



Leicester  
City Council

**WARDS AFFECTED**  
Type in Ward

Schools Forum

2 February 2017

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**Schools' Block Budget 2017/18**

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**Report of the Head of Finance Children's Services**

**1. Summary**

1.1 The purpose of this report is to:

- (i) Inform Schools Forum of the Schools' Block budget for 2017/18 in total and by funding formula factor.
- (ii) Obtain approval for historic commitments.
- (iii) Obtain approval for the pupil growth fund.
- (iv) Obtain approval for the transfer from the DSG of the Education Services Grant retained duties funding to the LA to fulfil its statutory duties.

1.2 No major changes to the school funding formula are proposed for 2017/18. However two technical changes will result in adjustments to the basic per pupil entitlement (AWPU) and these are described in the following two paragraphs.

1.3 The LA have applied successfully to the DfE to use the 2010 IDACI data rather than the revised 2015 data set in order to distribute deprivation funding for all schools who would otherwise lose funding. 29 schools do benefit from using the 2015 data set and the additional funding they receive will be funded by adjusting the AWPU for all schools. The approach of using the 2010 IDACI dataset is a repeat of the action taken last year and is being done to prevent a significant re-distribution of funding and the consequential use of the minimum funding guarantee for many schools.

1.4 The DfE issued guidance in November 2016 which means that £1.76m of DSG funding which is used to pay for the 'landlord' responsibilities for repairs and maintenance of school buildings needs to be allocated to individual schools rather than retained centrally by the local authority as an Historic Commitment item. This funding will be allocated to individual schools through AWPU.

- 1.5 Schools were consulted in November 2016 on the continuation and extent of de-delegated items. The extent of de-delegated items will be considered further in an accompanying report.
- 1.6 It is proposed to increase the pupil growth fund from £1.5m to £1.9m in light of the continued increasing pupil numbers.
- 1.7 The DfE have transferred the retained duties element of the Education Services Grant (ESG) into the DSG. This funding is used by the LA to pay for statutory services provided to all schools. As with all deductions to the Schools Block DSG, Schools Forum is required to approve this transfer.

## **2. Recommendations**

2.1 Schools Forum are recommended:

2.2 To note and agree:

- a) The use of the 2010 IDACI data set to distribute deprivation funding for all schools apart from the 29 who will benefit using the revised 2015 IDACI data.
- b) The resultant additional deprivation funding of £0.77m for these 29 schools to be funded from a small reduction in AWPU for both primary and secondary schools of £19.59 (0.67%) and £8.16 (0.21%) respectively.
- c) The increase of £125k for maintenance costs for PFI schools.
- d) That the LA is no longer able to centrally retain funding of £1.76m for capital maintenance of schools and that the funding must now be distributed to individual schools.
- e) The capital maintenance funding will be distributed to all schools using the basic per pupil entitlement resulting in an increase to AWPU of £32.85 for all primary and secondary schools.
- f) That the LA will offer schools the option of re-pooling this maintenance funding and enter into an agreement whereby the LA will continue to provide a building maintenance service in a similar fashion to the current arrangements in 2017/18.
- g) That Estates and Building Services division will make a revised service offer to schools for 2018/19 and subsequent years before the end of the summer term 2017.
- h) The proposed Schools' Block funding available for Individual Schools' Budgets and its allocation shown in Table 1 and the allocation by factor in Table 2.

2.3 To formally approve:

- a) The historic commitments in Table 1

- b) The transfer of £820,000 of Education Services Grant to the local authority to part fund the local authority's statutory retained duties.
- c) The continued use of the Growth Fund of £1.9m.
- d) The MFG exemption in relation to the additional PFI related funds.

### 3. Report

#### DSG Settlement

- 3.1 The DSG settlement for 2017-18 was released by the DfE in December 2016 for the Schools' Block, the High Needs Block and an estimate for Early Years Block based on current census data. The allocation of Schools Block DSG is based on the number of pupils from the October 2016 census. The number of pupils (F2 to Year 11) has increased from the October 2015 census by 1,669 pupils (3.4%) from 48,263 to 49,932.
- 3.2 The table below shows the calculation of the Schools Block DSG and the breakdown of this to calculate the funding available for individual schools' budgets:

**Table 1**

Total Schools Block DSG allocation from DfE		<b>230,836</b>
Less Historic Commitments:		
Admissions	595	
Servicing of Schools Forum/FFRG	30	
CERA (Capital Maintenance and BSF client side costs)	0	
PRC	<u>189</u>	(814)
Less Copyright licensing		(217)
Less Education Services Grant Transfer		(820)
Less Transfer to Pupil Growth Fund		(1,910)
Less Transfer of CMF funding to Special Schools and PRUs		(120)
Plus final year of approved primary support (from DSG b/fwd)		1,200
Schools' Block DSG available for Individual Schools' Budgets		<b>228,155</b>

## Historic Commitments

- 3.3 A PFI (Private Finance Initiative) factor for 4 BSF secondary schools which were built using the PFI initiative was introduced into the formula for 2016/17. DSG funding of £1.025m to support the costs of the BSF programme have been set aside for a number of years and held centrally as an historic commitment. In 2016/17 £900k of this money was distributed to those schools built under the PFI scheme following the completion of the programme. This allows these 4 schools to pay towards the PFI costs themselves. The PFI schools are not being advantaged as a result of this arrangement as they would continue to pay the day to day site management, maintenance and utilities from their AWPU, as do other BSF schools.

The balance of the funding of £125k was set aside for remaining client side costs of the programme in 2016/17, resulting in £125k being included in the CERA historic commitments line. The £125k is no longer required in 2017/18 and therefore the full £1.025m will be distributed to the 4 schools, reducing the historic commitment to zero.

Schools Forum are recommended to approve an MFG exemption (which has already been approved by the DfE) for the additional £125k being distributed.

- 3.4 The DfE will no longer allow a top slice of the DSG to fund ongoing school capital maintenance costs organized by the LA. This funding has previously been classified as Capital Expenditure funded from Revenue (CERA) which was an allowable historic commitment. The DfE have reviewed the types of expenditure that can be classified as an historic commitment and new guidance was issued in December 2016 which disallowed this funding being used for capital maintenance. As a result this funding will be distributed to all schools on a per pupil basis. This will change the basic per pupil entitlement for schools. The current situation and proposals for 2017/18 and beyond are detailed in the paragraphs below:

- 3.5 Maintenance of maintained school premises is currently split into that which is organised by the LA in its capacity as landlord and paid for from centralised funds and that which is organised and paid for directly by the school as tenant. The source of all school maintenance funding is either the Dedicated Schools Grant or separate DfE capital grants:

(i) **School Condition Allocation (SCA)**

This is an annual non ring-fenced allocation to the LA for all maintained schools. It is used to fund significant planned capital maintenance schemes for maintained schools.

(ii) **Central Maintenance Fund (CMF)**

An annual top slice from the DSG of £1.76m is transferred to the LA to cover so called 'landlord responsibilities' in the LA's revenue Central Maintenance Fund arrangement. The CMF funds planned and reactive maintenance schemes with an individual value over £5k for works to buildings and for certain compliance matters including electrical, fire, asbestos and water management/testing. The benefit of this

arrangement is that more significant works can be completed as required by schools which otherwise could be unaffordable to an individual school.

(iii) **DSG retained by schools**

Schools retain the funding for so called tenant items which includes day to day maintenance, repairs to ceilings and walls, cleaning gutters, window/door repairs, heating/electrical equipment servicing and other reactive works up to an individual value of £5k. From this fund the school will also pay for internal decoration, repair or replacement of carpets and other floor finishes, external resurfacing, external decoration and repairs to walls and fences.

- 3.6 Schools can pay an annual amount to the Council to deal with reactive and servicing works on their behalf under a 'buy back' arrangement to deal with the tenant related items discussed in (iii) above. Currently 66 primary schools have entered into this arrangement which provides a total annual fund of £1.2m. The remaining schools make their own arrangements to complete the work.
- 3.7 New arrangements for maintenance need to be agreed with schools from 2017/18 onwards. The LA believes that there are significant benefits to schools with the current arrangements and that they should continue. Given the short time scales we are recommending the following to schools:
- (i) For 2017/18 that schools continue with the existing arrangements by re-pooling the additional CMF related funding that they receive in 2017/18.
  - (ii) That the Estates and Building Services present a revised service offer to schools before the end of the summer term that would be effective from 2018/19.
- 3.8 The budget for Premature Retirement Costs has reduced from £260k to £189k in line with expected costs.
- 3.9 Schools Forum are asked to approve the historic commitments listed in Table 1 and to confirm whether or not they support the proposed arrangements regarding capital maintenance.

