

TO: SCHOOLS FORUM
DATE: 15 JANUARY 2015

**PROPOSALS FOR THE 2015-16 SCHOOLS BLOCK ELEMENT
OF THE SCHOOLS BUDGET**
Director of Children, Young People and Learning

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to present to the Schools Forum an update on school funding and to seek comments on proposals from the Council for the 2015-16 Schools Block element of the Schools Budget. The Forum is aware of the significant financial pressures on external placement costs for High Needs Pupils, which are now estimated at £2.168m for 2015-16. A key element of the budget proposals is that this pressure will need to be funded from the growth in Schools Block Dedicated Schools Grant (DSG), meaning that other than for increased pupil numbers and changes in pupil characteristics, no new funds will be available for distribution to schools.
- 1.2 Whilst an affordable 2015-16 budget is proposed that can be financed from anticipated new year income, there are insufficient funds to finance the 2014-15 forecast over spending of £0.295m which will need to be managed down in-year and a full recovery plan put in place.
- 1.3 Recommendations agreed from this report will form the basis of proposals to be presented to the Executive Member for Children, Young People and Learning, who has responsibility for agreeing most aspects of the Schools Budget although within the overall budget setting process, there are a number of areas that the Forum has responsibility for, and these are presented now for a decision.
- 1.4 There is a very tight timetable to meet, with views of the Schools Forum on the proposals being sought in advance of the 20 January deadline for submitting to the Department for Education (DfE) the actual Funding Formula for Schools to be used in 2015-16 with associated units of resource and total cost.

2 RECOMMENDATIONS

2.1 The Forum AGREES:

- 1. that up to £0.06m of specialist school improvement and management support costs can be charged to the budget to support schools in financial difficulty to reflect actual levels of support being provided (paragraph 5.40);**
- 2. that the requirement to hold £0.51m in general reserves as a contingency provision against unforeseen cost increases is waived one year for the 2015-16 budget (paragraph 5.42);**
- 3. that the arrangements in place for the administration of central government grants are appropriate (paragraph 5.46);**

4. the budget amounts for each of the services centrally managed by the council and funded from the School Block DSG as set out in Annex 1 (paragraph 5.48);
5. that any year end deficit on centrally managed budgets, currently estimated at £0.295m can be carried forward and funded from a future Schools Budget (paragraph 5.49);

2.2 In its role as the representative body of schools and other providers of education and childcare, the Forum REQUESTS that the Executive Member AGREES the following decisions for the 2015-16 Schools Budget:

1. the self-balancing budget adjustments set out in lines 3 and 4 of Table 2;
2. the £2.824m of additional resources are allocated to the budget areas set out in Table 2 as follows:
 - a. £0.929m into delegated school budgets including the release of £0.1m from the Job Evaluation Reserve to part finance the estimated cost of the Bracknell Forest Supplement (column 1);
 - b. a £0.098m deduction in centrally managed budgets (column 3);
 - c. £1.993m to support High Needs pupils (column 4)
3. that the budget for Schools Block DSG is reset to £65.276m and other Schools Block related grants reset to anticipated 2015-16 amounts (paragraphs 5.16 and 5.41);
4. that the DfE pro forma template of the 2015-16 BF Funding Formula for Schools as set out in Annex 5 be submitted for the 20 January deadline (paragraph 5.10).

2.3 That the following matters are NOTED:

- 1 the range of cost pressures that schools are likely to need to finance from within existing resources (paragraph 5.43);
- 2 the anticipated future cost pressures for which a financial provision will need to be made in the near future (paragraph 5.52);
- 3 that proposals in respect of the Early Years and High Needs Block elements of the Schools Block will be presented to the Forum in March when more information is available in respect of funding and likely costs (paragraph 5.59).

3 REASONS FOR RECOMMENDATIONS

- 3.1 To ensure that the 2015-16 Schools Budget is set in accordance with the views of schools, the new funding framework and the anticipated level of resources.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 These have been considered during the earlier stages of the budget setting process. Where relevant, new options are set out in the supporting information.

5 SUPPORTING INFORMATION

Background

- 5.1 A number of reports have previously been presented to the Schools Forum relating to the 2015-16 Schools Budget which is funded by a 100% ring fenced government grant called the Dedicated Schools Grant (DSG). The DSG comprises 3 funding Blocks, each with a separate calculation and funding allocation; the Schools Block; the High Needs Block; and the Early Years Block.
- 5.2 The DSG can only be spent on the purposes prescribed by the DfE and funds delegated school budgets and a range of centrally managed pupil and school related budgets. Any under or overspending in a year must also be ring fenced and applied to a future Schools Budget. Whilst there is a general ring-fence in place on what the DSG can be spent on, there is no ring-fence on the individual funding Blocks, meaning in general, money can be freely moved between services.
- 5.3 The strategy of the Council is to plan for the Schools Budget to be funded to the level of external funding, with the Executive Member authorised to agree the budget allocation between schools and centrally managed budgets.
- 5.4 So far, these budget reports have concentrated on the Schools Block element of DSG which in essence funds delegated school budgets and the small number of services that the DfE allows LAs to manage centrally on behalf of schools.
- 5.5 The Early Years Block that funds provisions and support for children up to 5, including those in maintained school nurseries has yet to be considered. This is because as the level of DSG for such services can only be accurately forecast once January 2015 take up of places to the free entitlement to early years education and childcare is known as this forms a significant part of the DSG calculation.
- 5.6 For the High Needs Block that supports pupils will additional needs above the DfE prescribed threshold of £10,000, again, there is no confirmed level of DSG funding which means detailed budget proposals will be presented at a later date. However, the Forum is aware of the significant underlying over spending expected to be carried forward into 2015-16 and that the only realistic solution to this is to use Schools Block DSG to fund new costs, and therefore the High Needs Block also needs to be considered now, but only at a strategic level.
- 5.7 Clearly these factors make budget setting fragmented and complex at the same time as having to make some difficult budget decisions.
- 5.8 In terms of budgets that can be managed centrally by LAs on behalf of schools, these are defined in the DfE Funding Regulations and are divided into 4 parts as follows:
- Part 1 - Schools Block. Items where spending is limited to the amount agreed in the previous financial year
 - Part 2 - Schools Block. Items with no restrictions on annual increases.
 - Part 3 - Early Years Block. Items with no restrictions on annual increases.
 - Part 4 - High Needs Block. Items with no restrictions on annual increases.

