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# NOTICE OF MEETING

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## SCHOOLS FORUM

WEDNESDAY, 12 DECEMBER 2012 AT 4.30 PM

## CONFERENCE ROOM A - CIVIC OFFICES

Telephone enquiries to Jane Di Dino 023 9283 4060

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### Membership

#### Schools Members

One head teacher representative - nursery phase  
Three head teacher representatives - primary phase  
Three head teacher representatives - secondary phase  
One head teacher representative - special phase  
One academy representative  
Eight governors

#### Non School Members

Three Councillors from each political party  
One representative from the following organisations:  
The Anglican Diocese  
The Roman Catholic Diocese  
The 14-19 Partnership  
The Early Years providers (from the private, voluntary and independent sector)

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(NB This Agenda should be retained for future reference with the minutes of this meeting.)

Please note that the agenda, minutes and non-exempt reports are available to view online on the Portsmouth City Council website: [www.portsmouth.gov.uk](http://www.portsmouth.gov.uk)

## AGENDA

- 1 Apologies
- 2 Declarations of Interest

- 3 **Minutes and matters arising from last meeting on 24 October 2012**  
(Pages 1 - 10)
- 4 **Budget Overview (PCC)**
- 5 **AMS Update**
- 6 **School Funding Reform (Pages 11 - 22)**

Richard Webb, Finance Manager, will present the attached report.

**RECOMMENDED:**

**It is recommended that the schools forum:**

- a. **Notes the elements of funding within the high needs block in paragraph 5.**
- b. **Agrees to the proposal for allocating additional funding for SEN in mainstream schools from the High Needs Block as detailed in paragraph 9.**
- c. **Endorses the indicative top-up rates for 2013-14 for Special Schools and Resourced Units as detailed at paragraph 18.**
- d. **Agrees to the proposal for allocating the behaviour support funding as detailed in paragraphs 20 and 21.**
- e. **Endorses the indicative top-up rate for 2013-14 for the Alternative Provision places as detailed in paragraph 24.**
- f. **Agrees the proposal for funding of permanent exclusions set out in paragraph 31.**
- g. **Agrees to the principle that: *'growth funding will be allocated to schools where there is a significant and sustained growth in pupil numbers'*.**
- h. **Agrees that for funding to be allocated to schools from the growth fund; the growth in the number of pupils must meet both of the following criteria:**
  - i. **Significant' – Where the increase in the number on roll exceeds 10 pupils per year and this equates to 5% or more of the total number of pupils on roll.**
  - ii. **'Sustained' – The 'significant' criteria has been met for both the current and previous academic year.**
- i. **Agrees that the 'one-off' allocation from the growth fund to schools who meet the above criteria, will be equal to 7/12ths of the 'Basic Per Pupil Entitlement' of the current academic year's increase in the Number of Roll. For secondary schools, the Basic Per Pupil Entitlement rate for Key Stage 3 will be used in the calculation.**
- j. **Endorse that the indicative level of the growth fund for 2013-14 be set at £250,000 and be funded from a re-allocation of the contingency budget.**

**7 Academy Transfers (Pages 23 - 28)**

Mike Stoneman, Strategic Commissioning Manager, will present the report.

**RECOMMENDED:**

**It is recommended that the Schools Forum note the content of this report and the following recommendation to Cabinet.**

**a. that the Council seek a contribution of £5,000 from the converting school, towards the costs associated with the academy transfer process on the following basis:**

**The contribution will be capped at £5,000. This will be deducted from the schools account at the beginning of the transfer process. In extreme circumstances the Council may seek an additional contribution if costs significantly exceed the capped figure of £5,000. This will be discussed and negotiated with the School before any further deductions are implemented.**

**8 Any Other Business**

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# Agenda Item 3

## Schools' Forum

### Minutes of the meeting held on 24th October 2012 at the Civic Offices

#### Attendance

**Members:**

Tom Blair  
Suzy Horton  
Bruce Marr  
Mark Mitchell (Chair)  
Jayne Pratt  
Steve Sheehan  
Justeen White

**Representative:**

Gov – Secondary  
Gov – Primary  
Gov - Secondary  
Gov – Special  
Gov – Nursery  
Gov - Primary  
Gov – Secondary

Alison Beane  
Jackie Collins  
Lynn Evans  
David Jeapes  
Mike Smith  
Sue Wilson

HT – Special  
HT – Primary  
HT – Secondary  
HT – Secondary  
HT - Secondary  
HT - Primary

Cllr Ken Ferrett  
Cllr Lynne Stagg  
Cllr Neill Young

Cllr - Labour  
Cllr – Liberal Democrat  
Cllr - Conservative

**Observers:**

Bev Pennekett  
Lionel Smith

Education Funding Agency  
Gov - Primary

**Officers:**

Eric Bell  
Di Mitchell  
Maria Smith  
Richard Webb  
Julian Wooster

Commissioning Manager  
Head of Education  
Senior Accountant  
Finance Manager  
Strategic Director

**Item****Action**

1. Apologies: Carole Damper, Emily Fletcher, Sarah Sadler, Karen Stocks, Cllr Rob Wood.

2. Declaration of interests:

It was requested that those members who hadn't already done so complete and sign a Declaration of Interest form and return to Richard Webb.

