

Schools Forum 23rd January 2018

Schools Budget 2018/18

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 sets out the proposed Schools budget and confirms the final Stockton funding formula arrangements for 2018/19.
2. As you will be aware the Education and Skills Funding Agency (ESFA) has gone through a process of consultation on setting a National Funding Formula (NFF) for schools. This consultation was completed in March 2017 and the results were published in September 2017. Following the consultation ESFA published updated operation guides for Schools Revenue Funding and High Needs.
3. While it remains the government's intention that a school's budget should be set on the basis of a single national formula, in 2018 to 2019 and 2019 to 2020, local authorities can continue to determine final funding allocations for schools through a local formula.
4. To agree the local formula the authority had to consult with all schools on any changes. This exercise was undertaken during November and the results were reported to the schools forum on the 28th November. The forum subsequently approved the changes to the local formula and the budget presented in this report for 2018/19 is based on the agreed decisions.
5. Within the overall budget setting process, there are a number of decisions that the Forum has responsibility for, and these are presented for a approval.

Summary of Key Points

6. The paper discusses and requests decisions where appropriate, on the following for 2018/19:-
 - a. Dedicated Schools Grant Allocations
 - b. Schools Block spend
 - c. Early Years Block Spend
 - d. High Needs Block Spend
 - e. Central Services Block Spend
 - f. Growth Fund
 - g. Proposed Schools Budget 2018/19 and Projected Brought Forward School Budget Balance
 - h. Pupil Premium and other grants

7. There are significant pressures facing the Schools Budget in 2017/18 (see budget monitoring paper on this agenda) relating particularly to high needs. Although, the proposals set out in this paper provide for the setting of a balanced budget these are challenging to maintain based on current expenditure and there is no room for maneuver. Careful and robust financial management will be required throughout 2018/19.

GOVERNMENT FUNDING ALLOCATIONS

Dedicated Schools Grant (DSG) Allocations

8. On 17th July the Government announced an additional £1.3 billion for schools and high needs across the next two years. This funding is being used to support the introduction of the national funding formula in 2018/19 and 2019/20.
9. The 2018/19 Dedicated Schools Grant (DSG) allocation for Stockton is £161.764m compared to the revised funding of £155.542m in 2017/18. These amounts include funding for both maintained schools and Academies.
10. Under the new NFF, the distribution of the DSG to local authorities will be set out in four blocks: a schools block, a high needs block, an early years block, and the new central school services block. The allocated funding under each block is shown below;

	2018/19 £m
Schools Block	£123.389
High Needs Block	£24.048
Central Services Block	£0.849
Early Years Block	£13.478
Total 2018/19 DSG Provision	£161.764

11. As part of the schools consultation noted in paragraph 4, the Schools Forum approved the transfer of 0.5% (£617k) of the schools block funding into the high needs block to help offset the current level of pressures in this area.
12. Growth funding is within local authorities schools block national funding formula allocations and it is requested that the Schools Forum approve a transfer of £550k to cover growth fund items in 2018/19 (2017/18 £550k). Further details on this are provided in paragraph 35.
13. Based on the above transfers the revised level of funding under each block is represented in the table below.

	2018/19 £m
Schools Block	
DSG - Main Funding	£123.389
0.5% Transfer to High Needs	-£0.617
Growth Fund Transfer	-£0.550
Total Schools	£122.222
Early Years Block	
3/4 Year Old Funding	£8.393
3/4 Year Old Additional 15 Hours	£2.632
Early Years Pupil Premium	£0.120
Disability Access Fund	£0.059
2 Year Olds	£2.274
Total Early Years Block	£13.478
Central Services Block	
Historic Spend	£0.150
Pupil Numbers	£0.699
Total Central Service Block	£0.849
High Needs Block	
0.5% Transfer From School Block	£0.617
High Needs Main Funding	£24.048
Total High Needs Block	£24.665
Growth Fund	£0.550
Total 2018/19 DSG Provision	£161.764

14. Schools Block :-

- a. The schools block has been allocated between local authorities on the basis of the primary and secondary units of funding published in September 2017 plus an element for premises costs.
- b. The 2018/19 primary unit of funding for Stockton is £3,912.55 and the secondary unit of funding is £5,139.17. Stockton's allocation for 2018/19 is £123.389m but this will be reduced down to £122.222m due to the transfers detailed in paragraphs 11-12 above. This is the 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.

- c. There is a total increase of 746 pupils from 2017/18 up to 27,580 pupils (including those in the Free Schools) and this represents an overall increase of 2.8%.

