding

Base funding will be provided at £10,000 per funded place and 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 January, May and October. This funding will be allocated on a pro rata termly basis. If the total number of pupils on the census exceeds the number of funded places then the PRU will receive an additional £10,000 pro rata for that term for each place above that funded in the base funding.

### 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:

- May PRU count (April to August)
- October PRU count (September to December)
- January PRU count (January to March)

### Other funding

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

Careers Education Information, Advice and Guidance (CEIAG) Secondary - The Forum has agreed to commission Young People's Services (YPS) to continue to deliver CEIAG on behalf of PRUs for the 2016/17 financial year. This funding will be passported to Wellbeing, Prevention and Early help 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 2016/17 WPN rate.

One to One support – Funding provided for via the School Improvement Service 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) 2016/17**

The 2016/17 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.