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More information on this is set out in the following paragraphs, with Annexes 1 – 4 providing more information on the services covered by each Part of the Funding Regulations and the current and proposed budgets.

- 5.9 In terms of the overall quantum to be available next year, the key headline budget decisions from the DfE are:
- Core per pupil funding through the Schools Block DSG from the DfE to remain unchanged from that received in 2014-15 i.e. a cash standstill, with no funding for inflation or other cost pressures.
 - There will be £390m extra funds in the Schools Block through the *Fairer Schools Funding for 2015-16* initiative, targeted to LAs currently receiving the lowest levels of funding for their schools. This will result in BFC per pupil funding allocations increasing by £96.45 to £4,283.66 and total extra funds of £1.555m.
 - In line with all other years, changes in pupil numbers will be reflected in the DSG allocation.
 - The Minimum Funding Guarantee (MFG) at individual school level to remain unchanged at a maximum decrease in per pupil funding of 1.5%.
- 5.10 The DfE monitors the progress of LAs against the funding framework and requires the completion and submission of a template that sets out the Funding Formula to be used, associated units of resource and total cost. The deadline for return has been set at 20 January 2015. Annex 5 shows the BF return, which has been completed on the assumption that all of the proposals set out below in this report are approved, which the Forum is recommended to agree is submitted.

Progress to date

- 5.11 The key decisions taken by the Forum to date relating to the Schools Block element of the Schools Budget and other associated information includes:
- There will be no changes to the factors used in the BF Funding Formula for Schools.
 - The small number of mandatory changes required by the DfE to Funding Formulas do not impact on BFC.
 - In accordance with school responses to the financial consultation, there will only be one change in the distribution of funds to schools. The lump sum payment to all primary schools will increase by £10,000 to £160,000. This will be self-financing through a £33 deduction to the primary age weighted pupil unit (AWPU). This is designed to move more funds to smaller schools that do not benefit from economies of scale to the same extent as larger schools.
 - All services requested for de-delegation and on-going central management by the Council were agreed.
 - The SEN specific contingency would continue at £0.1m and would be funded from the Schools Block and not from the High Needs Block which would be the normal funding route.
 - The significant pressures on supporting High Needs Pupils mean that at least £1m of the £1.555m additional funds to be received through the

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Fairer Funding for Schools in 2015-16 initiative would need to be used for meeting statutory provisions.

- Any additional “headroom” in the Schools Block DSG, previously estimated at £0.5m, would be distributed to schools through a flat rate increase in the AWPUs for all ages.

5.12 To ensure schools have the best available information for their financial planning, at the end of December, 2015-16 indicative budget statements were sent to schools. This exercise was based on the initial budget decisions taken by the Schools Forum in November, updated to reflect latest forecast budget information. As set out on another agenda item for this meeting, the projected cost of supporting High Needs Pupils has further increased requiring a higher transfer Schools Block DSG than previously envisaged, meaning no additional funds are expected to be available for schools, and this was the basis that indicative budgets were calculated.

Impact of 2014-15 forecast outturn

5.13 Budget monitoring information available at the end of November indicates a forecast year end over spend over the Schools Budget of £0.986m. There is £0.691m in balances meaning at this stage the forecast deficit at year end is £0.295m. The latest budget monitoring summary is set out below in Table 1.

Table 1: Schools Budget forecast outturn for 2014-15 (as at November)

<u>SCHOOLS BUDGET - GRANT FUNDED</u>	Budget	Variance	Memo items:	
	Net	This Month by	Analysis of variance	
	£000	£000	Under spending	Over spending
			£000	£000
<u>Delegated and devolved funding</u>				
Delegated School Budgets	65,703	-26	-26	0
School Grant income	-4,521	-130	-130	0
	61,182	-156	-156	0
<u>LEA managed items</u>				
SEN provisions and support services	7,475	1,557	-449	2,006
Education out of school	1,080	20	-15	35
Pupil behaviour	316	-17	-29	12
School staff absence and other items	1,353	-192	-237	45
Combined Service Budgets	690	-15	-51	36
Early Years provisions and support services	4,094	-41	-94	53
Support to schools in financial difficulty	283	-113	-113	0
	15,291	1,199	-988	2,187
<u>Growth to be allocated</u>	0	0	0	0
<u>Dedicated Schools Grant</u>	-76,122	-57	-57	0
<u>Use of prior year under spend</u>	-265	0	0	0
TOTAL - Schools Budget	86	986	-1,201	2,187
<u>Note on school balances:</u>				
Opening unringfenced balance on Schools Budget		-691		
Forecast change on non-ring fenced budgets		986		
Forecast year end balance on Schools Budget for general use		295		

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Schools Block DSG income

- 5.14 The DfE published verified October school census and other data that must be used to calculate 2015-16 school budgets on 16 December. This showed actual pupil numbers at 15,233 (up 277 = 1.9%) which with the current £4,283.66 DSG per pupil funding rate paid to BFC results in total funding of £65.253m.
- 5.15 One adjustment has been made by the DfE to the core DSG allocation for the third year in a row. It reflects changes to the induction regulations so that teaching schools can act as the 'appropriate body' for the induction of newly qualified teachers. Schools now pay for this element of induction from their preferred supplier, rather than it being made available without charge from the LA.
- 5.16 The Schools Block DSG for 2015-16 is therefore estimated at £65.276m, an increase of £2.724m compared to the £62.552m received in 2014-15 and the budget is recommended to be updated accordingly.

