

## **Schools Forum**

**26<sup>th</sup> January 2016**

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

#### **Introduction**

1. The purpose of this paper is to provide information and recommendations on the local distribution of the Dedicated Schools Grant for the next financial year. This report provides an update on the education funding settlement received from the Department of Education on 17 December 2015, sets out the proposed Schools Budget for 2016/17 and confirms the final Stockton funding formula arrangements for 2016/17. Within the overall budget setting process, there are a number of decisions that the Forum has responsibility for, and these are presented for a decision.

#### **Summary of Key Points**

2. The paper discusses and requests decisions where appropriate, on the following for 2016/17:-
  - a. Dedicated Schools Grant Allocations
  - b. Schools Block spend including Formula Factors
  - c. Early Years Block Spend
  - d. High Needs Block Spend
  - e. Proposed Schools Budget 2016/17 and Projected Brought Forward School Budget Balance
  - f. Pupil Premium
  - g. Arrangements beyond 2016/17
3. There are significant pressures facing the Schools Budget in 2016/17 relating particularly to pupil growth, high needs and the need to meet expected overspend in the current year. Although, the proposals set out in this paper provide for the setting of a balanced budget and are considered realistic there is little room for manoeuvre. Careful and robust financial management will be required throughout 2016/17.

#### **Dedicated Schools Grant (DSG) Allocations**

4. The provisional 2016/17 Dedicated Schools Grant (DSG) allocation for Stockton is £148.307m compared to £144.573 in 2014/15 excluding 2 year old funding. These amounts include funding for both maintained schools and Academies. The main adjustments between the 2014/15 and 2015/16 DSG allocations are shown in the table below. It should

also be noted that there is no provision for pay and price increases within the settlement.

	£m
2015/16 DSG excluding 2 year old Funding	<b>144.573</b>
<b>Changes for 2015/16:-</b>	
Add: Growth for additional pupils in mainstream schools / academies	1.737
Less: Early Years - 3 & 4 year old pupils	0.112
Add: Early Years 2 Years olds	1.792
Add: Increase in High Needs Block	0.317
<b>TOTAL 2015/16 Provisional DSG*</b>	<b>148.307</b>

\*Prior to deduction of £6.236m for Direct Funding of High Needs Places by EFA

5. The DSG is divided into three blocks, the Schools Block, the Early Years Block and the High Needs Block. Whilst the total DSG is ringfenced the blocks themselves are not.

6. Schools Block :-

- a. The 2016-17 per pupil unit of funding for Stockton is £4,481 which is virtually the same as it was in 2015/16. Stockton's allocation for 2014/15 is £117.6m. This is a final allocation and is before academy recoupment which will be taken and given to the EFA (Education Funding Agency) for all Stockton's academies and Free Schools from the DSG allocation.
- b. Within the 2015/16 DSG allocation, based on the October 2015 school census Stockton receives an additional £1.7m to reflect the increased pupil numbers in mainstream schools / academies.
- c. Funding for Free Schools is also incorporated into the Dedicated Schools Grant. This is then to be recouped from DSG by DfE, following the same arrangements for academies.
- d. The increase by 397 pupils to 26,242 pupils (including those in the Free Schools) in total represents an overall increase of 1.5%, with all of the increase falling within the primary sector and a reduction in secondary.

7. Early Years Block :-

3 & 4 Year Olds

- a. The 2016/17 three & four year old per pupil unit of funding for Stockton is £3,634 which is the same as it was in 2015/16.

Stockton's provisional allocation for 2016/17 is £7.323m plus £0.246m for Early Years Pupil Premium. The allocation will be updated for January 2016 and January 2017 early years censuses. The Early Years block will continue to pay for free nursery places up to 15 hours in Primary schools, including academies and Private, Voluntary and Independent providers.

- b. The Early Years Pupil Premium (EYPP) is to enable schools, nurseries and childminders to receive £300 for every 3 and 4 year-old from a low-income family, looked after child etc so these children start school on an equal footing to their peers. .

