

CABINET	AGENDA ITEM No. 6
16 JANUARY 2017	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Resources	
Contact Officer(s):	Steve Whitley, Schools Finance Manager	Tel. 864101

SCHOOLS BUDGETS

R E C O M M E N D A T I O N S	
FROM : Head of Schools & Setting Finance	Deadline date : 20 January 2017
It is recommended that Cabinet:	
<ol style="list-style-type: none"> 1. Approves the 2017/18 draft budget proposals for schools; 2. Delegates authority for any minor adjustment to proposals to the Corporate Director Resources following the Government's publication of the final 2017/18 Dedicated Schools Grant (DSG) and Education Services Grant (ESG) arrangements; and 3. Notes the resultant pressures arising, and that the impact will be included in the phase 2 budget proposals. 	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Cabinet to meet political approval requirements detailed in the "Schools revenue funding 2017 to 2018 Operational guide".

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to provide cabinet with the schools budget proposals for the financial year 2017/18 detailing the basis for the allocation of budgets to schools and identify pressures resulting from government policy.
- 2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.7 "To be responsible for the Council's overall budget and determine action required to ensure that the overall budget remains with the total cash limit."
- 2.3 Suspension of call-in procedures have been invoked in relation to this decision, as set out in the Council's constitution at Part 4, Section 8 (10.22). This is with the agreement of the Chairman of the Growth, Environment and Resources Scrutiny Committee and the Monitoring Officer. This has been granted as school budget returns have to be submitted to Department for Education (DfE) by 20 January, and the late release of guidance from DfE has not allowed the issue to be brought forward to an earlier Cabinet meeting.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
---	-----------	---	------------

4. SCHOOLS BUDGETS

4.1 Schools Funding Allocations

- 4.1.1 Funding for all mainstream schools is provided directly through a specific grant called the Dedicated Schools Grant (DSG) and is driven by the number of pupils recorded on the school census in October 2016. The majority of this grant is delegated directly to schools, approximately £146.7M, but some is held centrally and spent on education and children's services across the city.
- 4.1.2 The estimated schools block DSG for 2017/18 is £149.5 million based 32,331 pupils multiplied by the Schools Block Unit of Funding (SBUF) £4,627.01. Final confirmed allocations have not yet been published by the DfE.
- 4.1.3 A national funding formula, which is adjusted for local circumstances, is used to allocate funding to schools from the schools block. Each year Peterborough Schools Forum (consisting of head teachers, school governor representatives and early year's providers) are consulted on how this funding is allocated. As part of the consultation with Peterborough Schools Forum the funding formula is benchmarked against our statistical neighbours for comparison purposes prior to the funding formula being set.
- 4.1.4 Once individual schools budgets are set, the funding for academies is returned to the Education Funding Agency (EFA) through a process called recoupment and the Council passes on the funding to local authority maintained schools.
- 4.1.5 The distribution of funding to mainstream schools will be on the same basis as the 2016/17 local formula other than the following changes:
- Data for individual schools to be updated to reflect changes in overall pupil numbers to be funded based the October 2016 schools census.
 - Changes in qualifying pupils for deprivation, prior-attainment, English as an Additional Language (EAL), Looked After Children (LAC) to be applied based on revised datasets from the DfE.
 - Business Rates and Public Finance Initiative (PFI) funding amounts to be adjusted to reflect latest estimates.
 - The final Basic Entitlement per pupil values will be adjusted based on the total available funding remaining after all other factors have been calculated.
- 4.1.6 The factors used in the funding formula are prescribed nationally by the DfE and each local authority must decide, in consultation with its Schools Forum, whether to include or exclude the factors from its funding formula with the exception of the basic entitlement and deprivation factors which are mandatory. The table below provides a summary of the proposed schools funding formula for 2017-18.

Factor	Description	Banding	Funding Rates
Basic Entitlement	This is a mandatory factor. An allocation must be made for each pupil recorded on the schools October census. There are three separate rates: primary school pupils, key stage 3 pupils and key stage 4 pupils.	Primary	£2,880
		KS3	£3,978
		KS4	£4,667
Deprivation	<p>This is a mandatory factor. Deprivation is funded in two ways: Free Schools Meals (FSM) and Income Deprivation Affecting Children Index (IDACI).</p> <p>FSM: The school will receive an allocation for each pupil recorded on the October census who is entitled to a FSM.</p> <p>IDACI: IDACI is an index calculated by the Office of the Deputy Prime Minister and measures in a local area the proportion of children under the age of 16 that live in low income households. The local areas for which the index is calculated are known as super output areas. Each child's postcode, from the October census, is mapped to a super output area which generates the deprivation indices. The indices are grouped into 7 bands with band G representing the least deprived and band A representing the most deprived. The school receives an allocation of funding dependant on the number of pupils in each banding.</p>	Pri FSM	£382
		Sec FSM	£650
		Pri IDACI G	£0
		Pri IDACI F	£142
		Pri IDACI E	£235
		Pri IDACI D	£335
		Pri IDACI C	£435
		Pri IDACI B	£534
		Pri IDACI A	£634
		Sec IDACI G	£0
		Sec IDACI F	£388
		Sec IDACI E	£492
		Sec IDACI D	£596
		Sec IDACI C	£700
Sec IDACI B	£804		
Sec IDACI A	£907		