Proposed use of accumulated balances and existing earmarked reserves

- 5.17 Funding available for schools can be adjusted by applying unspent DSG from previous years. As set out above, there is expected to be a net deficit carry forward of £0.295m at the end of 2014-15 after taking account of the £0.691m accumulated surplus. The budget proposals for 2015-16 will need to ensure that planned spend in 2015-16 can be funded from anticipated income for the year with plans put in place during the year to recover the deficit, but with a recognition that this may not be achieved in full until 2016-17.
- 5.18 Furthermore, as part of the financial planning process, Earmarked Reserves have been created. These hold sums of money which have been set aside for specific purposes where the precise timing and cost is unknown, but a future pressure is expected to arise. Following agreement of the Schools Forum, an Earmarked Reserve of £0.285m was created in the Schools Budget to assist with the implementation of the Council's Job Evaluation exercise.
- 5.19 Taking the changing landscape into account, last year the Forum agreed that this Reserve should be used in line with Council policy and that the £ equivalent of the Living Wage would be adopted from April 2014 and paid as the Bracknell Forest Supplement, rather than implementation of the original outcomes from the Job Evaluation exercise. The Living Wage is regarded as the minimum income necessary for a worker to meet basic needs. It is a benchmark figure, initially set at £7.65 per hour outside the capital and is expected to rise to £7.85 (+2.6%) from April 2015.
- 5.20 Therefore £0.144m was drawn down in 2014-15 to fund the estimated cost in mainstream schools with a further £0.023m for Kennel Lane Special (KLS) school, which is in the High Needs Block and therefore outside the detailed scope of this report. The remaining balance in the Reserve is proposed to be fully allocated in 2015-16 with £0.100m to mainstream schools and £0.017m to KLS. This split is in proportion to actual 2014-15 costs and is £0.037m below estimated 2015-16 costs for mainstream schools and £0.006m for KLS. From 2016-17 a new funding source will need to be found for this pressure, or it will need to be funded from within existing resources held by schools.

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Summary additional income

- 5.21 Adding together the estimated increase in DSG income of £2.724m and £0.100m draw down from the Job Evaluation Reserve, there is additional income of £2.824m for next year's Schools Block budget.

Budget proposals for 2015-16

- 5.22 The different parts of the Schools Block budget that the DfE allows DSG to finance have been added to this report as annexes to remind Forum Members of the services provided. Annex 1 shows both Part 1 centrally managed items where spending is limited to the amount agreed in the previous financial year and Part 2 centrally managed items where no restrictions on annual increases apply. Annex 2 sets out de-delegated budgets which the Forum has previously agreed should continue under central management by the Council, rather than within delegated school budgets.
- 5.23 Both of these annexes show the re-stated 2014-15 budget, the impact of proposals in this report and the resultant 2015-16 budget, should all of the changes be agreed. It can be seen that the majority of centrally managed Schools Block budgets are subject to cash limiting by DfE funding Regulations and are not permitted to increase. With an anticipated 1% pay award, a 2.4% increase in Teachers Pension Scheme and general inflation running at 1.5%, this restriction will require real terms savings to be managed on the relevant budgets, or a reduction in services provided.
- 5.24 Before looking at new proposals, there are a small number of changes needed to the £62.696m 2014-15 base budget - £62.552m DSG and £0.144m from the Job Evaluation Reserve - to reflect the removal of one-off funding allocations and changes to budget categorisations to reflect the annual update to the DfE Funding Regulations. The £0.144m allocation from the Living Wage Reserve has been removed from school budgets to reflect the one-year funding – note a new allocation is proposed to be added below as part of the new year proposals – with two self-balancing budget re-categorisations between different Parts of the Schools Block.
- 5.25 The first self balancing adjustment relates to setting aside £0.1m to fund the SEN contingency to support schools that admit a disproportionate number of High Needs Pupils that has been agreed in both of the last 2 annual financial consultations. The second change relates to re-categorising New School Start Up funding from a de-delegated budget to central management that is not subject to annual spending restrictions and reflects the latest DfE guidance. These three changes are shown in lines 2-4 of Table 2 below and create an ongoing budget to be funded from the Schools Block DSG of £62.552m.
- 5.26 Two savings are proposed on centrally managed items that reflect the current profile of likely spend. Rolling forward current pupil numbers to the start of the 2015-16 academic year indicates that the budget for in-year growth allowances can be reduced by £0.123m to £0.183m. A new funding agreement has also been approved by the Schools Forum for start-up costs at Jennett's Park Primary School, and this will save £0.020m against the current budget. Overall £0.143m of savings are proposed and these are shown in lines 6 and 7 of Table 2.
- 5.27 The financial impact on the Funding Formula for Schools from the October 2014 census is shown in lines 8-10 of Table 2. There is £0.859m growth added to primary schools to reflect 310 additional pupils (+3.3%) and a deduction of £0.148m from secondary schools where numbers have fallen by 33 (-0.6%). Overall, pupil numbers

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have increased by 277, 1.9%. Other data changes from the October census impact on funding allocations for deprivation, low prior attainment and a small number of other pupil characteristics. These aggregate to additional costs of £0.104m.