15. Early Years Block :-

3 & 4 Year Olds

- a. The 2018/19 three & four year old per pupil unit of funding for Stockton is £4.45. Stockton's allocation for 2018/19 is £11.025m. 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 but this now includes the additional 15 hours for three and four year old children of eligible working parents.
- b. Stockton's allocation for the Disability Access Fund which is equivalent to £615 per child per year will be £59k for 2018/19.
- c. All local authorities are required to establish an inclusion fund in their local funding system for three and four year olds with SEN taking the free entitlement. For 2018/19 Stockton will be allocating £120k for this purpose (2017/18 £120k)
- d. Pass through requirements on the amount of funding that local authorities must pass to providers is 95% for 2018/19. Therefore as in 2017/18 Stockton will be passing through the full 95%.
- e. The Early Years Pupil Premium (EYPP) is to enable schools, nurseries and child minders to receive £302.10 (£0.53 x 570 hours) 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. EYPP for 2018/19 is £120k.

Disadvantaged 2 Year Olds

- f. Stockton's allocation is £2.274m. This is based on the weighted national average which, for Stockton is £5.20 (£5.20 2017/18)

16. High Needs Block :-

- a. The high needs block supports provision for pupils and students with special educational needs and disabilities (SEND), up to the age of 25, and alternative provision for pupils who cannot receive their education in schools
- b. Stockton's allocation for 2018/19 (see table in paragraph 13) is £24.665m. This includes a baseline adjustment of £1.204m to the schools block to reflect the change in the funding of special units and resourced provision in mainstream schools from April 2018 as

announced in the response to the first stage of the consultation on high needs.

- c. There is also an import / export adjustment in the high needs national funding formula of £6,000 per pupil or student. Any change in the placement of pupils and students in schools and colleges located in other local authority areas will therefore affect the amount of funding the authority receives.

17. Central Schools Services Block (CSSB):-

- a. The new central school services block funds local authorities for their statutory responsibilities they hold for both academies and maintained schools.
- b. The CSSB brings together funding previously allocated through the retained duties element of the ESG, funding for ongoing central functions such as admissions and residual funding for historic commitments. The 2018/19 allocation is £849k.

PROPOSED DISTRIBUTION

Schools Block Spend

18. The proposed formula factors for 2018/19, (which are based on the new NFF and adjusted for affordability) and associated values including de-delegation which are due to be submitted to the DfE are shown in the table below (with 2017/18 shown for comparison):-.

Factor	2017/18 Unit Value	2017/18 Amount Distributed £m	2018/19 Unit Value	2018/19 Proposed Amount Distributed £m	Increase / (Decrease) In Amount Distributed £m
AWPU – Primary	£2,566	43.395	£2,708	46.741	3.346
AWPU - Key Stage 3	£3,287	20.455	£3,808	24.582	4.127
AWPU - Key Stage 4	£4,790	18.113	£4,324	17.096	-1.017
Current FSM – Primary	n/a	0	£434	1.384	1.384
Current FSM – Secondary	n/a	0	£434	0.741	0.741
Free School Meals Ever 6 – Primary	£1,565	7.689	£532	2.594	-5.095
Free School Meals Ever 6 – Secondary	£2,332	7.14	£774	2.474	-4.666
IDACI band F – Primary	n/a	0	£197	0.157	0.157
IDACI band E – Primary	n/a	0	£237	0.330	0.330
IDACI band D – Primary	n/a	0	£355	0.460	0.460

IDACI band C – Primary	n/a	0	£384	0.542	0.542
IDACI band B – Primary	n/a	0	£414	0.897	0.897
IDACI band A – Primary	n/a	0	£567	0.755	0.755
IDACI band F – Secondary	n/a	0	£286	0.126	0.126
IDACI band E – Secondary	n/a	0	£384	0.309	0.309
IDACI band D – Secondary	n/a	0	£508	0.341	0.341
IDACI band C – Secondary	n/a	0	£552	0.452	0.452
IDACI band B – Secondary	n/a	0	£591	0.658	0.658
IDACI band A – Secondary	n/a	0	£798	0.567	0.567
Looked After Children	£1,295	0.276	n/a	£0	-0.276
Low Prior Attainment – Primary	£1,037	3.06	£1,035	6.793	3.733
Low Prior Attainment – Secondary	£1,033	2.017	£1,528	3.079	1.062
English as an additional language – Primary	£601	0.387	£508	0.350	-0.037
English as an additional language – Secondary	£2,624	0.188	£1,365	0.086	-0.102
Lump Sum	£169,410	12.367	£110,000	8.030	-4.337
Sparcity	n/a	0	£0-£25k	0.009	0.009
Split Site	n/a	0	n/a	0	0
Rates	Actual	1.369	Actual	1.557	0.188
PFI	Actual	0.355	Actual	0.369	0.014
Min per pupil funding level adjustment	n/a	0	Actual	0.180	0.180
MFG / Limit on Gains		0		0.563	0.563
TOTAL		116.811		122.222	5.411

