

# MUNICIPAL YEAR 2015/2016 REPORT NO. 15

Agenda – Part: 1

Item: 4a

## MEETING TITLE AND DATE:

Schools Forum: 20 January 2016

## REPORT OF:

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**Subject: Schools Budget 2016/17 and Formula Factors**

## 1. EXECUTIVE SUMMARY

This report sets out details of the initial 2016/17 Dedicated Schools Grant (DSG) allocation which was announced on 17th December 2015, together with the October 2015 dataset to be used to calculate formula budget shares for primary and secondary schools.

Information on the proposed formula factors and associated unit values as detailed in the report will be submitted to the DfE on 21st January 2016 for approval.

The report provides updated information on the proposed budget for 2016/17 including budget pressures to be funded within the resources available from the 2016/17 DSG.

The report seeks the approval of Schools Forum to finalise the unit values for the primary and secondary funding formula..

## 2. RECOMMENDATIONS

The Schools Forum is asked to note and agree

- The unit values for the primary and secondary funding formula as set out in Appendix B
- Whether certain services should continue to be de-delegated in 2016/17 as set out in paragraph 5.3
- Proposals for bridging the budget gap

The Schools Forum is asked to note

- The 2016-17 DSG settlement and draft budget set out in Appendix A
- The formula allocations to schools based on the proposed formula factors set out in Appendix C

## 3. Dedicated Schools Grant (DSG) 2016-17

### 3.1 DSG Settlement

The current DSG methodology introduced in 2013-14 has been continued in 2016-17, set out in 3 spending blocks for each authority: an early years block and schools block and a high needs block. The underlying schools budget will be kept at flat cash rate per pupil for 2016-17. The Minimum Finding Guarantee (MFG) will be continued, meaning that no school or academy will experience a reduction compared to their 2015-16 budget of more than 1.5% per pupil (excluding sixth form and pupil premium funding).

Enfield's initial 2016-17 DSG settlement was announced on 17<sup>th</sup> December 2015 at £306.724m (excluding £.418m Early Years Pupil Premium funding). It should be noted that the in year

funding adjustment made for growth in Non Recoupment Academies in 2015-16 will not be continued in 2016-17.

The Early Years Block allocations for 2, 3 and 4 year olds will be updated during 2016-17 to reflect January 2016 census data and including our forecast of these revised allocations and £1.234m funding from the Education Funding Agency to fund post 16 pupils in special schools the total resources available to fund expenditure in 2016-17 is estimated to increase to £310.207m as set out in Appendix A.

The forecast resources available for 2016-17 are £0.916m less than in 2015-16 due partly to the lack of funding for NRA Growth. In 2015/16 resources were also supplemented by a one-off contribution from reserves which is not available in 2016-17. These reductions were offset by an increase of £3.159m in other elements of the DSG allocation, resulting in the net reduction in resources of £0.916m. This overall decrease in resources combined with a net increase in spending requirements of £2.035m results in a budget gap of £2.951m. Consideration of how to address this gap and achieve a balanced budget position will be made at this meeting.

There will be further consideration of the Early Years data from the January 2016 census when this is available which may impact on the bottom line position and require adjustment to the budget at a later date.

### **3.2 Schools Block**

The value of the schools block in the settlement is £258.530m based on a Guaranteed Unit of Funding (GUF) per pupil of £5,204 and the pupil count from the October 2015 census for primary and secondary schools and academies, uplifted by the increase in reception pupils between October 14 and January 15. There will not be any in year adjustments to this initial allocation.

### **3.3 Early Years Block**

The value of the Early Years Block in the settlement is £17.308m based on a Guaranteed Unit of Funding of £5,016 per pupil for 2 year olds and £3,948 per pupil for 3 and 4 year olds. The announcement for the Early Years Block is provisional as the figures are based on the January 2015 census and will be revised when the January 2016 census data is available. The actual allocation for 2016-17 will be based 5/12 on the January 2016 census and 7/12 on the January 2017 census but the cash adjustment to reflect January 2017 pupil numbers will not be received until 2017-18. The total DSG stated in Appendix A includes an estimate of £2.249m to reflect the in year adjustment, giving a total Early Years block estimate of £19.557m.

### **3.4 High Needs Block**

The value of the High Needs Block in the settlement is £32.120m (including £1.234 from the EFA). This includes funding for special schools and ARPs. The Department for Education increased funding nationally for high needs block allocations by £92.5m. Enfield's share of this additional funding is £660k and whilst any increase is welcomed it falls far short of matching the increased pressures in this area.