- 5.28 The most significant change in funding allocations to schools other than for pupil numbers relates to deprivation funding as measured through the Income Deprivation Affecting Children Index (IDACI). IDACI measures the likelihood of income deprivation for families by resident post code. The updated indicators supplied by the DfE indicate an extra £0.114m of funds need to be allocated. This represents an 8% increase in funding compared to 2014-15. Free School Meal eligibility allocations have decreased by £0.001m.
- 5.29 The final set of changes proposed to school budgets relate to funding the estimated cost of inflation on business rates, as the DfE requires schools to be funded on the estimated actual costs, which is £0.029m, and a self-funding budget transfer for the National Copyright Licensing agreement. DfE has negotiated a national agreement for all schools at a lower cost than the aggregate payments being made by individual schools of which the scope has been widened to cover more licences, meaning costs currently funded from individual school budgets will now be charged to a centrally managed budget, which requires a funding transfer. These changes were made in April 2014 but amounts were not confirmed until after the 2014-15 budget was set. These changes are shown in lines 11 and 12 of Table 2.
- 5.30 The accompanying agenda item report on SEN costs demonstrates that it will be impossible to balance the commitments to High Needs Block DSG funding without a substantial contribution from the Schools Block DSG. It also seeks agreement to a funding swap between Council and Schools Budget funding responsibilities to allow for additional resources in the SEN Team to put in place actions to manage down placement costs. £0.03m of the funding transfer will result in a cost increase within the Schools Block, and relates to the educational cost for Looked After Children (LAC) without statements of SEN being education in Children's Homes. This pressure is shown in line 13 of Table 2.
- 5.31 Current forecasts for costs of pupils placed in external specialist providers indicates an over spending against current budget in 2015-16 of £1.856m. This amount includes £0.03m of the proposed funding transfer in respect of without statements of SEN being education in Children's Homes. Savings of £0.2m on other SEN related budgets are considered possible and therefore a net pressure of £1.656m is expected on supporting High Needs pupils. In addition, there remains the unfunded 2014-15 reduction in High Needs DSG of £0.282m which also needs to be financed. Therefore, the combined net pressure is estimated at £1.938m and is shown in lines 14 to 16 in Table 2.
- 5.32 The forecast figures for High Needs pupils exclude the impact of the new SEN facility at Eastern Road. The accompanying SEN agenda item paper confirms that over the medium to long term, significant savings of over £0.5m are anticipated, however, in the short term as the facility has relatively low numbers, there will be an additional cost of which £0.49m could be funded from the SEN Resource Unit Reserve. Due to the DfE moving to funding LAs for places – the £10,000 cost of elements 1 and 2 – on a lagged, annually in arrears basis, there will initially be less income for this than originally anticipated, with the expectation that the SEN Resource Units Reserve contains £0.11m less than required to provide sufficient finance for the start up costs. A contribution of £0.055m for 2 years from 2015-16 is therefore proposed to secure funding for this essential development which is shown at line 17 of Table 2.

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5.33 The final budget proposal relates to making an allocation from the Living Wage Reserve to finance the cost of meeting the pay supplement. A revised calculation based on autumn term 2014 payments indicates total costs for schools – including KLS which is in the High Needs Block – of £0.16m but with only £0.117m remaining in the Reserve there are insufficient funds to cover all of the costs. Based on a pro rata funding allocation, £0.1m relates to mainstream schools and £0.017m for KLS. Adding the £0.1m transfer from the earmarked Reserve, as shown at line 18, increases the amount of additional funds next year to £2.824m, as per line 19.

5.34 Assuming these proposals, as summarised in Table 2 are approved, a balanced budget can be set.

Table 2: Proposed use of Schools Block income

Ref.	Budget proposal	Delegated	De-	Centrally	High	Total
		Budgets	delegated	managed	Needs	
		1	budgets	budgets	budgets	5
		£'000	£'000	£'000	£'000	£'000
1	Original Schools Block budget for 2014-15	60,266	1,319	1,111	0	62,696
2	Remove draw down from Living Wage Reserve	-144	0	0	0	-144
3	Re-categorise funding for SEN Specific Contingency	-100	0	0	100	0
4	Re-categorise New School Start Up funding	0	-70	70	0	0
5	Re-stated 2014-15 base budget	60,022	1,249	1,181	100	62,552
	<u>Changes for 2015-16:</u>					
	<u>Savings:</u>					
6	Saving on in-year growth allowances	0	0	-123	0	-123
7	New School Start Up funding	0	0	-20	0	-20
	<u>Other changes funded from DSG:</u>					
8	Effect of additional number of primary pupils	859	0	0	0	859
9	Effect of reduced number of secondary pupils	-148	0	0	0	-148
10	Effect of changes in pupil characteristics e.g.FSM numbers, test results, EAL etc	104	0	0	0	104
11	Rates inflation	29	0	0	0	29
12	National Copyright licence	-15	0	15	0	0
13	Education fees for vulnerable students	0	0	30	0	30
	<u>Funding of High Needs Block costs:</u>					
14	Reduction in 2014-15 High Needs Block DSG	0	0	0	282	282
15	Additional placement costs in 2015-16	0	0	0	1,856	1,856
16	Savings to be identified on SEN budgets	0	0	0	-200	-200
17	Contribution to SEN Resource Units Reserve	0	0	0	55	55
	<u>Change to be funded from reserves</u>					
18	Cost of implementing the Living Wage	100	0	0	0	100
	Total budget for 2015-16	60,951	1,249	1,083	2,093	65,376
19	Change (Lines 6 - 18)	929	0	-98	1,993	2,824
20	Estimated unfunded deficit from 2014-15 - funding to be identified during 2015-16					295

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Impact of the Minimum Funding Guarantee (MFG)

- 5.35 Forum members will be aware that in order to reduce funding turbulence in schools, the DfE requires all LAs to apply the MFG to individual school budgets and allocate top up funding where per pupil funding rates fall by more than 1.5% between years. In order to be able to finance the cost, the DfE allows a cap to be applied to reduce funding increases at schools experiencing a gain in per pupil funding. The Forum has already agreed that the existing arrangements will remain in place next year, so those schools above the MFG and in receipt of per pupil funding increases would meet the cost of financing the protection required for schools below the MFG.
- 5.36 If all things remain equal, then over time the expectation is that the cost of MFG will reduce as relevant schools need to absorb an additional 1.5% reduction in per pupil funding each year. This message has been reinforced with schools and for 2015-16 MFG top up reduces from £0.129m to £0.096m.

