

**HERTFORDSHIRE COUNTY COUNCIL  
SCHOOLS FORUM**

**14 January 2015**

**Agenda Item**

**2**

**SCHOOLS BUDGET 2015-16**

*Report of the Director of Children's Services*

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**1. Purpose**

- 1.1 To seek the support of the Forum for the 2015-16 Schools Budget proposals.

**2. Summary**

- 2.1 This paper covers the issues relating to the 2015-16 Schools Budget and in particular the following areas:-

- The 2015-16 DSG announcement;
- The budget pressures, savings and additional responsibilities;
- The deployment of funding from the DSG carry forward.

**3. Recommendations**

- 3.1 The Forum is asked to support the budget proposals.
- 3.2 The Forum is asked to agree the change to central budgets outlined in Section 13.

**4. Background**

- 4.1 Previous reports on the 2015-16 Schools Budget, were considered at the October and November Forum meetings. The DfE has now announced the 2015-16 Dedicated Schools Grant (DSG) and also the data to be used to calculate 2015-16 budget shares for primary and secondary schools and academies, under the school funding formula. This, together with the updated information on budget pressures and savings, enables decisions to be made regarding the Schools Budget for 2015-16.

4.2 Information on primary and secondary budget shares for 2015-16 has to be submitted to the DfE by 20 January 2015. In order for this to be provided on schedule, it is necessary for detailed decisions to be made at this point about the Schools Block of the 2015-16 Schools Budget.

## 5. Dedicated Schools Grant Announcement 2015-16

5.1 The 2015-16 DSG was announced just before Christmas.

5.2 The 2015-16 DSG is as follows; subject to future adjustments to the schools block in respect of free schools and to the early years block to take account of census data during 2015-16:-

	£m
Schools Block (157,427 pupils @ £4,384.39 per pupil)	690.221
Adjustment re NQTs	0.236
Adjustment re Free Schools:	
- based on October 2014 census	7.739
- estimated further adjustment in respect of pupil number increases in September 2015	1.300
Early Years Block (11,670 FTE pupils @ £4,596.16 per pupil)	53.637
Estimated EY Block allocation re 2 year olds	8.700
Estimated Early Years Pupil Premium	0.703
High Needs Block	95.977
<b>Total</b>	<b>858.513</b>

The figures include the funding for academies and post-16 high needs places in schools. However, they exclude the per place funding for post-16 high needs places in colleges, which is paid directly to institutions. DSG is not ring-fenced within the three blocks.

### 5.3 Schools Block

This includes the £11.3m allocated to Hertfordshire through the Minimum Funding Level exercise and an allocation in respect of free schools. Free schools are incorporated in the DSG funding arrangements for the first time in 2015-16.

There will be an increase in the free school allocation to reflect the additional cohort in free schools from September 2015. This will be announced in March and will be based on data submitted by the Authority on the January 2015 budget share proforma. It is not clear precisely how this adjustment will be calculated.

#### 5.4 Early Years Block

The DSG includes an additional allocation in respect of the new Early Years Pupil Premium. The DSG allocation for 2 year olds has not yet been announced and an estimate is included in the figures above based on the hourly rate announced by the DfE. Unlike in 2014-15 DSG for 2 year olds in 2015-16 will be based on actual take up. Budgeted spend on 2 year olds has been set to equal the estimate of DSG.

The Early Years Block will be recalculated in year as follows:

- For 3 and 4 year olds, to take account of early years pupil numbers in the January 2015 and January 2016 censuses;
- For 2 year olds, to take account of pupil numbers in the January 2015, Autumn 2015 and January 2016 censuses;
- For the Early Years Pupil Premium to reflect data from the Autumn Term 2015.

#### 5.5 High Needs Block

The high needs block has been increased by £1.2m above the 2014-15 allocation. This is the result of:

- a) a general distribution of additional resource by the DfE: £1.0m;
- b) an allocation re place changes (mostly in respect of the full year effect of 2014/15 changes): £0.2m.

### 6. Overview of Schools Budget

6.1 Annex A gives an overview of the budget showing additional responsibilities, pressures and savings. Table 1 provides a summary.