For the 2015-16 budget allocation, authorities had the opportunity to make a case for additional funding where they felt the increase in required High Needs places was exceptional. Enfield submitted a detailed bid but only secured funding for 1 additional place. This exercise was not repeated for 2016-17 so authorities were given no opportunity to provide details on the increased high needs pressures they were facing.

The draft budget included in Appendix A includes £1.456m of high needs budget pressures based on current forecasts. There is ongoing review of these forecasts and any change in the overall pressure in this area will be reported back to Schools Forum in March.

## **4 Draft Budget and Formula Factors 2016/17**

### **4.1 Draft Budget**

A draft budget has been produced based on the DSG settlement data and revised estimates of pressures and other budget changes. This is shown in Appendix A. The budget gap is currently estimated at £2.951m.

### **4.2 Proposed Formula Factors 2016/17**

At the end of October 2015 the authority submitted a provisional pro forma to the DfE detailing the national formula factors and indicative unit values for the primary and secondary funding formula based on 2014 data. Since the last Forum meeting the formula has been updated to reflect the October 2015 dataset which shows

- Increase in primary pupils
- Increase secondary pupils
- Decrease in FSM eligibility
- Decrease in the number of pupils in the higher IDACI bands

The October 2015 dataset reflected the 2015 English Indices of Deprivation data (IDACI) which replaced the 2010 data that had been used for the last 3 years. The data indicated a significant reduction in the number of pupils in the higher bands which are funded through the formula. This trend was experienced across London and nationally to a slightly lesser extent. This change has resulted in significant funding changes for some schools with many now receiving no funding through this factor but overall funding allocations per pupil will be protected to 98.5% through the MFG.

Formula factors for 2016-17 are set out in Appendix B. The proposed factors have not changed from 2015-16 and at this stage the unit rates are unchanged apart from a minor adjustment to the AWPU rate to reflect the licences budget being managed centrally (except CLEAPPS) and a minor increase for union duties to reflect actual cost. If schools continue to de-delegate funding for union duties this adjustment will have a net nil effect on their budget.

Schools were consulted on a proposal to increase the value of the primary split site factor to reflect the increased financial pressures faced by schools operating on 2 sites. Only the 2 primary schools operating on split sites responded to the consultation in favour of the increase. One of the schools does not meet the current split site criteria of the 2 sites being at least 0.5m apart but the school does operate on 2 distinct sites separated by a road. It is proposed to amend the split site factor criteria to remove the distance limit and to increase the allocation from £25k to £55k for each additional site.

#### **Recommendation: Schools Forum is asked to note and agree:**

- the formula factors and unit rates detailed in Appendix B which will be submitted to the DfE by their prescribed deadline of 21<sup>st</sup> January 2016
- to note and agree the variation to the split site criteria for primary schools and an increase in the rate for additional sites

### **4.3 Schools Formula Budget Shares**

The application of the formula factors in Appendix B and the revised data set issued by the DfE in December produce the schools formula budget shares as set out in Appendix C. These budgets include MFG allocations, where applicable, and the impact of the funding cap for schools who gain more than 3%. It should be noted that these figures exclude any allocations from the Early Years or High Needs Blocks

### **4.4 Budget Gap**

As shown in Appendix A there remains a budget gap of approximately £3m. As noted above High Needs pressures of £1.456m based on current placements have been included in the draft budget shown in Appendix A. As pressures are continuing to rise and the demand in this area is quite volatile it is also considered prudent to build in a further contingency of £500k or more if resources allow when the budget is finalised and reported back to March Schools Forum.

At the December Schools Forum options for closing the budget gap were detailed in the budget report. These options included reducing formula funding and reducing central budgets. It is not anticipated that there will be any DSG reserves available to contribute to the 2016/17 budget position. As the school's formula allocations need to be submitted to the DfE by 21<sup>st</sup> January 2016, it is essential that a decision regarding closure of the budget gap is reached at this meeting as any change to unit rates will have to be included in this submission to the DfE and there will then be no scope to make changes at a later date.

Following discussion of the next item on the agenda, the Forum will need to consider the options for closing the budget gap to ensure a balanced budget is delivered.

Options to close the gap were detailed in the report to the December 15 meeting and are as follows

- Reduce Schools Formula Funding
- Reduce Centrally Retained Budgets (Schools and Early Years Block)
- Reduce Centrally Retained Budgets (High Needs Block)

From previous discussions a reduction in the AWPU was felt to be the fairest way of allocating a saving across schools. As a rough guide a reduction in the AWPU of £25 produces a saving of £1.070m but due to a high number of schools now on the Minimum Funding Guarantee this is reduced to £0.340m.

Details of possible reductions in the centrally retained budgets are noted in paragraph 5 below and are detailed for discussion in the next agenda item.