Impact of DfE reform of the Education Services Grant

- 5.37 In July, the Forum received an update report on DfE proposals to reform the Education Services Grant (ESG) with the objective of securing £200m - £20% - of savings, which is estimated to cost BFC £0.426m. This is a grant to the LA and not part of the Schools Budget.
- 5.38 The ESG is a per pupil grant paid to LAs and academies based on the number of pupils in maintained schools / academies and is intended to fund the cost of services that local authorities must provide without charge to maintained schools, but that academies secure and pay for independently.
- 5.39 In respect of BFC, the ESG update paper concluded that the implications from this funding cut for the LA were significant and that in line with the expectations of the DfE, some of the required savings would need to be funded from the Schools Budget with the key areas for change likely to centre around:
- Relative high cost services of School improvement, asset management and Statutory / regulatory duties;
 - Reducing the scope of services currently being provided without charge to schools or charge schools for a wider range of services;
 - Charging more costs to capital (subject to accounting code of practice).
- 5.40 In reviewing potential changes, the Council proposes to increase charges for bought back services by £0.040m as more functions become chargeable in School Improvement, Governor Services, Human Resources, Finance and Education Capital and Property. In addition, £0.060m of current LA costs are in future proposed to be charged to the budget that supports schools in financial difficulty. This reflects the significant time input from officers in School Improvement, Human Resources and Finance in supporting such schools. This later change would commit £0.060m of the £0.280m budget which the Forum is recommended to agree.

A separate agenda item seeks comments from the Schools Forum on the Council's revenue and capital budget proposals for 2015-16.

Other grant income

- 5.41 In addition to the DSG, a number of other significant grants are paid directly to schools and these have been reviewed for anticipated receipts in 2015-16 and the Forum is recommended to agree that the Executive Member updates budgets where relevant:
- Funding allocated through the Pupil Premium to increase by £20 for each primary aged pupil eligible to a FSM at any time in the last 6 years, with all other funding rates remaining unchanged. Total income to schools next year is expected to increase by £0.036m to £3.218m.
 - Funding for Universal Infant FSM and Primary School PE and Sport Grant have yet to be confirmed and are assumed to continue at current funding rates, with total income of £0.860m and £0.295m respectively;
 - For funding for sixth forms, there are a number of changes being made by the EFA to the national funding formula and funding rates including removal of transitional funding protection and small increases to some of the funding rates. At this stage it is not clear what the overall effect will be in BFC and the assumption must be that schools will receive less income in 2015-16 than they did in 2014-15, which was £4.521m.

Minimum Prudential Balances

- 5.42 Members of the Forum will also recall that the Borough Treasurer considers that the Schools Budget should hold a minimum surplus of £0.51m to help manage unforeseen cost increases like those currently being experienced. Meeting this objective is not considered possible in the current climate but will need to be addressed in the short to medium term. The Forum is therefore recommended to agree that the 2015-16 budget is set without meeting this policy.

Actual cost pressures estimated for 2015-16

- 5.43 Schools will experience a range of cost pressures next year and whilst funding is proposed to cover increases in pupil numbers, others will remain unfunded and will require schools to make savings to balance their budgets. The main pressures, which total to around £1.4m are:
- Teacher's and Local Government pay inflation, assumed at 1% at around £0.527m.
 - Other general inflation, assumed at 1.5% at around £0.235m
 - Increase in contribution to the Teachers' Pension Scheme, from 14.1% to 16.4% at September 2015 at around £0.484m
 - Increase in contribution to the accumulated deficit on the Local Government Pension Scheme, at around £0.075m.
 - Shortfall on the Living Wage £0.043m
 - Increased SLA charges as part of the Council's 2015-16 budget setting process of £0.040m.
- 5.44 In terms of funding increases for new pupils, the allocation to schools exceeds the expected cost as per pupil funding contributes to more costs than classroom staff,

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most of which would not change as numerous schools admit relatively small numbers of pupils that do not require the recruitment of a new teacher. Of the £0.711m included in school budgets for changes in pupils, it should be expected that at least 50% of the funding will not result in equivalent cost increases. Nevertheless, schools are still facing unfunded cost increases of around £1m next year. This will increase the likelihood that more pressure will be placed on the budget to support schools in financial difficulty.

Other decisions required from the Schools Forum

- 5.45 The content of this report complies with requirements of the School and Early Years Finance (England) Regulations 2014. In addition to this, in setting the 2015-16 Schools Budget, there are also requirements from the Schools Forum (England) Regulations 2012 that need to be complied with.
- 5.46 There is a requirement to seek comments from the Forum in respect of administration arrangements for the allocation of central government grants. No changes are proposed on existing arrangements where any relevant costs are absorbed by the council in normal day to day operations and the Forum is requested to agree this approach continues.
- 5.47 The Schools Forum Regulations also require the council to seek comments on arrangements for pupils with special educational needs, pupil referral units and other education out of school and early years provisions. In line with the publication of associated funding allocations, these matters will be presented to the Forum on 14 March.
- 5.48 The Forum also has a decision making role on other budget matters, most notably in relation to Schools Block element funds held for centrally management by the Council on behalf of schools. Relevant budgets, including changes proposed in this paper are set out in Annex 1 and the Forum is recommended to agree relevant amounts for each budget line.
- 5.49 The final area of decision making for the Forum required by DfE Regulation relates to agreeing to carry forward a deficit on central expenditure to the next year to be funded from the schools budget. Paragraph 5.13 of this report sets out a forecast year end over spending of £0.295m. The Forum is recommended to agree that the final deficit amount is carried forward and funded from a future Schools Budget.
- 5.50 Furthermore, it has also previously been agreed that the per pupil funding rates in the BF Funding Formula for Schools should not exceed 98% of the per pupil funding rates in the Schools Block element of the DSG. This is designed to ensure that during periods of increasing pupil numbers, the consequential increase in DSG income is sufficient to fund the per pupil allocations in the BF Funding Formula as well as a small allowance for funding other, pupil related factors, such as deprivation and low prior attainment.
- 5.51 With the School Block DSG rate set at £4,283.66 this caps BF per pupil funding rates to no more than £4,197.98. The proposals in this report result in the higher secondary per pupil funding rate being set at £4,137.51 which is 96.59% of the DSG rate.

