

SCHOOLS BUDGETS 2017/18: UPDATE

To: Cambridgeshire Schools Forum
 Date: 27th January 2017
 From: Martin Wade - Strategic Finance Manager (Children's & Schools)

1.0 INTRODUCTION

- 1.1 This report provides a summary update on the schools budget setting issues for consideration for 2017/18.
- 1.2 On the 20th December 2016 the Department for Education (DfE) published the Dedicated Schools Grant (DSG) Funding Settlement for 2017/18. Full details can be found on the DfE website at the following link:
<https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2017-to-2018>
- 1.3 The information below provides a summary of the main issues that will impact on the budget setting process.

2.0 DEDICATED SCHOOLS GRANT (DSG) ALLOCATION

- 2.1 As in previous years the initial DSG for 2017/18 is calculated on the basis of 3 notional blocks:
- Early Years Block – calculated based on all nursery age pupils (including estimate of extended entitlement)
 - Schools Block – calculated based on all pre-16 school age pupils
 - High Needs Block – based on historic spend on high needs pupils in school and FE Colleges (plus population uplift).
- 2.2 The table below shows the current estimated level of DSG to be received in 2017/18:

Schools Block DSG	£337,587,337
Total Estimated Schools Block	£337,587,337
3&4 YO Early Years Block -Universal	£25,532,143
3&4 YO Early Years Block - Extended Entitlement	£4,707,583
Indicative Early Years Pupil Premium	£311,190
2YO Early Years Block	£3,888,881
Disability Access Fund	£135,300
Maintained Nursery School Supplementary Funding	£1,307,032
Total Estimated Early Years Block	£35,882,129
<u>High Needs Block</u>	
16/17 HNB Baseline	£62,755,620
Population based uplift	£1,096,071
Population growth based uplift	£486,896
Total High Needs Block	£64,338,587
Total Estimated DSG*	£437,808,053

** Estimated DSG Pre Academy Recoupment and Pre adjustments for High Needs Place Funding.*

- 2.3 The total estimated Schools Block has increased by approximately £5.3m over 2016/17 levels due to the net increase in pre-16 pupil numbers. It must be noted however that this is not all “extra” funding, as the majority is required to meet the cost of educating the additional pupils already in schools. Equally the changes in pupil numbers at individual schools between the two census points can vary significantly and as such will impact on the funding allocations they will receive. However, based on the average per pupil funding rates of primary and secondary age pupils, and allowing for the required lumps sums to support the new schools opening in September 2017, there is approximately £1.1m of headroom. This will be used to support the growth in new schools through variations to pupil numbers and following Schools Forum approval to contribute towards the required increase in the centrally held Growth Fund from £2m to £2.5m.
- 2.4 As well as previous baseline adjustments for post-16 places in FE colleges, the initial High Needs Block to be received for 2017/18 has been uplifted by £130m nationally to reflect the actual 2-18 year old population and population growth. As a result of this uplift Cambridgeshire will receive an additional £1.58m which will offset the total £2.25m pressure discussed at the December meeting of Schools Forum.
- 2.5 Therefore the final amount to be transferred from the Schools Block will be £0.67m (£2.25m less the £1.58m uplift to be received from the DfE). This was approved by CYP Committee on 17th January.
- 2.6 As in previous years the DfE has agreed with the following agencies to purchase a single national licence to be managed by the DfE for all state-funded schools in England:
- Christian Copyright Licensing International (CCLI)
 - Copyright Licensing Agency (CLA)
 - Education Recording Agency (ERA)
 - Filmbank Distributors Ltd. (for the PVSL)
 - Mechanical Copyright Protection Society (MCPS)
 - Motion Picture Licensing Company (MPLC)
 - Newspaper Licensing Authority (NLA)
 - Performing Rights Society (PRS)
 - Phonographic Performance Limited (PPL)
 - Schools Printed Music Licence (SPML)

This means that local authorities and schools will no longer need to negotiate individual licences. These arrangements will cover recoupment Academies as well as maintained schools, and local authorities will be allowed to hold this money centrally rather than include it in school budgets. The overall cost has increased by approximately £10k over 2016/17 levels and final distribution totals have been adjusted to reflect this change.