#### Disadvantaged 2 Year Olds

- c. As reported to the Forum previously, the main change for this year within the Early Years Block was the DfE's move to fund 2 years olds based on participation rather than estimated pupil numbers. The initial allocation of £1.792m has been based on January 2015 school and early years census.
- d. These will be updated on the number of eligible children participating in early education as recorded in the January 2016 early years census and school census.
- e. The allocations will be further updated in July 2017, based on 5/12ths of the January 2016 participation numbers (to cover the April 2016 to August 2016 period) and 7/12ths of the January 2017 participation numbers (to cover the September 2016 to March 2017 period).
- f. Therefore, as is the case for 3 & 4 years olds, the final allocations for the funding for two year olds will be based on  $5/12 \times$  January 2016 participation numbers plus  $7/12 \times$  January 2017 participation numbers..
- g. For the purposes of this report it is assumed that we use the provisional DfE allocation. This position, will of course, continue to be reviewed as the year progresses.

#### 8. High Needs Block :-

- a. Stockton's allocation for 2016/17 is £21.309m. The High Needs Block funds place and top-up funding for Stockton's special academies and resource bases, support for Stockton children with high needs in mainstream schools, placements of Stockton children in independent and out-borough special schools and central expenditure related to children with high needs.
- b. Overall, the High Needs Block has increased by £0.317m. This relates to :-

- i. £21k for an additional 5 places at Ash Trees. As reported last year a business case was put to the DfE for additional 26 places which would have provided additional funding. This is now an on-going annual pressure.
- ii. Loss of £43k to reflect the full financial year impact of the change from a residency to location funding basis for the 2015 to 2016 academic year post-16 places and NMSS places
- iii. Increase of £340k being the local authority's share of additional national top-up funding of £92.5 million based on their proportion of the 2-19 aged population projections for 2016.

### Schools Block Spend

9. The proposed formula factors for 2016/17 and associated values including de-delegation which are due to be submitted to the DfE are shown in the table below (with 2015/16 shown for comparison):-.

Factor	2015/16 Unit Value	2015/16 Amount Distributed £m	2016/17 Unit Value	2016/17 Proposed Amount Distributed £m	Increase / (Decrease) In Amount Distributed £m
AWPU - Primary	£2,566	41.174	£2,566	42.405	1.231
AWPU - Key Stage 3	£3,287	19.211	£3,287	19.713	0.502
AWPU - Key Stage 4	£4,790	19.039	£4,790	18.023	(1.016)
Free School Meals Ever 6 - Primary	£1,565	7.636	£1,565	7.635	(0.001)
Free School Meals Ever 6 - Secondary	£2,332	6.558	£2,332	6.773	0.215
Looked After Children	£1,295	0.283	£1,295	0.294	0.011
Low Prior Attainment - Primary	£1,037	2.803	£1,037	2.963	0.160
Low Prior Attainment - Secondary	£1,033	1.984	£1,033	1.915	(0.069)
English as an additional language - Primary	£601	0.321	£601	0.337	0.016
English as an additional language - Secondary	£2,624	0.196	£2,624	0.162	(0.034)
Lump Sum	£169,410	12.197	£169,410	12.367	0.170
Split Site	N/A	0	N/A	0	
Rates	Actual	1.437	Actual	1.577	0.140
PFI	Actual	0.344	Actual	0.347	0.003
MFG/ Limit on Gains		0		0	0
<b>TOTAL</b>		113.184		114.511	1.327

*NB the amounts above will be reduced for maintained schools once the de-delegation & academy growth fund adjustment (Apr to Aug 2016) is taken into account.*

10. It is also worthy of note that where a school has an additionally resource provisione the number of pupils funded via the budget share formula will be the number on the school roll as at October 2015 census less the number of high needs places in the unit. This deduction is because they will be funded via the High Needs Block rather than the Schools Block Budget.
11. The minimum funding guarantee (MFG) will continue to apply at minus 1.5% per pupil in 2016/17, the same as in current year. In order to make the guarantee affordable a cap will be placed on gainers of 1.09% per pupil.
12. The “final” Authority Proforma Tool (APT) which is due to be submitted to DfE is subject to agreement of the proposals set out in this report.
13. Using these factors with the Autumn 2015 schools census information and other relevant data results in £114.511m being required for individual school budgets which compares to £113.184m in 2015/16.
14. As previously reported to the Forum, following an actuarial valuation the employer rate for the teachers pension scheme increased from 14.1% to 16.4% (excluding the 0.08% admin charge) with effect from 1<sup>st</sup> September 2015. This will therefore have a full year impact in 2016/17. There will also be an increase in employers national insurance contributions following the removal of the 3.4% rebate on ‘contracted-out’ on earnings. (This affects the pay costs of all staff who contribute to their respective pension schemes). There has been no additional funding included within the DSG settlement to reflect these increases.
15. Notional SEN Budget –
  - a. As at present, under the new place-plus approach to high needs funding, mainstream schools and Academies will continue to receive a clearly-identified budget for SEN. This will be their notional SEN budget. Using their notional SEN budget, mainstream schools and Academies will be expected to:
    - i. meet the needs of pupils with low-cost, high-incidence SEN; and
    - ii. contribute up to £6k (excluding standard teaching & learning), towards the costs of provision for pupils with high needs (including those with high-cost, low-incidence SEN)
  - b. The notional SEN budget is not a separate budget. It is, however, identified within a school’s delegated budget, and