Future budgets

5.52 Whilst it is clear that significant financial difficulties exist in agreeing the Schools Budget for 2015-16, further significant cost pressures are anticipated in the near future where financial provision should be considered as soon as possible. The main issues being:

- Start-up cost for up to 9 new mainstream schools. Jennett's Park received £0.7m of start-up funding due to the lag between setting the school budget – and receipt of DSG income - on prior year October pupil numbers which significantly increase at the start of the new academic year, and similar amounts need to be planned for the other schools.
- On-going impact of the growing population on SEN budgets, together with the expected increase in post-16 SEN students. This will be partially off-set in the medium to long term from savings anticipated from the new SEN Units at Eastern Road and Blue Mountain.
- The full year effect cost of the increase in contribution to the Teachers' Pension Scheme, from 14.1% to 16.4% at September 2015 at around £0.346m.
- Additional business rates liabilities arising from the school places expansion programme estimated at £0.050m per annum
- A new funding source for the Bracknell Forest supplement. The Earmarked Reserve is now fully spent and on-going costs of £0.16m are anticipated.
- The underlying deficit on the Local Government Pension Scheme is being reduced by way of additional lump sum contributions. Payments due from schools are forecast to increase by £0.107m in 2016-17.
- Minimum prudential balances. Adequate funding needs to be put aside to manage in-year emergencies or cost increases. The Schools Budget funds a range of high cost and high risk services for which it has been established that a minimum balance of £0.510m should be maintained to manage these risks.
- The £0.295m forecast 2014-15 deficit, should this not be managed down in year.

High Needs Block

5.53 As set out above, the DfE has yet to confirm all the funding adjustments required to the High Needs Block and therefore 2015-16 budget proposals will be presented in March. However, it is clear from rolling forward current commitments in non-BF special schools that there is a budget pressure, currently estimated at over £2m with the only realistic funding solution being to use Schools Block DSG income.

5.54 Annex 3 shows an outline of 2014-15 budgets funded from the High Needs Block which are unchanged from 2013-14 amounts due to the £0.282m cut in DSG and rising cost of placements resulting in there being insufficient funds to re-set budgets to the anticipated level of spend.

Unrestricted

Early Years Block

- 5.55 The Early Years Block covers 2, 3 and 4 year olds receiving the entitlement to 15 hours a week free education and childcare that is paid to providers – maintained schools and private, voluntary and independent (PVI) sectors – through the Early Years Single Funding Formula (EYSFF). It also covers the early years contingency, central expenditure on under 5s and high needs pupil funding where this is not included in the High Needs Block.
- 5.56 DSG income for 2015-16 will be based on 5 months funding at January 2015 actual participation and 7 months funding at January 2016 actual participation. Therefore, as in previous years, budget proposals will be presented to the Forum in March when the January 2015 data will have been received on a provisional basis.

Annex 4 shows current budgets, together with adjustments to reflect the removal off 2014-15 one-off funding from Reserves, which were previously agreed by the Forum.

Conclusion Next steps

- 5.57 Making proposals for the 2015-16 budget has presented the most significant challenges to date for the Council. Requesting significant funding transfers from the Schools Block to the High Needs Block has not been taken lightly and has resulted in significant actions being put in place to manage down costs. However, moving forward, further financial challenges will need to be addressed in the years ahead.
- 5.58 The views of, and decisions taken by the Schools Forum will be considered by the Executive Member in making final decisions for the 2015-16 Schools Budget. This will be on 20 January, which is the deadline for submission to the DfE of the 2015-16 Funding Formula for Schools. Budgets can then be confirmed to individual schools, which is expected to be some time in February.

The pro forma to be submitted to the DfE is attached at Annex 5.

- 5.59 Further work is on-going relating to the High Needs and Early Years Block items where the level of funding to be received next year has yet to be finalised. Budget proposals on these areas of the Schools Budget will be presented to the Forum for consideration in March.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The relevant legal provisions (including consultation) are addressed within the main body of the report.

Borough Treasurer

- 6.2 The financial implications arising from this report are set out in the supporting information. The proposals meet the requirements of the appropriate funding regulations and are considered affordable based on current information.

Equalities Impact Assessment

- 6.3 The budget proposals ensure funding is targeted towards vulnerable groups and an EIA is not required.

Strategic Risk Management Issues

- 6.4 The funding reforms and tight financial settlement present a number of strategic risks, most significantly:
1. Insufficient funding to cover anticipated pay and price inflation.
 2. Inability to target resources to schools facing pressures as a result of the limited range of available factors for the Funding Formula.
 3. The ability of schools to absorb an increasing number of pupils.
- 6.5 These risks will be managed through support and assistance to schools in the budget setting process which is a well established programme. It has ensured that schools develop medium term solutions to budget shortfalls and draws on funding retained to support schools in financial difficulty or through the allocation of short to medium term loans. There remains a de-delegated budget of £0.259m (excludes academies) to support schools in financial difficulties that meet qualifying criteria.
- 6.6 Significant financial pressures are being experienced on SEN related budgets, as highlighted on a separate agenda item. These services are high cost and remain volatile but will be managed down through the actions set out on the accompanying report, subject to additional resources being identified to increase capacity in the SEN Team.

7 CONSULTATION

Principal Groups Consulted

- 7.1 Schools.

Method of Consultation

- 7.2 Written consultation.

Representations Received

- 7.3 Included in relevant reports.

