

**Report to: East Riding Schools Forum
11 January 2018**

Schools Budget 2018/19

Report of the Director of Children, Families and Schools and Interim Director of Corporate Resources

A. Executive Summary

The schools budget is funded entirely through the Dedicated Schools Grant (DSG). The DSG consists of four separate funding blocks – schools, high needs, central school services and early years. Each funding block is separately calculated by the Education and Skills Funding Agency (ESFA).

The schools budget funding settlement for 2018/19 was announced by the ESFA on 19 December 2017. The East Riding's DSG for 2018/19 of £222.160m is £7.234m higher than the 2017/18 level of £214.926m.

The increase in DSG reflects the introduction of new national funding formulae for the schools, high needs and central school services blocks in 2018/19. As a result of the new national funding formulae, the schools block increases by £4.883m and the high needs block by £0.626m, with a reduction of £0.035m to the central school services block.

The early years block national funding formula was introduced in 2017/18. Overall, the early years block will increase by £1.760m for 2018/19, which reflects a full year's funding of the expansion to 30 hours of free nursery provision for eligible children for the first time and a reduction to the funding for maintained nursery school lump sums. It is proposed that posts transferring to Specialist Services (high needs) are funded from the high needs block rather than the early years block for 2018/19 which will allow the maintained nursery school lump sums to remain at £0.130m for a further year, pending a DfE consultation on future need.

Limits on central costs that can be charged to the early years block and central schools services block mean that funding from the DSG for the school improvement service and exclusions service will reduce by £0.351m in 2018/19. It is proposed to Council on 8 February 2018 that these services be maintained at their current level for 2018/19 and that the £0.351m reduction to funding be met from the Council's General Fund budget.

Following extensive consultation with East Riding schools and the Schools Forum, the Cabinet on 12 December 2017 approved a local schools funding formula to be used in 2018/19 and 2019/20 which allocates current funding levels using the East Riding's existing local schools funding formula with a modification to include national funding formula deprivation values, and allocate the remaining funding increase for 2018/19 and 2019/20 through the age weighted pupil unit values (option 2). The formula includes a minimum cash increase per pupil of 0.5% and a cap on gains of 3% per pupil for each school

Final details of the local schools funding formula need to be submitted on the funding proforma provided to the ESFA by 19 January 2018.

B. Corporate Priorities 2016-2021

Supporting Vulnerable People, Reducing Inequalities
Reducing costs, raising performance

C. Portfolio

Children, Young People and Education

D. Recommendations

1. That the Schools Forum considers the proposed schools budget for 2018/19 and consider whether they wish to make any representations to Cabinet and Council on the proposed budget.
2. That the Schools Forum approves the proposed central retentions to be funded from the central school services block, as listed in paragraph 4.6.
3. That the Schools Forum approves the use of £0.148m of the early years central retention to allow the lump sum for each maintained nursery school to be kept at £0.130m in 2018/19.
4. That any subsequent changes to any of the funding blocks be reported to later meetings of the Schools Forum for approval.

E. Equality Implications

There are no equality implications.

1. Background

- 1.1 The schools budget is funded by a ring-fenced grant, the Dedicated Schools Grant (DSG). A local authority can, if it is in a financial position to do so, add to the level of DSG from local resources. The DSG is broken down by the ESFA into four separate funding blocks – schools, high needs, central school services and early years. The current level of DSG for 2017/18 is £214.926m.
- 1.2 Although the DSG is ring-fenced as a whole, funding can be transferred between the four blocks. The DfE will allow up to 0.5% of the schools block to be transferred to another block following consultation with local schools and the agreement of the Schools Forum. Movements between the other blocks are not subject to a limit and can be made with the agreement of the Schools Forum
- 1.3 On 14 September 2017, the DfE confirmed that new national schools funding formulae would be used to calculate local authorities schools, high needs and central school services blocks from 2018/19. The new national funding formula for the early years block was introduced in 2017/18.
- 1.4 It remains the DfE's long term intention that all schools' budgets will be set on the basis of a single national formula (a 'hard' national funding formula). However, the DfE also

recognises that this represents a significant change and the importance of stability for schools. Therefore, the DfE have confirmed that for both 2018/19 and 2019/20 the schools formula will be calculated using the ‘soft’ approach.