*Action: All members to complete this if not done already.*

All

It was confirmed that there were no conflicts of interest to items on the agenda.

3. Minutes and Matters Arising from last meeting on 3<sup>rd</sup> October 2012

The minutes of the previous meeting were agreed. Due to the importance of the items on this agenda, it was agreed that the actions from the meeting on 3<sup>rd</sup> October would be included in the minutes of this meeting, in order to be discussed at the meeting in December.

***Actions from 3<sup>rd</sup> October 2012 meeting:***

Funding for Exceptional Pupil Numbers. Criteria to define 'significant and sustained increases' need to be determined with regard to additional funding being made available to schools.

*Action: Richard Webb to bring back proposals to the December meeting.* RW

Schools Forum Constitution.

*Action: Richard Webb to add a sentence into the constitution to state that membership will be reviewed regularly to reflect the number of academies in the city.* RW

AMS Matters. JB

*Action: John Bean to contact schools to find*

- *2/3 head teachers to assist with the Repairs and Maintenance SLA*
- *2/3 bursars to assist with the Managing School Premises guide*
- *2 further head teachers to assist with the catering SLA*

DSG 2012/13 and use of Contingency Provision. RW

*Action: Richard Webb to bring back details to the next meeting on the cost of out of city placements.*

Any Other Business. An initiative has been put together by the community, police and lifeguards where they are trying to make children aware of the dangers of tombstoning and develop water safety advice and materials.

*Action: Julian Wooster to contact primary schools to ask if any are willing to assist with the production of new material appropriate for use in schools.* JW

#### 4. School Funding Reform

Richard Webb presented a report updating schools forum on the progress being made towards implementing changes to our local funding formulae and to ensure that schools forum is consulted on the proposed changes to the schools funding formula and seek the appropriate approval requirements for the treatment of central expenditure.

Schools Forum were reminded of the key principles applied by the working group and reflected in the financial modelling which had been previously agreed by Members:

*(a) to minimise fluctuations in funding for schools as far as possible prior to the introduction of the national funding formula; and*

*(b) to maintain the funding for each of the phases in the same proportion / percentage split for modelling purposes.*

#### **Schools Block**

Under the new revenue formula funding arrangements, Portsmouth City Council will only be able to use eleven factors when deciding on how to allocate funding to mainstream schools. These eleven factors will replace the existing methodologies for allocating the budget share to Primary and Secondary mainstream schools.

The table below summarises the eleven factors available to Portsmouth City Council for allocating funding to mainstream schools from the 1 April 2013, together with the details of any allowable choices that have been made by the Council in implementing these factors. The 'Basic Per Pupil Entitlement' and 'Deprivation' factors are mandatory, whilst the other factors are optional.

**Table 1 – Proposals for mainstream formula factors**

<b>No.</b>	<b>Funding Formula Factors</b>	<b>Factor Applied in Formula</b>	<b>Local Discretion Applied</b>
<b>1.</b>	Basic Per Pupil Entitlement	Yes	The Council is proposing to use the option to have different entitlement rates for Key Stage 3 and Key Stage 4, rather than one rate for both.
<b>2.</b>	Deprivation	Yes	The Council is proposing to use the IDACI measure for allocating funding to primary and secondary schools for deprivation, rather than using the Free School Meal data sets.
<b>3.</b>	Looked After Children	Yes	None

<b>4.</b>	Prior attainment as a proxy measure for SEN	Yes	The Council is proposing to use 73 points (rather than 78 points) in the EYFSP as the proxy measure for allocating funding to Primary Schools for SEN.  For secondary schools, the measure is those pupils who fail to achieve Level 4 or above in both English & Maths. There are no local options regarding the measure.
<b>5.</b>	English as an additional language (EAL)	Yes	The Council is proposing to allocate funding on the basis of a higher rate for secondary pupils to reflect the increased support required at this level.
<b>6.</b>	Lump Sum	Yes	None
<b>7.</b>	Split Sites	No	Factor not used.
<b>8.</b>	Rates	Yes	None
<b>9.</b>	Private Finance Initiative (PFI)	Yes	The Council is proposing to continue to fund schools for the estimated affordability gap, through this factor.
<b>10</b>	Post 16 funding	No	Factor not used.
<b>11</b>	Pupil Mobility	No	Factor not used.