Background Papers

Previous budget reports to the Forum:

Contact for further information

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Doc. Ref

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Proposed 2015-16 Schools Block budgets to be centrally managed by the Council

Budget item	Schools Block Centrally Managed		
	Total 2014-15 £	Proposed Changes £	Draft Total 2015-16 £
<u>Part 1: Spending limited to amount agreed in the previous financial year</u>			
Combined Services Budgets*:			
Family Intervention Project	£100,000	£0	£100,000
Educational Attainment for Looked After Children	£133,590	£0	£133,590
School Transport for Looked After Children	£42,890	£0	£42,890
Young People in Sport	£18,050	£0	£18,050
Common Assessment Framework Co-ordinator	£42,470	£0	£42,470
Domestic Abuse	£6,000	£0	£6,000
Education Health Partnerships	£30,000	£0	£30,000
SEN Contract Monitoring	£32,680	£0	£32,680
Miscellaneous (up to 0.1% of Schools Budget):			
Forestcare out of hours support service	£4,850	£0	£4,850
Borough wide Initiatives	£27,270	£0	£27,270
Support to Schools Recruitment & Retention	£7,470	£0	£7,470
School Admissions	£175,970	£0	£175,970
Schools Forum	£21,440	£0	£21,440
Sub total Part 1 items	£642,680	£0	£642,680
<u>Part 2: No restriction on annual increases</u>			
Schools Contingency:			
Significant in-year growth in pupil numbers	£305,648	-£123,000	£182,648
Key Stage 1 class sizes	£86,392	£0	£86,392
Start up costs for new schools (was de-delegated in 2014-15, see Annex 2, after £20,000 saving)	£0	£50,000	£50,000
Boarding Placements for Vulnerable Children	£45,880	£30,000	£75,880
Central copyright licensing	£30,000	£15,000	£45,000
Sub total Part 2 items	£467,920	-£28,000	£439,920
Total Part 1 and Part 2 items	£1,110,600	-£28,000	£1,082,600

* Combined Service Budgets funded by the DSG generally support vulnerable children and link to other programmes funded by the Council which together result in better, more effective use of resources with improved outcomes for children than if provided and managed independently.

Items subject to de-delegation

Budget Item	Total 2014-15 £	Proposed Changes £	Draft Total 2015-16 £
<u>Part 5: Items that can be de-delegated from a maintained school's budget</u>			
Behaviour Support Services :			
Behaviour Support Team – provides support to young people, children and their families in the home environment and schools to manage behaviour.	£299,787	£0	£299,787
Anti-bullying co-ordinator – assists schools in their capacity to address bullying issues.	£25,027	£0	£25,027
Schools in Financial Difficulty – additional support where a school is in, or likely to fall into one of the Ofsted categories of causing concern.	£280,000	£0	£280,000
English as an Additional Language – to support under performing EAL pupils.	£127,066	£0	£127,066
SIMS and other licences – purchase of the licence required by the software that performs most finance and administration tasks in schools.	£90,452	£0	£90,452
Official staff absence e.g. maternity leave, union or magistrates duty, jury service, council membership, staff suspension.	£345,420	£0	£345,420
Premature Retirement / Dismissal costs to fund one-off redundancy costs following staffing restructure in schools.	£52,000	£0	£52,000
Funding for new, amalgamating or closing schools to finance start-up, build up and close down costs. (Centrally managed item from 2015-16, see Annex 1)	£70,000	-£70,000	£ 0
Exceptional costs (primary schools only) to support schools facing exceptional costs that could not be predicted when the budget was set	£10,000	£0	£10,000
Free School Meal eligibility checking - Ensures schools have relevant information to complete the annual, national census to maximise income.	£20,000	£0	£20,000
Total Schools Budget	£1,319,752	£-70,000	£1,249,752

Current 2014-15 High Needs Block Budgets i.e. unchanged from 2013-14

Budget Item	2014-15 Budget £
Element 3 top-up payments. For pupils where assessed needs exceed the £6,000 cost of support threshold set by the DfE:	
BFC maintained schools and academy.	£651,720
Non-BFC maintained schools	£950,000
Kennel Lane Special School *	£1,213,650
PVI providers	£4,250,000
FE colleges	£315,000
Elements 1 and 2 for specialist places – For block purchase of places in BFC maintained specialist providers, at the £10,000 per place funding rate set by the DfE:	
Kennel Lane Special School	£1,850,000
BFC maintained schools	£292,000
BFC academy **	£50,000
Education out of school:	
College Hall Pupil referral Unit	£711,490
Home Tuition	£252,160
Family Outreach Work	£99,130
Other support to high needs pupils:	
Teaching and Support Services	£704,350
Sensory Impairment Service	£226,470
Autism Support Service	£84,000
Traveller Education	£75,140
Other, e.g. specialist equipment, medical support etc	£146,010
Savings to be identified:	
Reduction in DSG	-£282,000
Total High Needs Block Budget	£11,589,120

* £0.023m to be released from the Job Evaluation Reserve to fund the estimated impact from adopting the equivalent of the Living Wage at Kennel Lane Special School.

** From September 2013, EFA became responsible for funding places in academy schools, with a corresponding deduction made to the DSG.