### **Copyright licensing**

- 3.10 The DfE purchase a single national licence managed by the Department for all state funded schools in England, covering 10 individual licences including Performing Rights Society, Copyright Licensing Agency and Newspaper Licensing Company. The cost of this is taken as a top slice from the DSG in accordance with DfE guidance.

### **Education Services Grant**

- 3.11 Until 2017/18 the Education Services Grant (ESG) was made up of two elements covering two groups of services:

- (i) The retained duties element of the grant has gone to all LAs to fund statutory services they provide to all schools including academies. These services include Educational Welfare (the most significant in terms of size), Standing Advisory Committees for Religious Education (SACRE), management of the LA's capital programme, preparation of the revenue budget, formulation of the local school funding formula and elements of the Director of Children's Services' time.

In 2017/18 this element of the grant will continue to be paid at £15 per pupil but has been transferred to the schools block of the DSG and not paid as a separate grant.

The DfE's operational guidance requires the LA to seek agreement from Schools Forum to fund these statutory services from the retained duties element which is now part of the schools block DSG.

The total value of the ESG included in the Schools Block is £820k. The level of grant does not reflect the expenditure on these services and the LA has continued to provide additional funding of its own as necessary. The Educational Welfare Service has a budget of £847k in 2016/17, although additional staffing has been required to deal with the number of children missing education and so the forecast expenditure is actually £928k.

Included in the recommendations to this report is that Schools Forum approve the transfer of the ESG funding of £820k to the LA for 2017/18.

The arrangements for the funding of these services will change again in 2018/19 under the new Central Services proposals of the National School Funding Formula. The rate per pupil will change again and be based on a new formula which is currently being consulted upon by the DfE. The overall funding is likely to reduce further based on the information released in the consultation.

- (ii) The general duties element of the grant has gone to both local authorities and academies to fund services authorities provide to maintained schools but which academies must provide for themselves. In 2016/17 these duties include statutory school improvement. From September 2017 there will be a separate new School improvement and monitoring grant for LAs which was announced by the DfE in November 2016 in line with the reduced responsibilities of LAs in this area. The total grant is £50m pa and Leicester will receive around £167k for seven months in 2017/18 and presumably £286k from 2018/19. This is less than a third of the existing school improvement budget.

The remaining general duties for maintained schools include specific finance work for maintained schools, some HR advice (although in practice this is now part of a traded service) and responsibilities to ensure that maintained school buildings have appropriate facilities, safe escape routes and other health and safety duties. The latter ties in with the Capital Maintenance issue discussed above where these responsibilities remain with the LA but are not funded from the LA's own funds.

The DfE are cutting the ESG general duties funding rate to zero from September 2017. The reduction in the general duties element of the ESG will have a significant impact on the Council's own funding with a net loss of funding of approximately £3m pa.

- 3.12 It is recommended that Schools' Forum *note* the Schools Block funding available for Individual Schools' Budgets.

## **School Formula Funding Factors**

### **Deprivation Funding**

- 3.13 The Income Affecting Deprivation Index (IDACI) data set was revised in 2015 alongside other English indices of deprivation. The IDACI score measures the proportion of children aged 0-15 years living in income deprived families within a geographical area (known as the Local Super Output Area, LSOA). The 2015 data had a significantly lower number of LSOAs with high proportions of deprivation across Leicester compared with the 2010 data.
- 3.14 The IDACI data is used to target additional funding for deprivation in the local authority's schools' funding formula. The changes to the indices did not affect the amount the local authority received in its Dedicated School Grant as a whole. However the lower IDACI scores for many pupils meant a significant redistribution of funding across our schools with the result that many schools would have had to rely on the minimum funding guarantee which limits year on year per pupil changes to -1.5%.
- 3.15 In order to avoid unnecessary re-distribution of funding in advance of the anticipated new National School Formula the LA applied for and was granted permission to use the previous 2010 IDACI data set for those schools that would otherwise lose using the new 2015 data. The DfE indicated that this approach would only be necessary in 2016/17 because from 2017/18 the new National Formula would apply.
- 3.16 However as we now know the implementation of the National School Funding Formula has been delayed until 2018/19. Concerns of local authorities were noted in the first consultation paper for the new funding formula regarding periodic significant changes to the IDACI data 'leading to unexpected and unhelpful turbulence in school budgets'. For 2017/18 the DfE have updated their 2015 IDACI bands in order to put more pupils in the higher deprivation bands to more closely mirror the 2010 dataset, at least at a national level. The impact on Leicester of the 2015 changes was so significant however that no amount of changing the IDACI band sizes reduces the extent of the redistribution even under this revised scheme.
- 3.17 In order to avoid unnecessary turbulence in schools budgets therefore LA have applied once again to the DfE to use the 2010 IDACI data set for 2017/18 for those schools that would otherwise lose if the revised 2015 IDACI data set is used. The DfE approved this application at the end of December.
- 3.18 We are therefore proposing to take advantage of the granting of this application for those schools that would otherwise be disadvantaged. 29 schools do benefit from the revised IDACI data set and the DfE require us to use the new IDACI data set for these schools. The resultant additional deprivation funding of £0.77m for these 29 schools to be funded from a small reduction in AWPU for both primary and secondary schools of £19.59 (0.67%) and £8.16 (0.21%) respectively.

