

## Report to the Cabinet 18 January 2018

This Appendix to the Schools Budget 2018/19 report has been prepared following receipt of pupil data and Dedicated Schools Grant (DSG) allocation information from the Education and Skills Funding Agency (ESFA) and presents the estimated budget for 2018/19.

### Summary

On 15 December 2017, the Education and Skills Funding Agency (ESFA) provided the final Schools Block data based on the October 2017 School Census to be used in the calculation of the Schools Budget for 2018/19.

On 19 December 2017, the ESFA issued the 2018/19 Dedicated Schools Grant (DSG) allocations for Lancashire.

### DEDICATED SCHOOLS GRANT (DSG) ALLOCATIONS 2018/19

The ESFA sub-divide the DSG into 4 funding blocks: the Schools Block, High Needs Block, Early Years Block and the new Central Schools Services Block (CSSB). These Blocks are all calculated on a formulaic basis for the first time for 2018/19.

Information on the 2018/19 DSG allocations is provided below:

#### Schools Block allocation (£727.855m)

The Schools Block allocations for 2018/19 are derived on the basis of illustrative individual Schools National Funding Formula (SNFF) allocations calculated by the Government. These calculations translate into primary and secondary units of funding for 2018/19. These units of funding are multiplied by the number of primary and secondary pupils from the October 2017 census and have a LA level allocation for growth, premises and mobility factors added to provide a final Schools Block allocation.

The 2018/19 Schools Block calculations for Lancashire are provided below:

2018-19 schools block primary unit of funding (£s)	2018-19 schools block secondary unit of funding (£s)	2018-19 schools block primary pupils (headcount) *	2018-19 schools block secondary pupils (headcount)*	2018-19 funding through the growth, premises and mobility factors (£millions)
4,027.27	5,049.49	97,634	62,922	16.933

This provides a total Lancashire Schools Block allocation for 2018/19 of £727.855m.

### High Needs Block allocation (£100.953m)

The 2018/19 High Needs Block allocation is the first time calculated under the Government's new national High Needs funding formula. Key features of the formula include:

- To recognise historic spending patterns through a lump sum equal to 50% of each local authority's current spending on high needs;
- To provide a flat rate of £4,000 per annum for each pupil in special schools or student in special post-16 institutions, ensuring local authorities receive a broadly equivalent basic level of funding for pupils with high needs in both mainstream schools and outside the mainstream sector;
- To channel the remainder of the funding through a number of proxy factors according to the following weightings:
  - 2-18 population 50%;
  - deprivation 20%;
  - low attainment 15%;
  - health and disability 15%.

The formula also includes an import/export adjustment for high needs.

The 2018/19 High Needs Block calculations for Lancashire are provided below:

Actual 2018-19 high needs NFF allocations, excluding basic entitlement factor and import/export adjustments (£millions)	2018-19 ACA-weighted basic entitlement factor unit rate (£s)	Actual 2018-19 number of pupils in special schools/academies (headcount)*	Provisional 2018-19 import / export adjustments (based on January 2017 school census and February R06 2016/17 ILR. This adjustment will be updated with January 2018 school census and February R06 ILR data) (£millions)†
99.849	4,000.00	2,998	-1.056

This provides a total Lancashire High Needs Block allocation for 2018/19 of £110.783m.

It should be noted that the High Needs Block allocation is a provisional allocation and the gross total reflects the number of pupils attending non-maintained special schools (NMSSs) and special post-16 institutions (SPIs) for which funding is exported to the ESFA. Total deductions are calculated by the ESFA at £9.830m, which would provide a net High Needs Block allocation of £100.953m.

### Early Years Block allocation (£74.156m)

Allocations for the Early Years Block include:

- funding for the universal 15 hours entitlement for three and four year olds;

- funding for the additional 15 hours entitlement for three and four year old children of eligible working parents;
- funding for the 15 hours entitlement for disadvantaged two year olds;
- funding for the Early Years Pupil Premium (EYPP);
- funding for the Disability Access Fund (DAF);
- supplementary funding for Maintained Nursery Schools (MNS).