- 1.5 Under the ‘soft’ system, the national funding formula is used to set notional budgets for each school. These notional budgets are then aggregated to give the total schools block budget for each local authority and the local authority then sets the actual funding allocations to individual schools through a local funding formula, in consultation with its local schools and their schools forum.
- 1.6 The DfE have adjusted the rules governing the setting of local formulae so that the national formula can be more closely mirrored. This includes the introduction of a further local formula factor allowing for the inclusion of minimum per pupil funding levels (£3,300 for a Primary school and £4,600 for a Secondary school in 2018/19).
- 1.7 East Riding schools were consulted on three possible local school funding formula options. These options were discussed at the two previous meetings of the Schools Forum on 5 October 2017 and 23 November 2017. As agreed at the meeting on 23 November 2017, it was reported to the Cabinet on 12 December 2017 that primary school representatives recommend option 2, on the basis that this will benefit the greatest number of pupils in East Riding schools in 2018/19 and 2019/20, and secondary school representatives recommend option 1 on the basis that this will mean an immediate introduction of the national funding formula, representing the DfE’s current view of funding levels for individual schools.
- 1.8 The early years national funding formula was introduced in 2017/18. The East Riding was funded at the minimum funding floor of £4.30 per hour for three and four year old free nursery provision. In September 2017, the DfE increased to 30 hours per week the number of free hours of nursery provision for eligible children. The first full year of funding for this expansion of free nursery provision is therefore 2018/19.
- 1.9 The final schools funding proforma with details of the distribution of schools block funding through the local schools funding formula needs to be with the ESFA by 19 January 2018.

2. 2018/19 Schools Budget Funding Settlement

- 2.1 The ESFA announced details of the schools funding settlement on 19 December 2017, as follows:

	2017-18	2018-19	Change	
	£m	£m	£m	%
Schools block	175.282	180.165	4.883	2.8%
High needs block	21.526	22.152	0.626	2.9%
Early years block	15.966	17.726	1.760	11.0%
Central schools services block	2.152	2.117	- 0.035	-1.6%
Dedicated Schools Grant - Total	214.926	222.160	7.234	3.4%

- 2.2 The ESFA has also confirmed that the 2018/19 recoupment for high needs place funding will be £0.666m. Consequently the current level of DSG for 2018/19 after the deduction for the direct funding of places by the ESFA is £221.494m.
- 2.3 The ESFA will also recoup funding from the schools block for the East Riding's academies and free school. In 2017/18 the ESFA recouped £52.599m for the East Riding's current nineteen academies and one free school. This figure will be revised following confirmation of each school's funding allocation for 2018/19 through the local schools funding formula.
- 2.4 The final allocations for the schools, high needs and central school services blocks were very similar to the provisional allocations announced on 14 September 2017.

2018/19 Allocations	14 September 2017	19 December 2017	Difference
	£m	£m	£m
Schools block	180.172	180.165	-0.007
High needs block	22.124	22.152	0.028
Central school services block	2.115	2.117	0.002
	<u>204.411</u>	<u>204.434</u>	<u>0.023</u>

- 2.5 The early years block allocation of £17.726m for 2018/19 incorporated for the first time a full year's funding for the expansion of free nursery provision for eligible three and four year olds to 30 hours per week. It also reflected a reduction in supplementary funding for maintained nursery schools. The following table provides a breakdown of the 2018/19 funding allocation compared to 2017/18.

	2017/18	2018/19	Change
	£m	£m	£m
3 and 4 year old universal funding	10.520	10.520	0.000
3 and 4 year additional funding for 15 hours	2.372	4.218	1.846
2 year old funding	2.426	2.426	0.000
Early Years Pupil Premium	0.141	0.141	0.000
Supplementary Funding Maintained Nursery Schools	0.454	0.372	-0.082
Disability Access	0.053	0.049	-0.004
	<u>15.966</u>	<u>17.726</u>	<u>1.760</u>

- 2.6 Supplementary funding for maintained nursery schools had originally been £0.530m in 2017/18. On 18 October 2017, the ESFA announced an in-year reduction of £0.076m to £0.454m for this supplementary funding. With a further reduction of £0.082m in 2018/19, the overall reduction to this supplementary funding is £0.158m. Of this, £0.148m would still be required to maintain a lump sum of £0.130m for each of the four East Riding maintained nursery schools. This pressure is addressed in section 6 of this report.