Table 1 Schools Budget 2015-16	£m
Schools Budget 2014-15 as per S251	837.491
Less one-off use of carry forward re LSUs, early years, f/t pupils and special schools DSPL funding	(1.223)
Schools Budget 2014-15 (excluding one off carry forward)	836.268
Changes in Responsibilities	9.453
Pressures	24.714
Savings	(2.527)
Total	867.908

The sections below give details of each budget item listed in Annex A. These include changes since the position considered at the November Forum meeting.

## **7. Changes in Responsibilities**

### **7.1 Free Schools**

The funding for free schools has previously operated completely outside of the DSG. The DfE has decided to incorporate free schools into the DSG and the Schools budget from 2015-16. There has been an increase in DSG to reflect this, which is based on:

- October 2014 pupil numbers in free schools;
- other funding data, such as rates payable, held by the EFA;
- the unit funding rates from Hertfordshire's 2014-15 funding formula.

The DSG allocation for free schools will be increased to reflect an estimate of their additional pupils in September 2015.

The figure shown in Annex A represents the estimated cost of the budget shares of free schools in 2015-16. There is a slight variation between this and the extra DSG for free schools due to differences with some of the other funding data used by the DfE in the DSG calculation.

### **7.2 Early Years Pupil Premium**

This is being introduced nationally from April 2015 and additional funding has been provided in the DSG.

### **7.3 Delegation of Revenue Budget for Capital Maintenance**

DfE regulations require the Authority to delegate to schools the remaining centrally held revenue budget for capital maintenance, except any budget required to fund pre-existing commitments.

### **7.4 Primary Support Bases (PSBs)**

There is a transfer of resource to the schools block from the high needs block to reflect changes to the funding arrangements of PSBs. PSBs are no longer funded on a per place based system and as a result funded pupil numbers at schools with PSBs will no longer be reduced by the number of PSB places.

## **8. Pressures**

### **8.1 Demography**

This constitutes the impact of increases in pupil numbers on Age Weighted Pupil Unit (AWPU) and other pupil led funding in the schools and early years budget shares. The pupil numbers for primary and secondary schools and academies used in the calculation have been updated with the Autumn term 2014 census data.

## 8.2 Inflation on Pay and Prices

The inflation assumptions made are the same as for the rest of the County Council's budget and comprise a general 1% increase in pay and prices. In addition there is an extra 0.5% increase in the budget for local government staff (to reflect the pay award which includes a differential uplift for the lowest paid) and specific inflation rates for building maintenance and utilities. (Rates are shown under a separate heading).

## 8.3 Teachers' Pension Scheme

The rate of employers' oncost in respect of the Teachers' Pension Scheme will increase from 14.1% to 16.4% from September 2015. The budget pressure shown represents the part year effect of this pressure, covering the period September 2015 to March 2016.

## 8.4 Rates

There is an estimated increase in schools rates costs.

## 8.5 Shortfall in funding of Early Years Pupil Premium (EYPP)

The DfE has announced that DSG funding for the EYPP will be based on data from the Autumn Term. This is when early years pupil numbers are at their lowest due to the single admission to reception in September. The DSG adjustment is therefore not expected to be sufficient to fund the EYPP and a budget pressure has been included for the estimated shortfall.

## 8.6 Special School Top Ups

There are projected to be increases in pupil numbers at higher needs schools, partially offset by reductions in pupil numbers at other special schools. Overall, this results in an increase in the amount of pupil level top up funding required.

## 8.7 Special Schools Transitional Protection

The expected changes to the special schools funding formula, in order to update and simplify it, will result in transitional protection under the MFG.

## 8.8 Minimum Funding Guarantee

Certain schools have a high rate of MFG protection per pupil as a result of having received falling rolls protection funding in 2012-13, the last year of operation of the Authority's own formula. When pupil numbers at such schools increase, there is a disproportionate increase in MFG protection. The DfE has rejected an application by the Authority to adjust the MFG rate per pupil in such cases, due to issues with calculating grants for academies.

## 8.9 Growth Fund Increase

There is a pressure of £350k to fund an additional element of the Growth Fund which is being introduced in 2015-16. This comprises a £7k lump sum allocation to schools taking a bulge class for the first time in order to fund the purchase of equipment and resources as the cohort moves through the school.

## 8.10 Falling Rolls Fund

The School Funding Consultation for 2015-16 included a proposal to establish a fund for primary schools with falling rolls in areas of demographic growth. The cost of this fund is estimated at £180k in 2015-16. In addition there is a £60k increase in the equivalent fund for secondary schools, relating to projected reductions in MFG protection at eligible schools.

