

Regulatory and Other Committee

NAME OF COMMITTEE:	Lincolnshire Schools Forum
DATE OF MEETING:	13 January 2016
SUBJECT:	School Funding Arrangements 2016/17
REPORT BY:	Mark Popplewell (Head of Finance – Children's Services)
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IS THE REPORT EXEMPT?	No
IS REPORT CONFIDENTIAL?	No

SUMMARY

The purposes of this report are to:

1. brief the Schools Forum on school funding arrangements for 2016/17; and
2. seek support for the Local Authority's (LA) proposals relating to a number of centrally held budgets.

DISCUSSION

Background

The government is not planning to make any changes to the school funding arrangements for mainstream schools in 2016/17. The government's direction of travel is to introduce a national fair funding formula. Should this policy be introduced by government, it seems likely that change will have to be phased over a period of several years. It appears unlikely that additional funding will be made available to bring the least well-funded up to the level of the highest funded LAs. So, a potential redistribution of funding will almost certainly require adequate protection arrangements to apply, perhaps through the use of 'floors' and 'ceilings'. As LA Dedicated Schools Grant (DSG) per pupil funding varies from c.£4,000 to c.£7,000. To maintain stability, it is likely that greater equalisation could take a few years.

Nevertheless, at the meeting of the Schools Forum on 22nd April 2015, the LA received support to invest in a behavioural outreach support service to provide a range of early intervention activities; preventions and support for Schools, Families and to the pupils experiencing social, emotional and behavioural difficulties in order to try and reduce the costs in exclusions which is rising. Lincolnshire's DSG does not have the financial capacity to meet the investment of £1.3m required; therefore support was received to meet this funding requirement by reducing mainstream schools Age Weighted Pupil Units (AWPUs). The October 2015 submitted DfE Authority Proforma Tool (APT) outlining Lincolnshire's mainstream schools funding formula for 2016/17 identified a reduction in AWPUs by 0.5% to fund this service, which equates to a per pupil reduction of £13.25 for the primary sector, and for Key Stage 3 and 4, this is a £18.08 and £22.25 reduction respectively. The AWPU funding reduction will be confirmed following the completion of the January 2016 APT that details the schools 2016/17 budget shares. It is important that the service successfully reduces exclusions or further school reductions could be necessary.

The LA is currently undertaking a review of Lincolnshire's special school funding formula; special unit provision, and alternative provision arrangements.

Since the 7th October 2015 Schools Forum meeting, the LA has:

1. Completed and submitted the DfE's APT reflecting the changes to AWPU funding for mainstream schools (31st October 2015).
2. Requested and received DfE approval for the one-off allocation made in 2015/16 from the 2014/15 DSG underspend to be excluded from future calculations of the Minimum Funding Guarantee (MFG) to ensure this one-off funding is not locked into the guarantee. No future one-off funding allocations are planned.
3. Submitted a high needs return to the DfE for places in academies (special and mainstream schools); FE institutions, and non-maintained special schools for the 2016/17 academic year (16th November 2015) following a consultation exercise.
4. Reviewed the DfE's 17th December 2015 announcement on DSG block allocations for 2016/17.
5. Reviewed and proposed provisional DSG centrally held budgets for 2016/17, as set out in this report.

A significant amount of further work still remains up to 29th February 2016 before school budgets can be published.

School funding announcements

The information published by the DfE on 17th December 2015 can be found at:

https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2016-to-2017?utm_source=EFA%20e-bulletin&utm_medium=email&utm_campaign=e-bulletin&mxmroi=2305-31057-37259-0

The information confirms that the operation of the DSG will remain largely unchanged:

1. The DSG remains a ring-fenced grant that can only be used in accordance with the DfE's regulations.
2. The DSG will continue to be set out in three blocks: an early years block; a schools block, and; a higher needs block.
3. The schools block per pupil unit values for 2016/17 will be the same starting position as in 2015/16, subject to non-recoupment academy adjustments.
4. The MFG will continue to apply and will again be set at minus 1.5% per pupil for 2016/17. The MFG excludes sixth-form funding and academies Education Support Grant funding.
5. The schools block will continue to be based primarily on the preceding October census, but an uplift will be made to ensure that no LA loses out as a result of a child's deferred entry to reception.
6. The Early Years block will again be updated after the start of the financial year. For 2016/17, the block uses data from the January 2015 census, but this will be updated in 2016/17 for the

January 2016 census (5/12ths) and for the January 2017 census (7/12ths). The Early Years block funding will continue to be based on participation.