Factor	Description	Banding	Funding Rates
Looked After Children (LAC)	An allocation is provided for each LAC recorded in the October data set provided by the EFA.	Pri LAC Sec LAC	£590 £590
English as an Additional Language (EAL)	Pupils attract EAL funding if they have English as an Additional Language and have been in the education system for less than three years. The school will receive funding for each pupil on the October census which meets this criteria.	Pri EAL	£553
		Sec EAL	£1,384
Low Prior Attainment (LPA)	<p>This allocation is driven by prior attainment. For primary schools an allocation is made for the number of pupils in national curriculum years 5 to 6 who achieved fewer than 78 points and pupils in year 1 to 4 who did not achieve a good level of development in the Early Years Foundation Stage Profile. For secondary schools an allocation is made for:</p> <ul style="list-style-type: none"> For pupils assessed at KS2 up to 2011, eligible pupils are those who did not reach level 4 in either the English or Maths elements. For pupils assessed from 2011, eligible pupils are those who did not reach level 4 in any of the reading test, teacher assessed writing, or Maths. This reflects the new KS2 English assessment methodology which was introduced in 2012, to include separately a reading test and teacher assessed writing. 	Pri LPA	£733
		Sec LPA	£1,187
Lump Sum	The lump sum allocation is a fixed amount for each school and is a contribution towards the schools fixed costs. The allocation per school is £150,000.		
Split Sites	<p>The split site is allocated to those schools who:</p> <ul style="list-style-type: none"> Operate more than one phase (Primary / Secondary). The second phase is run from a separate building. Dedicated management structure for additional phase. <p>Purpose of this factor:</p> <ul style="list-style-type: none"> Meet the fixed costs associated with operation of an additional building/site. Meet the management costs of operating a second phase (primary/secondary) from the additional building/site. <p>The allocation to each school with a split site is £100,000.</p>		
Business Rates	Funding is provided to primary and secondary schools to cover the actual costs incurred for business rates. The funding is estimated at the beginning of the year and adjusted during the year based on the actual cost.		

Factor	Description	Banding	Funding Rates
Private Finance Initiative	The secondary schools which are part of the 2007-08 PFI project receive funding based on the schools pupil numbers multiplied by a unit value of £302. This allocation is to meet the affordability gap on the original PFI project and is paid back to the LA		
Minimum Funding Guarantee (MFG)	This is a national calculation to ensure that schools budgets (qualifying factors only) do not decrease by more than -1.5% per pupil in comparison to their previous years allocations. If the schools budget fall below -1.5% per pupil they receive a top-up through this factor to uplift their new year budget allocation to the required level.		

4.1.7 Government are currently consulting on the introduction of a Schools National Funding Formula to be implemented in 2018/19. With this in mind we have aimed to keep changes to minimum for 2017/18. However, there are have been two significant national changes made to the funding formula for 2017-18:

- Part of the deprivation factor uses income deprivation affecting children index (IDACI) data to measure how deprived the schools cohort is and allocate funding accordingly. The IDACI data is driven by children's post codes and the English Deprivation Indices produced by the Department for Communities and Local Government. The English Deprivation Indices are updated every five years with the most recent update being published in September 2015. The changes to the English Deprivation Indices resulted in some significant movement of pupils to less deprived bands in 2016/17. Following concerns raised by schools and local authorities Government amended the bandings to reverse the unintended movement experienced 2016/17.
- The 2016 KS2 assessments are the first which assess the new, more challenging national curriculum. At a national level, a higher number of the year 7 cohort in financial year 2017/8 will be identified as having low prior attainment. Government have applied a national weighting to ensure that the cohort does not have disproportionate effect on the number of pupils qualifying for attainment funding.

4.1.8 On the 16 December 2016 Peterborough Schools Forum was consulted on the provisional allocation of the schools block and fully supported the proposals. Schools Forum will be consulted on final arrangements on the 18 January 2017 and the agreed schools budget proposals will be submitted to the Education Funding Agency (EFA) on the 20 January 2017 for approval. This final deadline is one imposed by the EFA. Given the late release of guidance to finalise schools budgets, it has not proved possible to bring the proposals to an earlier cycle of Cabinet and Schools Forum meetings.

4.1.9 Allocations contained in this reported are based on estimates of the schools block of the DSG. Final allocations are expected to be published shortly. Following the publication of the final schools block DSG it may be necessary to make some minor amendments to the unit values attached to the schools funding formula. In view of the timelines it is recommended that authority is delegated to the Corporate Director of Resources to approve any minor adjustments to the proposals detailed in this report.