## 8.11 Licenses

The DfE has indicated that there will be an increase in 2015-16 of approximately 2/3 in the charge for DfE arranged licenses. This is due to the inclusion of four new licenses, the general rise in pupil numbers, and the inclusion of free schools and nursery schools in the arrangements for the first time.

# 9. **Savings**

## 9.1 2 Year Old – Provision

Due to eligible children not taking up their full entitlement of hours, there is expected to be a saving in the budget for 2 year olds provision. This is entirely offset by a reduction in the DSG for 2 year olds because, in 2015-16, DSG will be calculated based on actual take up.

## 9.2 2 Year Old – Central Budgets

As the roll-out of the two year old provision reaches completion there will be savings in the budgets for capacity building and qualifications

## 9.3 Amalgamations

There is a saving in lump sum funding following the amalgamation of Peartree Spring Infant and Junior Schools.

## 9.4 Change to London Fringe uplift

The DfE has slightly reduced the level of London fringe uplift in the primary and secondary funding formula from 1.63% to 1.56%, to reflect the latest data on teachers' pay.

## **10. Uncertainties/Risks**

There are a number of uncertainties/risks in respect of the 2015-16 budget at this stage, in particular:

- the in year re-calculation of all elements of the DSG early years block;
- the calculation of the final DSG adjustment in respect of free schools;
- the final charge for DfE arranged licences;
- clarification of the adjustment to the high needs block in respect of the change to funding post 16 high needs places based on their location, rather than based on the home area of the pupil;
- several data issues, in particular with regard to free schools;
- the DfE response next year to MFG exception requests for 2016-17;
- the process for determining changes to funded place numbers in special schools, which may require an overall increase in the number of funded places.

## **11. Use of DSG Carry Forward**

11.1 The Forum has previously agreed the budget strategy for 2015-16 of using an element of the DSG carry forward to fund the identified budget pressures across all sectors. At the November meeting the Forum supported the approach that the additional funding in respect of the pressures should be distributed in the primary and secondary funding formula through the AWPUs.

11.2 It is anticipated that DSG carry forward will continue to be used to support the Schools Budget in 2016-17, but that the amount is likely to reduce from the 2015-16 level. Thus an element of the carry forward being used in 2015-16 is a one off. Following discussions with several other authorities Hertfordshire has applied for and been granted by the DfE a MFG exception to exclude a portion (£3m) of the carried forward being used in 2015-16 from the 2015-16 MFG calculation. This does not resolve the issue of carry forward forming part of the MFG baseline in future years and in fact slightly increases the budget shares of schools on MFG protection in 2015-16. However, there is some evidence that, having acknowledged that funding is outside the MFG in one year the DfE may agree to exclude it from the MFG in the next. This would prevent this element of the carry forward forming part of the MFG baseline for future years.

## **12. Capping schools gaining in the school funding formula**

12.1 An element of the resource required to fund the MFG is being provided through the use of a cap on gains. It is a DfE requirement that a single capping percentage is applied across both primary and secondary sectors and the cap was set at 3.335% in 2014-15.

12.2 It is proposed to set the cap for 2015-16 such that the cost of the MFG protection (net of capping) in 2015-16 is equivalent to:

the cost of MFG protection (net of capping) in 2014-15,  
PLUS

the budget pressure in respect of the increase in MFG protection in respect  
of falling rolls protection,  
PLUS

the amount of sparsity funding in 2014-15 which has ceased in 2015-16 and  
on which the affected schools are now being protected under the MFG.

The new capping percentage would therefore be 5.352%.

12.3 If there are any changes in the cost of MFG protection resulting from the finalisation of budget share data, the capping percentage will be adjusted such that the net cost of protection/capping remains the same as currently budgeted.

### **13. Central Budgets**

The central budgets were agreed by the Forum in November. However, in the light of recent developments, the Forum is now asked to agree the following change:

➤ DfE Arranged Licenses – 2015-16 Central Budget: £867k.

The Forum is asked to agree an increase in this budget to reflect the higher charge that the Authority has been notified of by the DfE. The DfE has only provided an estimate rather than a final figure for its 2015-16 licenses charge. The budget is based on this estimate and represents a two thirds increase on the final charge of £520k in 2014-15.