7. The Early Years block per pupil unit values; participation funding for 2 year olds from the most disadvantaged backgrounds, and the early years pupil premium for 2016/17 will remain at the same value as 2015/16.
8. The government have announced an additional £92.5m increase nationally in DSG high needs funding for 2016/17.
9. The LA's Chief Finance Officer will continue to be required to confirm that the DSG has been deployed in support of the Schools Budget. This duty will be discharged via the s.251 outturn statement and by appending a note to the LA's statements of account.

Education Support Grant announcement

The Chancellor announced in the autumn spending review that around £600m savings will be made from the Education Support Grant (ESG) including phasing out the additional funding academy schools receive through the ESG. The government is reviewing the LA's role in running schools and its statutory duties, and will consult on policy and funding proposals in 2016.

The ESG provides funding for the additional responsibilities that academies acquire upon conversion. The general funding rate will fall from £87 to £77 per pupil in 2016/17. The rates for alternative provision academies and special academies will fall to £288.75 and £327.25 per place respectively. The retained duties rate that LAs receive for all pupils (regardless of whether they are educated at maintained schools or academies), will remain unchanged at £15 per pupil.

The DfE still intends to converge the academies ESG rates with those used for LA's (e.g. £77 per pupil). The academies protection continues to be set in tapered bands, so that academies currently receiving relatively low ESG payments will not be allowed to see a fall of more than 1% of their total funding, while academies currently receiving relatively high ESG payments will be allowed to see a fall of more than 1% of their total funding (up to a maximum of 3%).

Further information on the ESG can be found at:

https://www.gov.uk/government/publications/education-services-grant-esg-2016-to-2017?utm_source=EFA%20e-bulletin&utm_medium=email&utm_campaign=e-bulletin&mxmroi=2305-31057-37261-0

Pupil premium announcement

The funding for the pupil premium in 2016/17 will be protected at the 2015/16 current rates, which are:

1. £1,320 per primary pupil who is currently eligible for free school meals (FSM) or has been eligible for FSM in the past 6 years.
2. £935 for secondary FSM 'Ever 6' pupils.
3. £1,900 for looked-after children. Eligibility criteria includes those pupils who: have been in care for one day or more; have been adopted from care, or; have left care under a special guardianship order, a residence order and a child arrangement order.
4. £300 per pupil for service premium.
5. £0.53 per hour early years pupil premium for each eligible three and four year old up to the full 570 hours of free education entitlement.

Further details are available at:

<https://www.gov.uk/guidance/pupil-premium-information-for-schools-and-alternative-provision-settings>

2016/17 DSG allocations

The DSG allocations announced by the DfE on 17th December 2015 are set out below.

Table 1: Lincolnshire's 2016/17 DSG block allocations

Block	Lincs £m	Lincs £ per pupil	England £ per pupil
Schools Block	403.477 ¹	4,374.31	4,636.42
Early Years block – 3 & 4 year old and Early Years Pupil Premium	24.761 ²	3,974.07	4,281.81
Early Years block – 2 year old	5.755	4,607.50	4,774.79
High Needs block	63.095 ³	n/a	n/a
Additions for non-block funding	0.134 ⁴	n/a	n/a
Total	497.222	n/a	n/a

It is clear from Table 1 that there remain significant differentials between Lincolnshire's per pupil funding rates and the national averages even allowing for last year's fairer funding allocation to Lincolnshire's schools block. Both the local and national per pupil rates for the early years block remain unchanged from last year.

Overall, Lincolnshire's DSG will increase by 1.05% in 2016/17.

DSG School Budgets 2016/17

As highlighted earlier in this report, the LA's main change to the 2016/17 mainstream schools funding formula relates to the planned 0.5% reduction in AWPU funding to fund the new behavioural outreach support service to provide a range of early intervention activities; preventions and support for Schools, Families and to the pupils experiencing social, emotional and behavioural difficulties.

The other proposed change to school funding relates to the DfE approval for the one-off allocation made in 2015/16 from the 2014/15 DSG underspend to be excluded from future calculations of the MFG to ensure this one-off funding is not locked into the guarantee.

At the time of writing this report, work is underway in calculating and checking the budget allocations to individual schools.

DSG Central budgets 2016/17

As stated in previous years, it is important that the LA takes a prudent approach to the setting of central budgets within the DSG. This is necessary because:

1. Since the 2013/14 school funding reforms, the LA has been able to retain far fewer budgets centrally and so there will inevitably be lower levels of underspendings in future years (as reported in the October 2015 Schools Forum meeting), and therefore less capacity to respond to any significant emerging issues.
2. There are a number of budgets that are difficult to estimate and control (e.g. SEN related budgets, including out of county placements and for post-16 students with higher needs, and; the demand led early years budget).
3. Under current DfE's regulations, for an overspending on the DSG to be written off in the following year, approval from the Schools Forum would be required. Any overspend situation would almost certainly result in reduced budgets for schools, since the LA would be unable to fund the DSG overspend from its non-DSG budgets which have and will continue to be

¹ This includes an upward adjustment to the schools block until value from £4,371.82 to incorporate the transfer of the non-recoupment academies within the schools block.