4.2 Education Services Grant (ESG) & Dedicated Schools Grant (DSG) Pressures

4.2.1 The ESG allocation to local authorities is made up of two rates:

- The retained funding rate which provides funding to local authorities to enable them to fulfil the statutory duties they hold for both maintained schools and academies.
- The general funding rate which provides funding to local authorities to enable them to fulfil the statutory duties they hold for just maintained schools.

4.2.2 In the 2015 Spending Review Government announced £600m of saving to the ESG general funding rate by 2019 to 2020. In July 2016 government confirmed that from September 2017 the general funding rate (£1.68M for Peterborough) will cease to continue. Transitional funding arrangements (yet to be announced) will be put in place for the period of April 2017 - August 2017. The retained rate of the ESG (£529k) will transfer into the schools block of the Dedicated Schools Grant (DSG) from April 2017.

4.2.3 Following changes to the Schools and Early Years Finance Regulations local authorities will be able to top-slice and de-delegate funding (with Schools Forum approval) for those statutory duties previously funded through the ESG which it continues to retain for both maintained schools and academies. The current statutory duties funded by the ESG are bulleted below:

- Therapies and other health related services
- Central support services
- Education welfare services
- School improvement
- Asset management – education
- Statutory/ regulatory duties
- Premature retirement costs/ redundancy costs (new provisions)
- Monitoring national curriculum assessment

4.2.4 Government changes to the ESG will create an estimated pressure of £1M in 2017/18. The table in 4.2.6 provides a breakdown of those pressures.

4.2.5 The Schools and Early Years Finance Regulations govern how the DSG can be spent to support education. Following a review of the current spend and the Schools and Early Years Finance Regulations pressures have been identified. There is currently an assumption that a proportion (£0.5m) of the overheads is charged to Peoples and Communities are offset against the high needs block of the DSG. Following a review of the Schools and Early Years Finance Regulations this level of overheads can no longer be charged to the high needs block of the DSG.

These changes create a £0.5M pressure on the general fund. The table in 4.2.6 provides a breakdown of those pressures.

4.2.6 The tables below provides a summary of the possible pressures for 2017/18.

Area	Description	Amount	Notes
Dedicated Schools Grant (DSG)	Overheads no longer charged to DSG.	£0.5M	This is also a pressure in 2016/17.
Total pressure from DSG		£0.5M	

Area	Description	Amount	Notes
Education Services Grant (ESG)	Removal of ESG	£2.21M	WEF April 2017 the retained element (£529k) of the ESG will transfer into the Schools Block of the DSG and the general funding element (£1.7M) will cease.
	Estimated ESG transitional funding arrangements.	-£0.45M	ESG transitional protection arrangements have not yet been published for April 2017 – August 2017. However there has been an indication that the protection level will be set at £20 per pupil.
	Top-slice schools block for the retained ESG funding.	-£0.53M	Retained ESG funding for the LA statutory duties it holds for all schools will transfer into the schools block of the DSG in April 2017. Finance regulations have been updated by Government to allow LA's to top-slice this funding with Schools Forum approval. Early discussions with Schools Forum in December 2016 have indicated that approval will be given. A paper will be presented to Schools Forum on the 18 th January 2017 for approval.
	Estimated de-delegation income.	-£0.23M	Finance regulations have been updated by Government to allow LA's to de-delegate funding for the statutory duties it holds for just maintained primary and secondary schools. A paper will be presented to Schools Forum on the 18 th January 2017 for approval.
Total pressure from ESG		£1.00M	

5. CONSULTATION

- 5.1 Schools Forum, a consultative body consisting of head teachers, school governor representatives and early year's providers, was consulted on draft proposals on the 16 December 2016.
- 5.2 Final proposals will be presented to Schools Forum on the 18 January 2017.

6. ANTICIPATED OUTCOMES

It is anticipated that Cabinet will approve the 2017/18 draft budget proposals for schools and delegates authority for any minor adjustment to proposals to the Corporate Director Resources.

7. REASONS FOR RECOMMENDATIONS

- 7.1 Cabinet has a statutory duty to agree schools budgets each year.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 Cabinet has a statutory duty to agree schools budgets each year. It could consider using alternative approaches to allocating funding through the formula, however schools forum has been consulted on the approach recommended.

9. IMPLICATIONS

- 9.1 The report detail includes the information on the financial implications for the Council. This is a pressure of £1m arising from the removal of the ESG (less actions to mitigate) plus a

pressure of £0.5m arising from the inability to continue to charge overheads to the DSG. The resultant pressures will need to be fed into the Councils Phase 2 budget proposals.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- Schools and Early Years Finance Regulation
- Schools revenue funding 2017 to 2018 Operational guide.