3 Local Schools Funding Formula 2018/19 and 2019/20 – Schools Block

- 3.1 The Cabinet on 12 December 2017 approved the following option as the local schools funding formula to be used in both 2018/19 and 2019/20:

Option 2 – Allocate current funding levels using the East Riding’s existing local schools funding formula with a modification to include national funding formula deprivation values, and allocate the remaining funding increase for 2018/19 and 2019/20 through the age weighted pupil unit values.

All options also included a minimum cash increase per pupil of 0.5% and a cap on gains of 3% per pupil for each school.

- 3.2 The Local Authority has until 19 January 2018 to submit its funding proforma to the ESFA. The following is a summary of the local funding formula to be included within the 2018/19 proforma and reflects the local funding formula decision taken by the Cabinet.

Factor		Unit Value £	Total Allocation £
1. Per Pupil Allocation	Key Stages 1 and 2	3,036	75,593,436
	Key Stage 3	3,911	39,532,388
	Key Stage 4	5,414	34,584,632
2. Deprivation		Various	11,430,915
3. Looked after Children		866	238,555
4. Prior Attainment		Various	5,027,516
5. English as an Additional Language		Various	329,721
6. Lump Sum		Various	19,140,000
7. Sparsity		Various	340,000
8. Split Sites		Various	288,827
9. Rates		Actual Cost	3,134,644
10. PFI Funding		Actual Cost	1,037,084
Minimum funding guarantee and capping deduction			(11,184,016)
Growth Fund/Infant Class Size Fund			672,000
Total Allocation			180,165,702

4. Central School Services Block 2018/19

- 4.1 The final 2018/19 central school services block allocation shows a reduction in funding of £0.035m.

- 4.2 The central school services block funds both a number of on-going responsibilities and historic commitments. At the Schools Forum meeting on 5 October 2017, it was originally proposed that the then anticipated reduction of £0.037m be deducted from the admissions service (on-going responsibility). It is now proposed that the reduction of £0.035m be taken from the contribution to the exclusions service (historic commitment). It will be proposed to Council on 8 February 2018 that the exclusions service budget be maintained at its current level for 2018/19 and that the £0.035m reduction to funding from the DSG is met from the Council’s General Fund budget.

- 4.3 The 2017/18 admissions service budget of £0.645m includes central costs of £0.428m. These are costs to the local authority of services provided to or on behalf of schools including human resources, finance, ICT, and property costs. In 2017/18, following the ending of the Education Services Grant, the DfE introduced two new central retentions –

- a) Contribution to responsibilities that all local authorities hold for all schools (this relates to the retained duties element of the Education Services Grant)
 - b) Contribution to responsibilities that local authorities hold for maintained schools
- 4.4 For 2017/18 and 2018/19, the Schools Forum has previously approved a central retention of £0.617m in relation to 4.3a. No amount was previously requested for approval with regard to 4.3b. However, it is now proposed that £0.428m previously reported within the admissions service central retention be moved to 4.3b.
- 4.5 As part of the announcement of 2018/19 funding levels on 19 December 2017, the ESFA confirmed the level of funding they will be top slicing from the central school services block for copyright licences. The funding to be top sliced for copyright licences in 2018/19 is £232,010, an increase of £5,510 on the corresponding 2017/18 top slice. It is proposed that this be found by making a corresponding reduction to the admissions service budget.
- 4.6 The final 2018/19 proposed central retentions to be funded from the central school services block are -

	£
Central Licences	232,010
Contribution to responsibilities that local authorities hold for all schools	617,000
Contribution to responsibilities that local authorities hold for maintained schools	428,000
Admissions	211,980
Servicing of schools forum	580
Contribution to combined budgets – Harnessing Technology	388,040
Contribution to combined budgets – Exclusions	234,550
Contribution to combined budgets – SACRE	5,270
Total 2018/19 Central School Services Block	2,117,430