## **5.0 Central Services funded from the DSG**

### **5.1 Centrally Retained Services – (Schools Block & Early Years Block)**

Centrally held services funded from the schools block and early years block have to be agreed annually by Schools Forum. Following discussions with headteachers and the Education Resources Group a number of savings have already been proposed for some of these budgets as detailed in spreadsheet circulated for discussion and agreement in the next agenda item.

### **5.2 Centrally Retained Services – High Needs Block**

Schools Forum is asked to make recommendations regarding savings to the centrally retained services in the high needs block in order to achieve a balanced budget position.

### **5.3 De-delegated Services**

Under the Schools and Early Years 2012 regulations certain services can be provided centrally if the Schools Forum, on behalf of the maintained schools in a phase, gives agreement to the de-delegation of part of their budget to fund the service. This approval for de-delegation is required on an annual basis. It should be noted that academies are not required to agree to this process, but may buy back services from the Local Authority from their allocated budget share.

The Table of De-delegated Services below has been prepared on the same basis as previous years

**Table 3: De-delegated Services 2016-17**

Budget	Sector	Total Budget	Allocation per pupil / FSM *
		£	£
Licenses & Subs - CLEAPPS	Prim & Sec	6,000	0.12
Free School Meals Eligibility	Prim & Sec	59,909	6.40
Maternity	Prim	273,146	8.54
	Sec	86,162	4.78
Staff Advertising	Prim & Sec	15,003	0.30
Primary Pool	Primary	18,231	0.57
Union Duties	Prim & Sec	143,528	2.87
Public Duties	Prim & Sec	2,000	0.04
Library & Museum Services	Prim	22,389	0.70
Long Service Awards	Prim & Sec	5,501	0.11

Budgets would be delegated on a per pupil basis with the exception of the Free School Meal Eligibility assessment budget which will be allocated on FSM eligibility. The maximum level of de-delegation per pupil is £14.62 per pupil secondary and £19.65 per pupil primary which is low compared to other local authorities.

It is proposed that with effect from 2016/17, the Licences and Subscriptions funding is now held centrally for all licences apart from CLEAPPS (Consortium of Local Education Authority for Provision of Science Services). The DfE now arranges the majority of licence cover for schools and academies centrally and the DSG is top sliced for the cost of this cover. As we have no control over this arrangement it would seem reasonable that this funding is retained centrally. CLEAPPS is still arranged locally and the table details the expected cost.

For 2016/17 there are various options in relation to de-delegated services:

- Option 1** – Continue to delegate this funding and operate these services on a de-delegated basis
- Option 2** – Delegate this funding to schools and offer services on an SLA basis where this is appropriate
- Option 3** – Delegate funding to schools with no de-delegation/SLA

Funding for Practical Learning Options is currently delegated to schools at a rate of £6.52 per pupil, within the AWP allocation. This has previously been subject to a pooled arrangement but can now be treated in line with one of the 3 options detailed above.

## 6.0 Other Schools Funding

### 6.1 Pupil Premium

The DfE have confirmed that the rates for 2016/17 will remain at 2015/16 levels. i.e. £1,320 for primary 'FSM Ever 6', £935 for secondary 'FSM Ever 6', £1,900 for Looked After Children and children adopted from care and £300 for the children of service personnel. The year 7 catch-up premium will continue in 2016/17 and the rate will be confirmed early in 2016. Summer school funding for secondary schools will not continue in 2016.

The latest Pupil Premium allocation for 2015/16 totals £19.239m but this is expected to reduce in 2016/17 due to reductions in FSM eligibility.

### 6.2 Sixth Form Funding

The Spending Review settlement resulted in protected 16-19 funding for 2016/17 and the base rate maintained at £4,000 for full time students aged 16-17 years (£3,300 for 18 year olds).

School sixth forms will receive their 2016/17 indicative allocations (funding factors, lagged student numbers (including where relevant 16-25 high needs places), comparison with 2015/16 equivalent by the end of January 2016. This indicative allocation will be sent directly to schools and will appear on the 'EFA Info Exchange' portal. Similarly to last year the Education Funding Agency (EFA) will set a deadline in April to receive business cases where exceptional circumstances have effected their 2016/17 indicative allocation.

Considerations will be given to:

- Cases affecting lagged student numbers, 5% of students or a minimum of 50 students, whichever is lower
- Full time/part time split and other funding factors - overall impact of 5% on total funding or £250,000, whichever is lower, and
- other cases not covered above, reviewed individually

Formula Protection Funding (FPF) introduced in 2013/14 to protect funding per learner reductions (resulting from the introduction of funding per student calculation) will be phased out over the next 6 academic years (final year of FPF will be 2020/2021). EFA will detail mechanism for phasing out FPF on their website by end of January 2016.