consists of part or the whole of several formula factors as set out in the table in para 9 above.

- c. Following DfE guidelines the notional SEN allocation for schools remain on the same basis as used in current year which is as follows:-

	Primary	Secondary
Basic Entitlement - AWPU	6%	4%
Free Schools Meals	14%	13%
Low Prior Attainment	100%	71%

- d. In total this equates to approx £10.156m across primary and secondary school / academies and equates to approx £386 per pupil in each sector across all pupils

#### 16. Growth Fund:-

- a. Previous reports to the Forum regarding Growth Fund have outlined an emerging picture of pressure on Primary School Places across a number of areas of the Borough.
- b. Pupil numbers across the Authority have now been reviewed further to reflect the current position following the Admission round in April 2015 and this has identified specific pressures across three planning areas, namely North Stockton, Central Stockton and Thornaby.
- c. Options for the expansion of schools in the areas affected have been considered and a number of desk top feasibility studies have been undertaken at key school sites to identify potential expansion options. Key schools identified for possible expansion are:-
- i. Bowesfield Primary, Stockton
  - ii. St Patricks RC Primary, Stockton
  - iii. St John the Baptist CE Primary, Stockton
  - iv. St Marks CE Primary, Stockton
  - v. Hardwick Green Academy, Stockton
  - vi. Thornaby CE Primary, Thornaby
  - vii. Christ the King RC Primary, Thornaby
- d. Further work is being undertaken to determine the detail, deliverability and phasing of these works. Additional capacity is needed for September 2016, with further works in 2017 to complete proposals. The total capital investment will create 945 additional school places across the three planning areas.
- e. The DfE do not provide DSG revenue funding for authorities with in-year growing pupil numbers due to the lag effect of the

funding arrangements. Instead, areas have to set aside from provision from allocations based on the preceding Octobers actual pupil numbers.

- f. At present for planning purposes it is assumed that up to 150 additional places will be needed as from September 2016 at a cost of £310k. There are existing commitments relating to this academic years temporary PAN increases (up to £250k) and two growing schools in Ingleby Barwick (£90k) which have previously been agreed by the Forum. It is proposed that £650k be set aside for growth fund to meet the estimated cost of an increase in primary pupil numbers in 2016 /17 and that given the significant pressure in Growth Fund requirement, that the Forum look again at the criteria at the next meeting and its operation in line with the funding regulations.
  - g. It is also worthy of note that a fairly recent DfE change in the regulations means that in-year growth in Free Schools, from the second year of opening, has also to be met from the Dedicated Schools Grant. In 2016/17 this is estimated to be £220k and has been allowed for in the Individual Schools Budget.
17. Significant investment has been undertaken in recent years in capital maintenance in Schools. This has been funded from both the capital Expenditure from Revenue Account (CERA) contributions but also other capital allocations. In the current year over £900k has been allocated to CERA and of this £475k has gone to maintained schools, £137k to Voluntary Aided schools and £298k to academies pro-rata to pupil numbers. Under the funding regulations no new projects can be charged to the central schools budget and also to help meet funding pressures in pupil growth and high needs it is proposed that this funding cease.
18. An alternative option to realise savings could be to reduce the formula factor values to schools but this would reduce the funding that goes directly to schools and academies when they are already facing employer pay pressures covered above.
19. With the exception above, it is proposed central items are unchanged from 2015/16 levels and the Schools Forum is asked to approve as follows:-
- a. Contribution to Combined Budgets: £88,748
  - b. School Admissions: £200,720
  - c. Servicing of Schools Forums: £20,622
  - d. Centrally funded termination of employment costs £11,141

20. Overall, taking account of the proposals above the estimated budget requirement for the Schools Block is £1.686m below the DfE allocation for that block.