## Pupil Growth Fund

- 3.19 A pupil growth fund of £1.5m was created in 2015/16 to provide those schools experiencing an agreed increase in PAN with additional funding at the start of the financial year in advance of new pupils starting in September.
- 3.20 In 2016/17 we have spent £2.4m on pupil growth using a combination of the Growth Fund and streamlined growth bids from the Exceptional Cost Pressure fund. There is only £1.9m from these two funds and therefore the balance of £0.5m will be found from the unspent DSG carried forward.
- 3.21 As a result of the continued growth in pupils we are proposing an increase to the Growth Fund of £0.4m (the maximum available increase) to £1.9m. This would fund around 970 additional places from September 2017.
- 3.22 This report recommends that Schools Forum approve a Growth Fund of £1.9m.

## Aggregated Individual School Budgets

- 3.23 The following table provides the breakdown of the available Schools' Block funding in aggregate by formula factor:

**Table 2 Indicative Allocation 2017/18**

Formula Factor	Primary Unit Value (£)	Secondary Unit Value (£)	Primary Total (£)	Secondary Total (£)	TOTAL (£)
AWPU	2,942	3,825	94,772,257	67,692,155	<b>162,464,412</b>
FSM	341	364	1,875,816	1,148,041	<b>3,023,857</b>
Deprivation IDACI Band F	50	0	108,279	0	<b>108,279</b>
Deprivation IDACI Band E	200	0	623,156	0	<b>623,156</b>
Deprivation IDACI Band D	400	0	1,796,906	0	<b>1,796,906</b>
Deprivation IDACI Band C	625	1,417	4,456,919	5,692,670	<b>10,149,589</b>
Deprivation IDACI Band B	850	2,242	3,537,481	4,121,409	<b>7,658,890</b>
Deprivation IDACI Band A	1,300	2,600	6,053,860	5,650,829	<b>11,704,689</b>
Low Cost, High Incidence SEN	796	1,312	6,514,992	5,947,784	<b>12,462,776</b>
Mobility	525	3,036	251,777	1,027,958	<b>1,279,735</b>
Lump Sum	100,000	175,000	8,200,000	3,150,000	<b>11,350,000</b>
Split Site	0	0	286,000	50,000	<b>336,000</b>
PFI			0	1,025,000	<b>1,025,000</b>
Rates			1,790,537	2,381,788	<b>4,172,325</b>
<b>TOTAL ALLOCATED TO SCHOOLS</b>			<b>130,267,980</b>	<b>97,887,634</b>	<b>228,155,614</b>

## High Needs Block

- 3.24 The final confirmation of the High Needs block (initial allocation £44.4m) is expected before March 2017 although we are not expecting any significant change. Special School budgets for 2016-17 will be agreed individually with each school during February and March 2016.
- 3.25 The DfE have for the first time included a one off increase of £1m (2%) in funding related to the growth in pupil population in 2017 based on ONS projections.

### **Early Years block**

- 3.26 The initial allocation for the Early Years' block in 2017/18 is £23.5m which includes the 2, 3 and 4 year old NEG and early year's pupil premium. The 2017-18 Early Years' block funding will be updated in June 2017 to reflect the January 2017 census and again in June/July 2018 to reflect the January 2018 census. Revised hourly rates for providers will be consulted upon shortly following revisions to the overall funding by the DfE.

## **4. Financial, legal and other implications**

### **Financial Implications**

- 4.1 Financial implications are included in the main body of the report.

### **Legal Implications**

- 4.2 There are no legal implications

### **Report Author**

Martin Judson Head of Finance