3.0 FUNDING ALLOCATIONS

- 3.1 At the Children and Young People (CYP) Committee meeting on 17th January 2017 members endorsed the following approach to the allocation of additional Dedicated Schools Grant (DSG) funding to be received in 2017/18:
- 3.2 **Mainstream Schools** – Maintained and academy primary and secondary schools.

- a) Required demographic changes to be calculated based on:
 - i) Changes to overall numbers of schools.
 - ii) Changes in overall pupil numbers to be funded (including variations to pupil

numbers for new schools)
iii) Changes in overall cost of factors for deprivation, prior-attainment, English as an Additional Language (EAL), Looked after Children (LAC), based on updated datasets.

- b) Rates and Public Finance Initiative (PFI) to be adjusted to reflect latest estimates.
- c) No proposed changes to local funding factors other than:
 - i) Basic Entitlement to be adjusted based on total available funding (current ratios to be maintained)
 - ii) Increase in Split Site factor to reflect additional costs.
- d) Retained funding to be calculated as per Schools Forum agreement and allowable EFA mechanisms.
- e) Minimum funding guarantee (protection) will be dependent on individual school circumstances.

3.3 **Appendix A** shows the available local formula factors alongside the approved approach and unit values for 2017-18.

Please note: The Basic Entitlement figures have reduced by approximately -0.4% when compared to 2016/17 funding levels due to the total cost of other factors within the total available funding envelope. **Appendix B** shows the distribution of all formula factors and a comparison to 2016/17.

3.4 **High Needs Pupils** – Special Schools, Pupil with Statements or Education, Health & Care Plans (EHCP's) in maintained schools, academies or Post-16 providers – Top-Up funding rates to be held at 2016/17 levels based on individually assessed levels of need.

Commissioned places to be amended to reflect overall increase in required numbers at Special Schools and Post-16 providers.

4.0 OTHER CONSIDERATIONS

4.1 Education Services Grant –

As previously reported, in the 2015 Spending Review, the DfE announced a saving of £600 million by removing the Education Services Grant funding rate from 2017-18. Historically the ESG has been made up of two rates that funded two different groups of services:

- The retained duties rate has gone to Local Authorities (LA's) to fund services they provide to all schools, including academies.
- The general duties rate has gone to both LA's and academies to fund services authorities provide to maintained schools but which academies must provide themselves.

4.2 As part of the LA's Business Planning process a reduction in ESG totalling £1.8m has been factored into the overall levels of funding available and has therefore been managed as part of the overall savings requirement for the LA. The LA will receive transitional ESG funding from April 2017 to August 2017 with the general funding rate being removed from September 2017. This transitional funding will equate to approximately £1m (allowing for

anticipated academy conversions.)

- 4.3 At the meeting on the 14th December, Schools Forum members approved that the retained duties element (£15 per pupil) will be transferred from the DSG for all schools and £10 per pupil will be recovered from maintained schools to support the removal of the general duties funding for the 2017/18 budgets. This approval was subject to a full review of education functions being undertaken by the LA. Maintained schools will therefore see the £10 per pupil charge on a similar basis to de-delegations.

4.4 **Apprenticeship Levy**

The apprenticeship levy will impact on all UK employers with a pay bill of over £3 million per year. This includes maintained schools, academies and multi-academy trusts. The levy payable is equivalent to 0.5% of their payroll, but each employer will receive an annual allowance of £15,000 to offset against the required amount.