Current 2014-15 Early Years Block Budgets

Budget Item	2014-15 Budget £	2015-16 Funding Changes £	2015-16 Draft Budget £
Free entitlement to early years education and childcare for 3 and 4 year olds:			
Maintained school nurseries	£1,348,080		£1,348,080
PVI provider settings	£2,760,020		£2,760,020
Provider Contingency – for in-year increases in take-up and other support to providers e.g. SEN children, providers in financial difficulty (3%)	£130,550		£130,550
Multi professional assessment centre – Currently provided through contract with Action for Children, based at Margaret Wells Furby Children’s Centre	£156,850		£156,850
Free milk – net cost of free milk to eligible children.	£11,210		£11,210
Special Educational Needs and other support e.g. Special Educational Needs Co-ordinators.	£147,390		£147,390
Free entitlement to early years education and childcare for 2 year olds:			
Payments to providers (including SEN supplements) (1)	£782,200	£5,700	£787,900
Trajectory funding: Outreach support, delivery of sufficient places, workforce development, publicity and marketing.	£104,000		£104,000
Provider Contingency – for in-year increases in take-up and other support to providers e.g. SEN children, providers in financial difficulty (5%)	£35,000		£35,000
Development of sufficient places – convert revenue funding to capital (2)	£264,700	–£264,700	£0
Total Early Years Block Budget	£5,740,000	–£259,000	£5,481,000

- (1) £0.259m one-off brought forward balance removed; £0.265m revenue funding converted to capital in 2014-15 returned to revenue.
- (2) £0.265m revenue funding converted to capital in 2014-15 returned to revenue for 2015-16.

2015-16 DfE pro forma

Local Authority Funding Reform Proforma

LA Name:

Bracknell Forest

Pupil Led Factors

1) Basic Entitlement Age Weighted Pupil Unit (AWPU)	Reception uplift	No	Pupil Units		0.00					
	Description	Amount per pupil		Pupil Units		Sub Total	Total	Proportion of total pre MFG funding (%)	Notional SEN (%)	
	Primary (Years R-6)	£2,842.95		9,703.00		£27,585,180	£49,981,376	44.35%	2.00%	
	Key Stage 3 (Years 7-9)	£4,066.86		3,331.00		£13,546,709		21.78%	2.00%	
	Key Stage 4 (Years 10-11)	£4,066.86		2,176.00		£8,849,486		14.23%	2.00%	
	Description	Primary amount per pupil	Secondary amount per pupil	Eligible proportion of primary NOR	Eligible proportion of secondary NOR	Sub Total	Total	Proportion of total pre MFG funding (%)	Primary Notional SEN (%)	Secondary Notional SEN (%)
2) Deprivation	FSM % Primary	£439.03		880.59		£386,604	£2,456,475	3.95%	7.00%	
	FSM % Secondary		£1,355.12		413.76	£560,694				7.00%
	IDACI Band 1	£339.54	£1,113.32	1,511.71	700.61	£1,293,284			0.00%	0.00%
	IDACI Band 2	£509.30	£1,669.98	156.84	70.97	£198,392			0.00%	0.00%
	IDACI Band 3	£679.07	£2,226.65	2.97	6.95	£17,501			0.00%	0.00%
	IDACI Band 4	£848.84	£2,783.31	0.00	0.00	£0			0.00%	0.00%
	IDACI Band 5	£1,018.61	£3,339.97	0.00	0.00	£0			0.00%	0.00%
	IDACI Band 6	£1,188.38	£3,896.63	0.00	0.00	£0	0.00%	0.00%		

Unrestricted

	Description	Primary amount per pupil	Secondary amount per pupil	Eligible proportion of primary NOR	Eligible proportion of secondary NOR	Sub Total	Total	Proportion of total pre MFG funding (%)	Primary Notional SEN (%)	Secondary Notional SEN (%)
3) Looked After Children	LAC X March 12	£211.86		61.15		£12,956	£249,298	0.02%	0.00%	
4) English as an Additional Language (EAL)	EAL 3 Primary	£239.12		810.51		£193,811		0.35%	0.00%	
	EAL 3 Secondary		£239.12		92.99	£22,236				0.00%
5) Mobility	Pupils starting school outside of normal entry dates	£314.75		64.48	0.00	£20,295		0.03%	0.00%	0.00%
6) Prior attainment	Low Attainment % new EFSP	45.55%		17.76%	1,834.61	£934,165	3.34%	100.00%		
	Low Attainment % old FSP 78		£509.19	19.52%						
	Secondary pupils not achieving (KS2 level 4 English or Maths)		£902.88		1,264.51	£1,141,699			100.00%	

Unrestricted

Other Factors

Factor	Lump Sum per Primary School (£)	Lump Sum per Secondary School (£)	Lump Sum per Middle School (£)	Lump Sum per All-through School (£)	Total (£)	Proportion of total pre MFG funding (%)	Notional SEN (%)	
7) Lump Sum	£160,000.00	£170,000.00			£5,980,000	9.61%	0.00%	0.00%
8) Sparsity factor					£0	0.00%	0.00%	0.00%
9) Fringe Payments					£0	0.00%		
10) Split Sites					£0	0.00%	0.00%	
11) Rates					£1,372,940	2.21%	0.00%	
12) PFI funding					£0	0.00%	0.00%	
13) Sixth Form					£0	0.00%	0.00%	
14) Exceptional circumstances (can only be used with prior agreement of EFA)								
Circumstance					Total (£)	Proportion of total pre MFG funding (%)	Notional SEN (%)	
Exceptional Circumstance - hire of sports facilities					£85,048	0.14%	0.00%	
Total Funding for Schools Block Formula (excluding MFG Funding Total) (£)					£62,201,001	100.00%	£3,141,803	

Unrestricted

15) Minimum Funding Guarantee (MFG is set at -1.5%)				£96,371	
Apply capping and scaling factors? (gains may be capped above a specific ceiling and/or scaled)				Yes	
Capping Factor (%)	0.00%	Scaling Factor (%)	41.95%		
Total deduction if capping and scaling factors are applied				-£96,371	
				Total (£)	Proportion of Total
MFG Net Total Funding (MFG + deduction from capping and scaling)				£0	0.00%
High Needs threshold (only fill in if, exceptionally, a high needs threshold different from £6,000 has been approved)				£0.00	
Additional funding from the high needs budget				£0.00	
Growth fund (if applicable)				£319,040.00	
Falling rolls fund (if applicable)				£0.00	
Total Funding For Schools Block Formula				£62,201,001	
% Distributed through Basic Entitlement				80.35%	
% Pupil Led Funding				88.04%	
Primary: Secondary Ratio				1 :	1.35