² This includes £0.472m indicative allocation for the early year's premium.

³ This includes a £1.142m share of the £92.5m additional funding provided nationally by government for the higher needs block.

⁴ As happened in 2015/16, this provides schools with a share of a £10.2m national sum and is to help them to fund the induction of newly qualified teachers.

subject to significant cuts in future years, in stark contrast to the 'cash flat' protection given by the government to the DSG.

The LA has conducted its annual review of the DSG central budgets. The following table summarises the most significant planned changes.

Table 2: Main changes proposed to DSG central budgets

Budget	Proposed change to the current budget Increase / (decrease) £	2016/17 Proposed budget £	Explanation
Places in independent schools for non-SEN pupils (Stamford Endowed schools)	(£0.224m)	£0.434m	The contract provides for a phased reduction in the number of places purchased. The final term of the contract is Summer 2018.
SEN Out of County	£0.890m	£8.180m	The continued increase in Out of County expenditure is largely as a result of the rise in the number of young people with Autistic Spectrum Disorders. The LA is working with special schools to develop a strategy and to provide provision in meeting their needs. The growing number of pupils that Lincolnshire's schools are unable to meet need is a worrying trajectory. The governments increase in high needs funding for LA's in 2016/17 will offset this year's budget pressure, however this upward trend cannot be sustained financially.

The DfE regulations contain a number of provisions in relation to the setting of central budgets within the DSG:

1. The Higher Needs block and central licences negotiated by the Secretary of State can be retained by the LA before allocating the DSG to school budgets. Schools Forum approval is not required.
2. Funding for significant pre-16 growth to meet basic need, and places in independent schools for non-SEN pupils can be retained centrally with the agreement of the Schools Forum.
3. Budgets for Admissions and servicing of the Schools Forum can be retained, but no increase in expenditure from 2012/13 levels is permitted. The Schools Forum is required to confirm the amount for each budget line.
4. Capital Expenditure from the Revenue Account (CERA) and termination of employment costs can be retained centrally. No new commitments or increase in expenditure above 2012/13 levels are permitted. The Schools Forum is required to confirm the amount for each budget line.

In light of these regulations, Table 3 below sets out the budgets requiring Schools Forum approval.

Table 3: Budgets requiring Schools Forum decisions

Budget	Key points	Proposed budget 2016/17 £
	<i>Under DfE regulations, the following budgets can be set at any monetary value.</i>	
Funding for significant pre-16 growth	<ul style="list-style-type: none"> • This budget is essential for the LA to fulfil its statutory duty to provide sufficient of school places for pupils. • There has been major pressure on reception places for the last five years and this looks set to continue. • Funding is allocated in accordance with the LA's policy. This is when, as part of its strategic planning of places, the LA needs to ask a school to take in additional pupils above its planned admission number (PAN) temporarily or permanently. • It will continue to be the case that funding could be allocated to maintained schools or academies. • The number of new school places required and their location is uncertain and difficult to predict. The circumstances and hence the costs will vary from school to school, therefore it is therefore important that a prudent budget is set. • DSG funding for increases to pupil numbers is lagged for LA's until the following financial year, therefore earmarked funding is required to meet this obligation. • The budget proposed for next year is the same as that set for 2015/16. 	£2.000m
Places in independent schools for non-SEN pupils (Stamford Endowed schools)	<ul style="list-style-type: none"> • This matter was referred to in Table 2. • The LA has a contractual agreement to purchase these places in Stamford. • The contract provides for a phased reduction over time in the number of places purchased. • The budget requirement is therefore due to decline by £0.224m next year and will continue to decline until the contract officially ends in August 2018. • Without this budget, the LA would be unable to meet its contractual liabilities and it would remain the LA's responsibility to make education provision for these young people. 	£0.434m
	<i>For the following items, LAs can propose budgets only up to the value committed in 2012/13</i>	
Broadband	<ul style="list-style-type: none"> • The budget continues to fund an aggregated broadband provision to all schools (including academies). • The budget proposed for next year is the same as that set for 2015/16. 	£1.617m