The allocations are calculated on a formulaic basis and details of the 2018/19 Early Years Block calculations for Lancashire are provided below:

Funding for the universal 15 hours entitlement for three and four year olds;

2018-19 Early Years National Funding Formula (EYNFF) LA hourly rate for 3 and 4 year olds (£ / hr)	2018-19 Part time equivalent (PTE) 3 and 4 year old child numbers for universal entitlement funding for 2018/19 (PTE)	2018-19 initial funding allocation for universal entitlement for 3 and 4 year olds (£millions)
4.30	18,139.97	44.461

Funding for the additional 15 hours entitlement for three and four year old children of eligible working parents;

2018-19 Estimated PTE 3 and 4 year old child numbers for additional 15 hours entitlement for eligible working parents for 2018-19 (PTE)*	2018-19 Initial funding allocation for additional 15 hours entitlement for eligible working parents of 3 and 4 year olds (£millions)
5,723.20	14.028

Funding for the 15 hours entitlement for disadvantaged two year olds;

2018-19 LA hourly rate for 2 year old entitlement (£ / hr)	PTE child numbers for 2 year old entitlement funding for 2018-19 (PTE)†	2018-19 initial funding allocation for 2 year old entitlement (£millions)
5.20	3,613.82	10.711

Allocations are shown below for:

- funding for the Early Years Pupil Premium (EYPP);
- funding for the Disability Access Fund (DAF);
- supplementary funding for Maintained Nursery Schools (MNS).

2018-19 Initial funding allocation for Early Years Pupil Premium (£millions)	2018-19 Initial funding allocation for Disability Access Fund (£millions)	2018-19 Initial allocation for maintained nursery school supplementary funding (£millions)
0.770	0.258	3.929

These allocations provide an aggregate Lancashire Early Years Block allocation for 2018/19 of £74.156m

It should be noted that the Early Years Block allocation is an initial allocation based on January 2017 census information and estimates of eligible pupils. These allocations will be updated based on January 2018 and January 2019 census data.

### **Central Schools Services Block (CSSB) (£6.435m)**

The CSSB has been introduced for the first time from April 2018 and is to fund central functions that LA's carry out on behalf of pupils in state-funded maintained schools and academies in England.

The CSSB is split into funding for historic commitments and funding for ongoing responsibilities and details of the 2018/19 calculations for Lancashire are provided below:

2018-19 CSSB unit of funding (£s)	2018-19 CSSB pupils (headcount)*	2018-19 CSSB funding for historic commitments (£millions)
29.52	160,556	1.695

The total Lancashire's CSSB allocation for 2018/19 is £6.435m.

### **In Year Adjustments**

The DSG allocation notified is prior to in year adjustments for:

- Academies recoupment from the schools block;
- Deductions for high needs places in academies and non-maintained special schools;
- Post 16 places;
- Deduction for national copyright licences;
- Updates to the funding for three and four year olds;
- Updates to the funding two year olds;
- Updates to the early years supplementary funding for maintained nursery school
- Updates to the early years pupil premium;
- Updates to early years Disability Access Fund:

### **Forecast total DSG income for 2018/19**

The provisional Lancashire DSG allocations for 2018/19 across the 4 funding blocks are shown below:

<b>Forecast DSG Income</b>	<b>£m's</b>
Schools Block	727.855
High Needs Block	100.953
Early Years Block	74.156
Central Schools Services Block	6.435
<b>Total forecast DSG Income</b>	<b>909.399</b>

The equivalent DSG income figure for 2017/18 was £881.82m. The 2018/19 figure is some £27.5m higher than the previous year, due to increased pupil numbers, the Government's additional core funding allocation for schools and high needs budgets and the full year funding allocation for the 15 hours entitlement for disadvantaged two year olds.