5. Financial Planning 2018-19 to 2021-22

- 5.1 A copy of the final Schools budget plan can be found at Appendix 1. The following paragraphs summarise the key points.
- 5.2 **Schools block** – Pressures on the Schools block total £4.883m in 2018/19, with the largest pressure being pay inflation of £3.403m. Also included in 2018/19 is a pressure of £0.962m relating to unfunded pressures affecting the schools budget and introduced prior to 2018/19 such as national insurance and pension increases.
- 5.3 **High Needs block** – The East Riding’s high needs block allocation through the new national funding formula shows an increase in funding of £0.626m in 2018/19.
- 5.4 **Early Years block** – Pressures on the Early Years block total £1.854m but are largely matched by an increase in the early years block of £1.760m.

6. Early Years National Funding Formula 2018/19

6.1 On 23 November 2017, the DfE confirmed that the East Riding will continue to be funded in 2018/19 at the minimum funding level of £4.30 per hour for three and four year olds nursery provision. For two year olds, the funding rate per hour remains at £5.20.

6.2 The DfE also confirmed that the maximum amount that can be retained for central costs from funding received for three and four year olds will be reduced from 7% to 5% for 2018/19. The remaining 95% must be passed through to providers, though some of the 95% can be used to fund supplements. In 2017/18, an amount equivalent to 13p of the £4.30 was used to fund a deprivation supplement. In 2018/19, the same amount of 13p is to be used.

Starting rate per hour	=£4.30	
Deduct 5% for central costs	=£0.21	
Rate available for providers	=£4.09	
Deprivation Supplement	=£0.13	
Proposed hourly rate 2018/19	=£3.96	(£3.87 in 2017/18)

6.3 The 2018/19 early years block allocation announced by the ESFA on 19 December 2017 of £17.726m included £14.738m for three and four year olds. Funding for three and four year olds included a full year's funding for the expansion to 30 free hours per week for eligible three and four year olds.

6.4 In 2017/18, the maximum central retention was 7% or £0.952m. Prior to the confirmation of the 2018/19 DSG on 19 December 2017, the reduction to 5% was anticipated to require savings on the early years block central retention of £0.316m. This was equivalent to the contribution from the early years block central retention to the school improvement service. It will be recommended to Council on 8 February 2018 that the school improvement service budget is maintained at its current level and that the reduction to funding from the DSG is met from the Council's General Fund budget. A review of those central services provided to schools and subsequent future financial requirements beyond 2018/19 is to be conducted in early 2018.

6.5 A recently approved restructure of SEN, Commissioning and Youth and Family Support services has resulted in a number of posts totalling £0.203m previously funded from the early years central retention transferring to Specialist Services (High Needs).

6.6 As reported in paragraph 2.6, the early years block for 2018/19 reflects an overall reduction in the supplementary funding received for maintained nursery schools of £0.158m. In order to maintain a lump sum of £0.130m for each of the East Riding's four nursery schools additional funding of £0.148m would need to be found.

6.7 The DfE has only guaranteed that supplementary funding for maintained nursery schools will be available until 2019/20. It is still to conduct a consultation on the future need of this funding and the practicality of expecting nursery schools to be funded solely on the same hourly rate as private, voluntary and independent settings.

6.8 It is proposed, for 2018/19 only, that the posts transferring to Specialist Services (high needs) as a result of the restructure be funded from the high needs budget rather than the early years central retention. This would then free up £0.148m of resource from the early

years central retention which could be used to allow each maintained nursery school to continue receiving a lump sum of £0.130m for 2018/19.

- 6.9 This would be a one year solution for 2018/19 and would need to be reviewed in light of the results of the impending DfE consultation. As a result of this proposal, the central retention would reduce to £0.589m in 2018/19, equivalent to around 3.5%. The central retention will be used to fund –

	£m
Early Years Staff and Portage	0.410
Recharge from Specialist Services	0.055
Vulnerable Children/Inclusion contract/Other	<u>0.124</u>
	0.589

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