- 4.5 This means that employers with pay bills of £3 million and under will not pay any levy because 0.5% of £3 million is equal to the £15,000 allowance and an employer with a £5 million payroll would have to pay £10,000, which is their £25,000 charge at 0.5% of their payroll, minus the £15,000 allowance.
- 4.6 Latest guidance received from the LGA states that the liability for the levy depends on the type of maintained school:
- Community and Voluntary Controlled (VC) schools. In these schools the local authority is the employer and therefore all staff in community/VC schools are added on to the paybill of the council, with the levy equivalent to 0.5% of the overall paybill for the local authority (LA). All community/VC schools paybills will need to be included in the LA's calculation, regardless of whether the school uses the council for payroll services.
 - Voluntary Aided (VA) and Foundation schools. In these schools (as in academies) the governing body is considered to be the employer, rather than the LA. Therefore each VA/foundation school's liability for the levy will be based on its own paybill.
- 4.7 As the LA does not administer payroll for schools, options are being explored for collecting the required information from relevant payroll providers to ensure that the correct payment is made in respect of community/VC schools.
- 4.8 Community/VC schools will have to make provision for the relevant cost of the levy in their individual budgets, in the same way as other payroll costs e.g. National Insurance etc. DfE does not intend to allow the Schools Budget to be top-sliced by the council at the LA level for the levy, and the operational guidance for schools revenue funding in 2017-18 does not make any provision for DSG to be topsliced in this way. As a result, all community/VC schools will need to ensure they have taken account of this additional cost when they set their budgets for 2017-18. A mechanism will then be developed to recharge these costs to individual community/VC schools. Qualifying academies, academy trusts and VA/ foundation schools will be responsible for calculating their own liability and make arrangements for payment.

5.0 NEXT STEPS

5.1 Primary and Secondary School Budgets

Initial budgets (including illustrative budgets for academies) and updated guidance will be published in the week commencing 30th January. After this date it is anticipated there will be very little change to the final budgets other than for:

- High Needs Pupils Top-Up funding to be recalculated based on updated pupil data.
- Schools potentially eligible to access growth funding identified and funding agreed. (This is outside of the main funding formula and in some cases may not be possible to finalise until more certainty around admissions numbers.)

5.2 Early Years Funding

- Separate report on Early Years Single Funding Formula.
- Initial Early Years budgets for maintained schools will be published in late-February. (To be updated on a termly basis based on participation.)

5.3 Special School Budgets

- Draft budgets to be published in mid-February on receipt of revised pupil data from the Statutory Assessment and Resources Team (START).

5.4 Other High Needs Block Budgets

- Special Units and Resource Centres – Schools with Special Units will be notified of their funding levels once information has been finalised.

5.5 *Members of Schools Forum are asked to note and comment on the contents of the above report.*

Appendix A

Number	Formula Factor	National Criteria / Cambridgeshire Approach for 2017/18	Primary Values 2017/18	Secondary Values 2017/18
1	Basic Entitlement	Equal Value for KS1 & KS2, Different Value for KS3 & KS4. Adjusted based on total available funding - final values dependent on all other factors	£2,711	KS3 £3,823 KS4 £4,971
2	Deprivation - Free School Meal (FSM)	To be used as part of the deprivation funding. Free meals as at the previous October census.	£600	£600
2	Deprivation - Income Deprivation Affecting Children Index (IDACI)	To be used as part of the deprivation funding. Revised bandings shown below.		
		IDACI Lower and Upper Limit	Unit Value	Unit Value
		Band A - 0.0-0.2	£0	£0
		Band B - 0.2-0.25	£220	£220
		Band C - 0.25-0.3	£500	£500
		Band D - 0.3-0.35	£500	£500
		Band E - 0.35-0.4	£750	£750
		Band F - 0.4-0.5	£750	£750
		Band G – 0.5-1	£750	£750
3	Prior Attainment - Primary Phase Low Attainment	New Profile for Y1 & Y2 and EYFSP score below 78 points mapped to October Census for pupils in Y3 to Y6.	£750	n/a