## SCHOOLS BUDGET 2018/19

The latest Individual School Budgets (ISB) across all phases has been constructed using the final datasets made available from the ESFA and our latest local Early Years and High Needs data.

This Schools Budget estimate has been calculated following the outcome of consultations with schools and early years providers and discussions with the Schools Forum.

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

The table below summarises the budgets to be allocated from each of the DSG funding blocks

	£m's
Schools Block	727.121
Early Years Block	74.156
High Needs Block (HNB)	109.488
Central Schools Services Block (CSSB)	6.435
<b>Total of Allocations</b>	<b>917.200</b>

Further details about each block are provided below.

### **Schools Block**

The preferred funding methodology from responses to the consultation with primary and secondary schools and academies held in the autumn term 2017 was for the 2018/19 Schools Block to be calculated on the basis of passporting the Schools National Funding Formula allocations. This has been modelling using the dataset issued by the ESFA on 15 December 2017, based on October 2017 census data.

The calculation reveals a 2018/19 Schools Block expenditure requirement of £725.659m.

In addition, the Schools Block DSG includes an amount for 'Growth funding', based on 2017/18 baseline data, which provides £1.462m for this purpose. This funding is used to support schools commissioned by the LA to expand their admission number to meet basic need school place requirements in an area.

This Schools Block expenditure reveals a surplus of some £0.734m. It is proposed to ask the Schools Forum to agree to transfer this amount from the Schools Block to the High Needs Block to offset the deficit in that Block. ESFA Operational Guidance allows the Forum to agree such a transfer, as it is below 0.5% of the Schools Block Budget.

### **Early Years Block**

Consultation responses from early years providers favoured proposals for transitional 3 and 4 years old Early Years National Funding Formula (EYNFF) arrangements in 2018/19, as we move towards full implementation of a Universal Base Rate from 2019/20. This decision was used as a starting point to model Early Years Block expenditure.

Separate discussions also took place with nursery school headteachers to help determine the methodology to be used to allocate the ring-fenced supplementary funding for Maintained Nursery Schools (MNS).

As referred to earlier, the Early Years Block DSG allocation is illustrative and the final allocation will be adjusted based on January 2018 and January 2019 census data. In setting the Early Years budget for 2018/19 the LA has forecast the 2018/19 provision as set out below:

	<b>2 year olds £</b>	<b>3&amp;4 year olds £</b>
Early Years Block 3/4 year olds		44,461,065
Early Years 30hrs growth		14,027,563
Early Years Block 2 year olds	10,711,350	
Early Years Pupil Premium (EYPP)		769,670
Early Years Disability Access Fund (DAF)		257,685
Early Years Maintained Nursery School (MNS)		3,928,828
<b>Total</b>	<b>10,711,350</b>	<b>63,444,811</b>

The calculation of the forecast means that the funding rate of £4.09 per hour for 3 and 4 year olds is affordable for 2018/19. This is £0.01 per hour higher than had originally been estimated in the consultation with Early Years providers, and therefore reduces the transitional protection for nursery classes and childminders by a similar amount. Updated 3 and 4 year old rates from April 2018 are shown below:

<b>Provider Type</b>	<b>Funding Rate</b>	<b>Transitional Protection</b>	<b>Base Rate</b>
PVI Providers	£4.09 per hour	-	£4.09 per hour
Nursery classes	£4.09 per hour	£0.17	£4.26 per hour
Child minders	£4.09 per hour	£0.40	£4.49 per hour
Maintained Nursery Schools	£4.09 per hour	supplementary ring-fenced maintained nursery schools grant	£4.09 per hour

The funding envelope available for Early Years also allows an additional £0.150m to be included in the 2018/19 SEN Inclusion Fund (Additional Inclusion Support) Budget. This is funding that is initially held centrally, but that is then allocated to specific providers based on the identified needs of an individual child with additional and complex SEND needs. In 2017/18, £0.150m was allocated to this budget, but comments have been received that it is insufficient to meet demand. Lancashire's funding level also appeared to be at the lower end of the range when compared to benchmarking data with statistical neighbours. It is therefore proposed to set the 2018/19 SEN Inclusion Fund budget at £0.3m.