Admissions	<ul style="list-style-type: none"> • The LA has a statutory duty to operate the admissions arrangements in county schools. • Without this budget, the LA would be unable to fulfil its statutory duties. • The budget proposed for next year is the same as that set for 2015/16. 	£0.449m
Servicing of the Schools Forum	<ul style="list-style-type: none"> • Historically, the cost has been very modest. • Without this budget, the Schools Forum would find it difficult to operate effectively. • It is proposed that the same budget for 2015/16 is set for 2016/17. 	£0.020m
Central expenditure from revenue (CERA)	<ul style="list-style-type: none"> • This funds the costs of the capital investment made by the LA in schools over previous years, and the PFI contractual commitments for the seven schools built under PFI a decade ago. • Without this budget, the LA would be unable to finance the on-going costs of these historic, contractual commitments. It is proposed that the same budget for 2015/16 is set for 2016/17. 	£5.045m
Schools centrally funded termination of employment costs	<ul style="list-style-type: none"> • The bulk of the 2012/13 budget had to be delegated to all schools from 2013/14, but a commitment remained for the Redeployment officer who continues to help all schools avoid redundancy costs by redeploying staff in other schools wherever possible. • Without this funding, this post could not be retained and schools would probably pick-up significantly greater costs from redundancies than would otherwise be the case. 	£0.045m

The budgets proposed above are prudent and have been determined following a detailed review.

Some minor refinements to these budgets may be necessary in light of officers' on-going work, but material changes are not expected. In accordance with established practice, the LA will report to Schools Forum in April 2016 the final budgets for 2016/17, as set out in the s.251 budget statement which has to be published by 31 March 2016. Any material changes from the figures reported here will be communicated to the Schools Forum at that time.

Members from the relevant sections of the Schools Forum agreed the de-delegation of a number of budgets at its meeting on 7th October 2015. Those decisions will be reflected in the LA APT that will be submitted to the DfE in January 2016.

The financial outlook for schools, the Council and Children's Services

School budgets have been protected by the government over the last five years. The DSG has remained 'cash flat', but significant additional funding (£2.5bn) has been added via the pupil premium since its introduction in 2011/12.

The provisional local government finance settlement for 2016/17 was published for consultation on the 17th December 2015. The consultation runs until 15th January 2015. The overall funding position is worse than was predicted for Lincolnshire County Council on the basis of the recent autumn spending review. Indeed, that is the general position faced by all authorities in shire areas.

The significant (and annually increasing) variance between the expected funding and what is now being proposed is arising as a result of a change in the funding distribution model for adult care services away from shire counties and towards metropolitan areas and London Boroughs. There has

been no prior consultation on this highly significant change and no smoothing in of the impact between the losers and gainers.

The funding shortfall for 2016/17 prior to the approval of savings initiatives, the use of capital receipts or the use of one-off reserves is c.£65m, which will increase to c.£75m by 2019/20. Current spending levels of the Council are £0.440m, therefore a 17% reduction in spend is required over this four year period.

The situation for the Council obviously has a major bearing on Children’s Services budget. In the four year period 2010/11 to 2014/15, the Directorate has successfully delivered £30.367m of savings, and in 2015/16 Children's Services is on track to deliver £4.258m. Children's Services non-DSG budget for 2015/16 is £100.377m, and a significant proportion (c.45%) is children's social care.

The challenge of contributing to the Council’s savings target is much more difficult for Children’s Services in Lincolnshire, given that the home to school / college transport budget is significant (c.£25m p.a.) and much greater than almost all other LAs. Nevertheless, plans are being developed to contribute towards the Council’s savings targets.

In summary, the Council faces very significant financial challenges beyond 2015/16 and this is likely to have a major impact upon Children’s Services budgets in future years.

Next steps

Checks will be made against the DfE’s new School and Early Years Finance Regulations announced in December 2015, to ensure full compliance. The regulations apply to the 2016/17 financial year and will come into force on 7 January 2016.

The revised proforma for mainstream school budgets is due to be sent to the DfE by 21st January 2016. It will reflect the proposals reported to and supported by the Schools Forum on 7th October 2015.

Under the DfE regulations, the LA is required to publish mainstream (excluding sixth form funding) and special schools budgets by the 29th February 2016. The LA will however endeavour to publish all budgets as early as possible.

The LA will keep the school funding formula under review and will bring forward to Schools Forum any proposals for modifying the formula.

RECOMMENDATIONS

The Schools Forum is asked to:

- a. Note the content of the report.
- b. Support the LA’s proposals for the setting of the central budgets shown in Table 3 above.

BACKGROUND PAPERS			
The following reports were relied upon in the writing of this report.			
PAPER TYPE	TITLE	DATE	ACCESSIBILITY
Report	Outreach Support Service – Challenging Behaviour	22 nd April 2015	County Offices, Newland, Lincoln

Report	De-delegation of Maintained Primary School Budget 2016/17 and 2017/18	7 th October 2015	County Offices, Newland, Lincoln
Report	Revised Schools Budget 2015/16	7 th October 2015	County Offices, Newland, Lincoln
Report	Schools Revenue Funding 2016/17	7 th October 2015	County Offices, Newland, Lincoln

APPENDICES
None.

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