## **Early Years Spend**

### **3 & 4 Year Olds**

21. Free early year's education for three and four year olds will continue to be funded by Local Authorities through the Early Years Single Funding Formula (EYSFF). It is proposed the same funding rates utilised in 2015/16 will be applied in 2016/17.
22. The LA will continue to pass on the EYPP funding on to all state-funded early years providers at 53p per hour per eligible pupil. This means settings will receive over £300 for each eligible 3 or 4 year-old who takes up the full 570 hours of state-funded early education they are entitled to.
23. As mentioned previously with the DfE funding adjustments to DSG the LA is funded on participation based on the two January schools and early census points. PVI's and academies are funded based on actuals per the termly count during the year whereas maintained schools are funded on previous calendar year actuals and adjusted retrospectively the following year. Therefore for schools where pupil numbers have been underprovided additional funding is given in the following financial year and where overpaid is clawed back. Although, this arrangement does afford schools in year stability they still need to be mindful of their actual numbers so can prepare accordingly for funding owed or to be clawed back as part of the following years allocation. When early years numbers are fluctuating the treatment of schools does cause some disparities as its not aligned with final basis of DSG allocations in individual financial years. In 2016/17 it is estimated that approx. £450k will be clawed back from schools in relation to falling pupil numbers and prior year adjustments. Subject to the announcement of Governments plans for a national early years funding formula from 2017/18 it would be useful to review this historic treatment going forward.

### **Disadvantaged 2 Year Olds**

24. Early years education is a statutory entitlement for eligible disadvantaged two year olds. The move to participation funding has only been in place for 9 months but our experience thus far is explained in the following paragraphs.
25. Stockton's 2015/16 2 Year old allocation is currently based on the January 2015 census which was 648 children. This will be retrospectively adjusted in June 2016 to account for 5/12ths of the January 2015 census and 7/12ths of the January 2016 census. The January 2016 census is estimated to be around 741 children. This will

mean SBC will end up being funded for 2015/16 on 702 children. The problem is two-fold from a financial perspective:-

- a. Firstly, Stockton numbers continue to increase term on term as we strive to improve take up and as such the census is not representative of the number of children in place throughout the year. For Summer Term 2015 and Autumn Term 2015, the average number of weekly children in place was 768. This is considerably higher than the 702 we expect to be funded on. Based on this average Stockton are paying out for an additional 66 pupils per week, which over a year (570 hours) is around £180k pressure.
- b. Secondly, point one is compounded by the fact that pupil numbers are growing in term as well. Taking the Spring Term 2015 as an example, there were 648 children at census day, but by the end of the term there were 715.

26. Whilst numbers continue to grow both term on term and within term, it is anticipated that this issue will be recurring, in that the January census is not representative of children in place throughout the year.

27. For 2016/17 based on projections undertaken it is assumed that the pressures from disadvantaged 2 year olds will be met from an equivalent underspend on 3 & 4 year olds. Therefore, it is proposed that the disadvantaged 2 year olds hourly rate will remain at £4.77 per hour as in the current year

### **High Needs Spend**

28. The increased budget on High Needs was supported in 2015/16 by a brought forward surplus of £811k which by its very nature is non recurrent. Therefore, as members know, during the year a review of High Needs was commenced by the Schools Forum with a sub group created.

29. A separate update from the High Needs Sub Group is included on today's agenda which includes findings from the recent local schools survey and a proposed refreshed top up process with a more classroom focused approach.

30. A full year effect of additionally needed places at Ash Trees has been built into estimates for 2016/17 at a cost of £300k.

31. In the current year £0.5m was set aside for contingencies to cover all high needs areas. Whilst this has been allowed for again it also includes savings from Year 6 and Year 11 leavers which total approx £320k which were previously in addition to the £500k. Whilst ensuring the LA meets its statutory requirements the High Needs Panel will be asked to measure against this target.