Whilst there is some variance between the DSG allocations and the forecast Early Years expenditure for 2 year olds and 3 & 4 years olds, the overall Early Years Block in aggregate is estimated to be on budget at £74,156,161.

### High Needs Block

The modelling for this block incorporates some nationally prescribed changes for SERF unit funding and local proposals for a revised formula to fund Pupil Referral Units. However, the most significant issue for the block in 2018/19 is the substantial forecast budget shortfall.

The High Needs Block expenditure for 2018/19 is estimated in the table below:

	Place funding £	Top-up funding £
Special Schools	24,154,167	27,867,243
PRU/Alternative Provision	7,658,333	3,571,202
PRU/Alternative Provision WPN		118,900
mainstream HNB top up		7,482,332
FE HNB		6,500,748
DfE High Needs place adjustment	366,333	
		3,000,000
HNB costs on a commissioned basis	28,768,418	
<b>Total</b>	<b>60,947,251</b>	<b>48,540,425</b>

The total forecast HNB expenditure in 2018/19 is some £109,487,676, compared to a budget of £100,953,166.

### Central Schools Services Block (CSSB)

Expenditure against this new Block has been calculated on the basis of LA funding required for ongoing responsibilities and for historic commitments. Some minor adjustments have been made to 2018/19 forecast expenditure to ensure that funding is contained within the £6.435m budget envelope.

### Funding Shortfall

The table below has taken the aggregate figures discussed above for the forecast DSG income, and the estimated Schools Budget expenditure against each funding block to calculate the core budget shortfall for 2018/19:

### Calculation of funding shortfall

	£m's
Total forecast DSG income funding available 2018/19	909.399
Total Forecast DSG Allocations 2018/19	917.200
Surplus/(Shortfall) in funding	(7.801)
Release from reserves to bridge funding gap	7.801

Whilst the 2018/19 core budget shortfall can be met from reserves, this situation is not sustainable in the long term.

It is intended that work will be undertaken during the 2018/19 financial year to remove the level of overspend in the High Needs Block and minimise the risk exposure of future High Needs overspends.

### **Pupil Premium Grant**

In addition to the DSG allocation, Lancashire also receives an allocation for the Pupil Premium Grant (PPG). PPG is to support disadvantaged pupils, who continue to underachieve compared with their peers.

The DfE have indicated that the funding rates for 2018/19 will as follows:

<b>Disadvantaged pupils</b>	<b>Pupil premium per pupil</b>
Pupils in year groups reception to year 6 recorded as Ever 6 free school meals except where the pupil is allocated the LAC or post-LAC Premium	£1,320
Pupils in year groups 7 to 11 recorded as Ever 6 free school meals except where the pupil is allocated the LAC or post-LAC Premium	£935
Looked-after children (LAC) defined in the Children Act 1989 as one who is in the care of, or provided with accommodation by, an English local authority	£2,300
Children who have ceased to be looked after by a local authority in England and Wales because of adoption, a special guardianship order, a child arrangements order or a residence order	£2,300
<b>Service children</b>	<b>Pupil premium per pupil</b>
Pupils in year groups reception to year 11 recorded as Ever 6 service child or in receipt of a child pension from the Ministry of Defence	£300

The 2018/19 rates are the same as those allocated in 2017/18, except for the LAC and post LAC rates. These rates have increased from £1,900 to £2,300 per eligible pupil for 2018/19. This increase in the LAC rates is related to the decision nationally to remove LAC funding from the DSG Schools Block and transfer it to the Pupil Premium Grant.

Actual PPG allocations are based on January census data so no formal allocation has yet been received for 2018/19. The latest 2017/18 PPG allocation for Lancashire amounted to £49,042,895.

Recommendations from the Schools Forum meeting to be held on 16 January 2018 will be provided for the Cabinet as Appendix C.