19. The NFF provides local authorities with per pupil funding of at least £3,500 for each primary school and £4,800 for each secondary school in 2019/20. The formula provides for a transitional amount of £3,300 for primary and £4,600 for secondary schools in 2018/19. To mirror the NFF it was agreed as part of the consultation that Stockton would set the minimum per pupil funding levels as close as possible to those provided as part of the formula.

20. The minimum funding guarantee (MFG) will be set at positive 0.25% per pupil in 2018/19 as agreed following the consultation. This replaces the current MFG which limits losses of minus 1.5% per pupil. In order to make the guarantee affordable a cap will be placed on gainers of 4.04% per pupil.

21. The “final” Authority Pro-forma Tool (APT) which is due to be submitted to DfE is subject to agreement of the proposals set out in this report.
22. Using these factors with the autumn 2017 schools census information and other relevant data results in £122.222m being required for individual school budgets which compares to £116.811m in 2017/18.

Early Years Block Spend

3 & 4 Year Olds

23. Local authorities will continue to be funded for early years provision through the early years block in the DSG. Following the increase in funding during 2017/18 Stockton is proposing to retain the funding rate at the same levels as in the current year. Overall funding allocated per hour to each child will be £4 per hour for 2018/19 (2017/18 £4.00)
24. Stockton’s allocation for the Disability Access Fund which is equivalent to £615 per child per year will be £59k for 2018/19.
25. 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 £302.10 for each eligible 3 or 4 year-old who takes up the full 570 hours of state-funded early education they are entitled to.

Disadvantaged 2 Year Olds

26. It is proposed that the disadvantaged 2 year olds hourly rate for 2018/19 will be set at £5.11 (2017/18 £5.11)

High Needs Block Spend

27. For 2018/19 every local authority will receive at least a 0.5% increase to the amount of its DSG that it plans to spend on high needs in 2017/18 adjusted for growth in population and subject to the following adjustments;
 - I. A £1.2m baseline adjustment to reflect a change in the funding of special units and resourced provision in mainstream schools from April 2018.
 - II. An import / export adjustment for pupils in schools and colleges located in other LA areas. There is an adjustment in the high needs national funding formula of £6,000 per pupil.
 - III. An adjustment to reflect the number of pupils in maintained special schools, special academies, non-maintained special schools and post 16 institutions.
28. In the current year £500k was set aside for contingencies to cover all high needs areas. Whilst this level of contingency remains for 2018/19 it must be

noted that this funding is again intended to cover top-up replacements for Year 6 and Year 11 leavers.

29. As part of the schools consultation noted in paragraph 4, the Schools Forum approved the transfer of 0.5% (£617k) of the schools block funding into the high needs block to help offset the current level of pressures in this area
30. In 2018 to 2019 a special schools protection will continue, as in 2017 to 2018, but the maximum that a school can lose under this arrangement can be set by the local authority between 0% and -1.5% of the school's overall high needs funding, in line with the new flexibility for the minimum funding guarantee for mainstream schools.
31. In respect of placements at independent special schools, these remain outside the place plus system in 2018/19. 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.

Central Services Block Spend

32. As noted in paragraph 17 the new central services block is made up funding previously allocated through the retained element of DSG, central function and historic commitments. The total allocation for 2018/19 is £849k which is £27k higher than the corresponding budgets for 2017/18.
33. It is recommended that for 2018/19 the central items remain unchanged and funds allocated across the following services;
 - a. Combined Budgets
 - i. Psychology and Intervention £3,748
 - ii. Virtual School Head £30,000
 - iii. First Contact Team £25,000
 - iv. Family Support £25,000
 - v. Local Safeguarding Board £25,000
 - vi. Public Health Team £30,000
 - b. School Admissions £212,000
 - c. Servicing of Schools Forum £22,000
 - d. Termination of employment costs £11,000
34. The remaining CSSB funding totaling £465,000 will be utilised to fund central services previously funded from the retained element of the old Education Services Grant (ESG) as agreed as part of the 2017/18 school budget report.

OTHER ITEMS

35. Growth Fund:-
 - a. Previously the Council has invested significantly in primary schools capacity. A Growth Fund and policy has been in operation to manage planned primary school pupil increases but, from 2018/19, these will

start to impact through to the secondary sector. Please see the 'School Growth Fund – Secondary' report also on this agenda for further details on this issue.