32. It is proposed that the top up band values will remain at the same level as in the current year for all settings and as usual where there are movements the top up will transfer with the high needs child.
33. Projections based on the current and expected level of top ups have been included in the attached Appendix.
34. The DfE have confirmed that transitional protection will continue into 2015/16. This will be done on the basis that if all the pupils in the Special Academy were placed by the authority, and the total number and type of places remained the same in the two financial years, the school or Academy's budget would reduce by no more than 1.5% in cash between 2015/16 and 2016/17. Locally, we will continue to undertake the same arrangements for our support bases.
35. In respect of placement at independent special schools, these remain outside the place plus system in 2016/17. The budget requirement is based on current placements with an additional element for growth. This is likely to experience variation as there will be movements as the year progresses.
36. The High Needs required spend is in excess of the DfE Block allocation therefore £1.686m is required to be transferred from the Schools Block to the High Needs Block.

### **Proposed Schools Budget 2016/17 and Projected Brought Forward School Budget Balance**

37. The Schools' Budget is a ring-fenced account within the authority's books and this report sets out the proposed budget and funding formula for 2016/17. The Borough must manage the overall spend within the limited DSG funding allocation. Therefore if increasing spend is incurred across high needs this will mean that less will be in the Schools Block, the largest element of which is the Individual Schools Budget which covers schools / academies delegated budgets.
38. Any under / overspends in the Schools Budget are carried forward into the next financial year. The Schools Budget Position for the current year shows an anticipated £370k overspend. It is proposed that the budget is set in 2016/17 to recover this overspend and plan for a balanced position at year end.
39. There are significant pressures facing the Schools Budget in 2016/17 relating particularly to pupil growth, high needs and the need to meet expected overspend in the current year. Although, the proposals set out in this paper provide for the setting of a balanced budget and are considered realistic there is little room for manoeuvre. Careful and robust financial management will be required throughout 2016/17. Any

overspend in 2016/17 will have to be met from the following years DSG allocation.

40. Based on the information earlier in this paper the proposed 2016/17 Schools budget for each funding block is set out in the enclosed Appendix. It shows the DfE Block allocation against the spending plans for each area.
41. As noted above the early years DSG allocation is not the final allocation for 2016/17. All the budgets presented in the Appendix are based on the provisional DSG allocation.
42. The updated allocation of the Dedicated Schools Grant from DfE and further budget revisions will be reported to future Schools Forums.

### **Pupil Premium**

43. The Pupil Premium is advanced to the authority for maintained schools as a specific grant and distributed to schools according to the national formula. The rates of Pupil Premium are as follows:-

	<b>2015/16</b>	<b>2016/17</b>
	£	£
Free School Meals Ever 6		
- Secondary	935	935
- Primary	1,320	1,320
Service Child Ever 6	300	300

44. The Looked After Children rate will continue at £1,400 to schools with £500 retained for management by the Virtual Head.
45. The total amount receivable for pupil premium by schools and academies in the Borough in 2015/16 was over £10m.

### **Arrangements from 2017/18**

46. As reported to the last Schools Forum the government is to introduce the first ever 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 2017-18.
47. The Spending Review also indicated that there would be an expectation of more schools converting to Academy status with a diminishing role for Local Authorities. They have also announced a reduction of £600m in the Education Support Grant (ESG). This sum could be seen as representing around 75% of the national total. Over time this could mean that grant funding of up to £2m is at risk for the Authority.

## Recommendations

48. Support the approach and overall allocation of DSG for 2016/17, particularly:-
- a. To note:-
    - i. The 2016/17 Dedicated Schools Grant settlement
    - ii. The Early Years Block DSG will not be finalised until confirmation is received from the DfE of notifications for three and four year olds, disadvantaged 2 year old funding and Early Years Pupil Premium (para 7)
  - b. Support the funding formula as set out in para 9 and proposals for growth fund (para 16f)
  - c. Support the cessation of the allocation for CERA (para17)
  - d. Agree the proposed central spend items and associated budget for 2016/17 on Schools and Early Years Blocks (para19 & Appendix).
  - e. Support continuation of the hourly rate of £4.77 for the extended two year old provision (para 27)
  - f. Note the position on high needs spend (paras 28 to 36)
  - g. Agree the proposed planned recovery of the expected carry forward overspend balance of £370k (para 38)
  - h. Note the overall challenging Budget position and if there were to be any overspend in 2016/17 will have to be met from the following years DSG allocation (para 39)
  - i. Note the position re Pupil Premium (paras 22 & 43-45)

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