Number	Formula Factor	National Criteria / Cambridgeshire Approach for 2017/18	Primary Values 2017/18	Secondary Values 2017/18
3	Prior Attainment - Secondary Phase Low Attainment	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. The 2016 KS2 assessments are the first which assess the new national curriculum. At a national level, a higher number of the year 7 cohort in financial year 2017 to 2018 will be identified as having low prior attainment. A national weighting will be applied to ensure that this cohort does not have disproportionate influence within the overall total.	n/a	£420
4	Looked After Children (LAC)	To be applied to qualifying pupils recorded as LAC mapped to January 2016 Census	£750	£750
5	English as an Additional Language (EAL)	To be funded for the 1st, 2nd or 3rd year in the education system	£750	£750
6	Mobility	Not to be applied due to concerns over data quality	n/a	n/a
7	Sparsity	Not to be applied. Limitations on usage limit benefits to Cambridgeshire schools	n/a	n/a
8	Lump Sum	Lump Sum to be set at £150,000 for all Primary and Secondary Schools	£150,000	£150,000
9	Split Site Lump Sum	Local Criteria - Lump Sum – Increased	£90,000	£90,000
10	Rates	To fund schools based on latest estimates available. Any changes to be retrospectively amended a year in arrears	Variable	Variable

11	Private Finance Initiative (PFI)	To be funded based on actual cost to be revised annually - Revised amount to be calculated	n/a	Variable
12	London Fringe	Does not apply to Cambridgeshire Schools	n/a	n/a
13	Post-16	Not to be applied. Have not previously funded.	n/a	n/a
14	Exceptional Premises	To fund specific schools where additional exceptional premises costs previously met by the LA	Variable	Variable

Appendix B

2016/17 Formula Distribution

Factor	Primary £	Primary %	Secondary £	Secondary %	Total £	Total %
Activity Funding	133,733,678	71.74%	122,010,105	89.76%	255,743,783	79.34%
School Lump Sum	31,075,000	16.67%	4,800,000	3.53%	35,875,000	11.13%
Split Site Lump Sum	50,000	0.03%	0	0.00%	50,000	0.02%
Amalgamated Schools Lump Sum	105,000	0.06%	0	0.00%	105,000	0.03%
Rates	3,021,573	1.62%	1,033,873	0.76%	4,055,446	1.26%
PFI	0	0.00%	215,120	0.16%	215,120	0.07%
Exceptional Premises	84,500	0.05%	0	0.00%	84,500	0.03%
Prior Attainment	6,606,998	3.54%	2,831,926	2.08%	9,438,924	2.93%
Deprivation (FSM)	2,853,232	1.53%	1,578,530	1.16%	4,431,762	1.37%
Deprivation (IDACI)	5,017,139	2.69%	2,455,639	1.81%	7,472,778	2.32%
LAC	103,203	0.06%	101,802	0.07%	205,005	0.06%
EAL	3,489,712	1.87%	501,936	0.37%	3,991,648	1.24%
MFG Adjustment	266,387	0.14%	401,481	0.30%	667,868	0.21%
	186,406,422	100.00%	135,930,412	100.00%	322,336,835	100.00%

2017/18 Formula Distribution

Factor	Primary £	Primary %	Secondary £	Secondary %	Total £	Total %
Activity Funding	136,163,765	71.78%	122,531,928	89.68%	258,695,693	79.28%
School Lump Sum	31,225,000	16.46%	5,037,500	3.69%	36,262,500	11.11%
Split Site Lump Sum	90,000	0.05%	0	0.00%	90,000	0.03%
Amalgamated Schools Lump Sum	60,000	0.03%	0	0.00%	60,000	0.02%
Rates	3,593,257	1.89%	1,124,925	0.82%	4,718,182	1.45%
PFI	0	0.00%	191,832	0.14%	191,832	0.06%
Exceptional Premises	87,226	0.05%	0	0.00%	87,226	0.03%
Prior Attainment	6,245,072	3.29%	2,808,869	2.06%	9,053,941	2.77%
Deprivation (FSM)	3,081,340	1.62%	1,571,816	1.15%	4,653,156	1.43%
Deprivation (IDACI)	4,464,337	2.35%	2,230,263	1.63%	6,694,600	2.05%
LAC	112,351	0.06%	109,128	0.08%	221,479	0.07%
EAL	3,661,739	1.93%	521,738	0.38%	4,183,477	1.28%
MFG Adjustment	915,052	0.48%	498,081	0.36%	1,413,133	0.43%
	189,699,139	100.00%	136,626,080	100.00%	326,325,219	100.00%