- b. The Councils Cabinet in September 2017 agreed an investment strategy for Schools, SEN and Early Years funded from Basic Need allocations including expansions to address expected shortages in school places at secondary level. The expansion facilitates the creation of over 1500 additional secondary school places across the Borough
- c. 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 October's actual pupil numbers.
- d. Based on current analysis and previous years expenditure it is estimated that the Growth Fund requirements for 2018/19 can be contained within the same level of funding approved in 2017/18. Therefore it is recommended that school forum approve an allocation of £550k for 2018/19.

Proposed Schools Budget 2018/19 and Projected Brought Forward School Budget Balance

- 36. 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 2018/19. The Authority must manage the overall spend within the limited DSG funding allocation.
- 37. Any under / overspends in the Schools Budget are carried forward into the next financial year. The current budgetary control is forecasting that there are increased pressures on high needs spending. Therefore the Schools Budget Position for the current year shows an anticipated £1.190m, overspend. A number of interventions are being implemented such as the Enhanced Provisions, which will generate savings across the medium term to offset the current years overspend. A review of High Needs expenditure is being prepared for the January Strategic Schools Education Board.
- 38. Although, the proposals set out in this paper provide for the setting of a balanced budget these are challenging to maintain based on current expenditure and there is no room for maneuver. Careful and robust financial management will be required throughout 2018/19. Any overspend in 2018/19 will have to be met from the following years DSG allocation.
- 39. Based on the information earlier in this paper the proposed 2018/19 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.

40. The early years DSG allocation is not the final allocation for 2018/19. All the budgets presented in the Appendix are based on the provisional DSG allocation.
41. The updated allocation of the Dedicated Schools Grant from DfE and further budget revisions will be reported to future Schools Forums.

Pupil Premium and Other Grants

42. 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 DfE have advised that the funding rates for 2018/19 will be held at the 2017/18 level. Details are provided below

	2017/18	2018/19
	£	£
Free School Meals Ever 6		
- Secondary	935	935
- Primary	1,320	1,320
Service Child Ever 6	300	300

43. The Looked After Children rate has been increased to £2,300 with £1,400 to schools and £900 retained for management by the Virtual Head. Please also see the Review Pupil Premium Plus report presented to the Schools Forum meeting on the 28th November 2017.
44. Allocations will be confirmed in June 2018 once pupil number data from the January 2018 census has been validated and agreed. The total amount receivable for pupil premium by schools and academies in the Borough in 2017/18 was £10.475m.
45. Universal Infant Free School Meals (UIFSM) will continue for the academic year 2018/19 on the rate of £2.30 (per pupil per day).
46. The primary PE and sport premium continues in academic year 2018 to 2019 at the current national level of £320 million per year. Further details will be available in 2018. ESFA will continue to advise schools on sustainable and effective ways to use the premium.
47. The year 7 catch-up premium continues in financial year 2018 to 2019. Further details will be available in 2018.
48. The school improvement monitoring and brokering grant continues in academic year 2018 to 2019 at £50 million per year. £30 million will be allocated in September 2018, and £20 million in April 2019.
49. The grant for extended rights to home to school transport will continue in financial year 2018 to 2019. Further details will be available in 2018.

Arrangements from 2019/20

50. While it is the government's intention that school budgets should be set on a single national basis, in financial years 2018-19 and 2019-20, local authorities will continue to determine final funding allocations through a local funding formula. There has been no announcement of any primary legislation that would allow the introduction of direct funding of schools (the Hard National Funding Formula) before 2020/21.

RECOMMENDATIONS

51. Support the approach and overall allocation of DSG for 2018/19, particularly:-

- a. To note the 2018/19 Dedicated School Grant settlement (para 10)
- b. Agree the funding formula as set out in para 18 and proposals for growth fund (para 12 and 35)
- c. Agree the proposed central spend block items and associated budget for 2018/19 as detailed in paragraphs 35 - 37.
- d. Note that the authority intends to maintain the early years rates set in 2017/18 for 2018/19 and the pass through rate at 95%.(paras 15d and 23-25)
- e. Note that the authority intends to maintain the hourly rate for the extended two year old provision at £5.11 (para 26).
- f. Note the position on high needs spend (paras 27 to 31)
- g. Agree the proposed planned recovery of the expected carry forward overspend balance of £1.190m (para 37).
- h. Note the overall challenging budget position and if there were to be any overspend in 2017/18 this will have to be met from the following years DSG allocation (para 35).
- i. Note the position re Pupil Premium (paras 42-44).

Andy Bryson
Finance Manager