A listing of the 2015-16 schools block central budgets is shown in Annex A. (In addition the Forum agreed at the November meeting a central budget of £847k for capital expenditure from the revenue account in respect of previously committed capital maintenance projects which will be delivered in 2015-16. This will be funded by the carry forward of the budget for these projects from 2014-15.)

### **14. Sector Specific Budget Bids**

14.1 It was indicated at the November Forum that in view of the pattern of expenditure compared to each of the three DSG blocks (schools, early years and high needs) it was only proposed to consider budget bids in respect of high needs and early years.

14.2 The Early Years budget has increased and now slightly exceeds its DSG block due to a revised demography figure and due to the unfunded element



of the EYPP. However, only a small variation in pupil numbers would change this position and it is proposed to defer consideration of early years' budget bids to the February meeting when early data from the January 2015 census will be available.

- 14.3 Regarding the high needs budget, the new pressures regarding projected increases in special school top ups and transitional protection total £800k (approximately 2% of the special schools budget). These two items have been included as pressures although it would have been possible to fund at least part of them differently – for example by reducing the vacancy uplift element of the top up and capping schools gaining from the funding formula. There is significant uncertainty around special schools' funded place numbers due to schools not being willing to take reductions, leading to an imbalance between schools with surplus places and those requiring additional places. An update on this will be provided at the February meeting.

## **15. Conclusion**

- 15.1 It is necessary to finalise the Schools Budget in order to prepare the information on the primary and secondary funding formula which the DfE requires later in January.
- 15.2 The Forum is asked to agree the recommendations in section 3.

## Annex A

## Schools Budget 2015-16

	Para.	Schools Block			Early Years Block £000s	High Needs Block £000s	Total £000s
		Budget Shares £000s	Central Budgets £000s	Total £000s			
<b>2014-15 Schools Budget as per S251 (excluding carry forwards re LSUs, EY f/t places and special schools DSPL)</b>		<b>667,995</b>	<b>13,164</b>	<b>681,159</b>	<b>62,113</b>	<b>92,996</b>	<b>836,268</b>
<b>Changes in Responsibilities</b>							
Free Schools	7.1	8,750		8,750			8,750
Early Years Pupil Premium	7.2				703		703
Delegation of CERA	7.3	4,096	(4,224)	(128)		128	0
Primary Support Bases	7.4	161		161		(161)	0
<b>Pressures</b>							
Demography	8.1	6,418		6,418	1,631		8,049
Inflation on Pay and Prices	8.2	7,988		7,988	714	1,337	10,039
Teachers' Pension Scheme	8.3	3,595		3,595	170	267	4,032
Rates	8.4	120		120			120
Shortfall in funding of Early Years Pupil Premium	8.5				175		175
Special Schools Top Ups	8.6					600	600
Special Schools Transitional Protection	8.7					200	200
Minimum Funding Guarantee	8.8	678		678			678
Growth Fund Increase	8.9		350	350			350
Falling Rolls Fund	8.10		240	240			240
DFE Arranged Licenses	8.11		231	231			231
<b>Savings</b>							
2 Year Old – Provision	9.1				(1,655)		(1,655)
2 Year Old – Central Budgets	9.2				(469)		(469)
Amalgamations	9.3	(47)		(47)			(47)
Change to London fringe uplift	9.4	(356)		(356)			(356)
<b>Schools Budget 2015-16 including academies</b>		<b>699,398</b>	<b>9,761</b>	<b>709,159</b>	<b>63,382</b>	<b>95,367</b>	<b>867,908</b>
<b>Estimated DSG 2015-16</b>				<b>699,496</b>	<b>63,040</b>	<b>95,977</b>	<b>858,513</b>
<b>Use of Carry Forward DSG 2015-16</b>							<b>9,395</b>
<b>Total Estimated DSG deployed</b>							<b>867,908</b>

### Breakdown of Schools Block

	£000s	£000
Primary and Secondary budget shares	699,398	
Central Budgets		
Admissions and Appeals		1,997
Combined Services		
- Family Support Workers		1,141
- Lead Adviser to the Virtual School		78
Miscellaneous		
- School Workforce Census		14
- Education of Children in Residential Care		61
Servicing of Schools Forum		40
Boarding Pathfinder		52
DfE arranged licenses		867
Growth Fund		
- Additional Places		4,350
- Infant Class Size Protection		521
Falling Rolls Fund		640
Total	699,398	9,761