It was confirmed that at this stage we are asking Schools Forum members to approve the principles and that unit values will be amended following confirmation of the 2013-14 DSG. This will be achieved as far as possible by amendment of the values associated with the 'Basic Per Pupil Entitlement'.

The Minimum Funding Guarantee (MFG) has been set at minus 1.5% per pupil for 2013-14 and 2014-15. The MFG protects the per-pupil funding that schools receive from one year to the next against significant funding reductions.

To ensure the affordability of the MFG protection under the new arrangements, and to minimise fluctuations in funding for schools as far as possible prior to the introduction of the national funding formula, it is proposed that a financial cap be implemented to protect against significant increases in schools funding. A detailed analysis was distributed showing the impact on schools if there were to be a cap of 1.5%, no cap or a 3% cap. It was agreed that under the current modelled options that a 1.5% cap looked to be the best option.



Concern was raised over the significant gains and losses in the secondary sector in particular. Richard Webb confirmed that we had to work within the DfE guidance and this was the closest we could get to meet the criteria of minimising fluctuations in funding for schools as far as possible. It was also reiterated that schools would be protected by the MFG at 1.5% for the next two years.

It was questioned how the responses to the consultation were reflected in the report. Mark Mitchell responded that there had only been 12 responses to the consultation some of which did not understand the issues based on their responses. Eric Bell stated that he and Richard had met with head teachers and finance officers at various meetings over the consultation period to help explain this very complex issue.

*Action: Richard Webb and Eric Bell to arrange attendance at a future Governors meeting.* RW/EB

### Schools Members agreed:

- a. That following confirmation of the 2013-14 DSG, officers will amend the unit values to minimise the impact of fluctuations in funding at the school level. This will be achieved as far as possible by amendment of the values associated with the 'Basic Per Pupil Entitlement'. *(All 11 Members agreed)*
- b. The proposed mainstream formula factors, together with the choices that the Council has made in implementing these factors locally *(10 Members agreed, 1 abstention)*
- c. The proposal to introduce a financial cap to restrict significant increases in schools funding, as detailed in paragraph 18 of the report. *(All 11 Members agreed)*

### Central Expenditure

The table below sets out the Council's proposals to Schools Forum for the treatment of these central expenditure items. Schools Forum was requested to approve de-delegation of the items specified in the table below, together with any relevant overheads.

**Table 2 – Proposals for treatment of central expenditure items for schools**

No.	Central Expenditure Item	Recommended Treatment	De-Delegation Phase Agreement Required	Service Level Agreement Required
1.	Contingencies	The current level of contingency is £500,000. It is recommended that a contingency is retained for the following remaining eligible	Separate approval will be requested at the meeting in December.	No

		<p>purposes where required:</p> <ul style="list-style-type: none"> <li>Schools in financial difficulties</li> <li>Additional costs relating to new, reorganised or closing schools</li> <li>Exceptional unforeseen costs which it would be unreasonable to expect governing bodies to meet.</li> </ul> <p>The parameters and amount for any contingency required in respect of the above purposes will be agreed by Schools Forum separately each year.</p>		
2.	Administration of free school meals eligibility	This total cost of this service including overheads is approximately £33,000. It is recommended that this is allocated on a per pupil basis (using AWPU) and de-delegated back to central control.	Primary & Secondary	No
3.	Insurance	This is already delegated to schools, therefore no action required.	N/A	N/A
4.	Licences or subscriptions	The cost of this service is approximately £50,000. It is recommended that this is allocated on a per pupil basis (using AWPU) and de-delegated back to central control, together with an overhead element for the administration costs.	Primary & Secondary	No
5.	Staff costs or supply cover (incl: Long Term Sickness, Maternity, Union Duties, Suspension, Jury Service, etc.	<p>Sickness costs are already delegated and a Service Level Agreement is already in place.</p> <p>Maternity costs are approximately £540,000. It is recommended that this is allocated on a per pupil basis, (using AWPU) but with appropriate allocation between the school phases. An SLA would be offered and a small administration charge would be applied.</p> <p>Special staff costs (Union Duties, Suspension, Jury Service, etc) cost approximately £250,000, it is recommended that this is</p>	<p>N/A</p> <p>N/A</p> <p>Primary &amp; Secondary</p>	<p>Yes</p> <p>Yes</p> <p>No</p>

		allocated on a per pupil basis (using AWPU) and de-delegated to central control.		
6.	Support for minority ethnic pupils or underachieving pupils	The cost of this service is approximately £460,000. It is recommended that is allocated on a per pupil basis (using EAL) and de-delegated back to central control. Agreement would be required for each phase.	Primary & Secondary	No  Any additional services would require an SLA.
7.	Behaviour Support Services	Estimated value of this service is £1m, which is currently provided through Harbour School. It is recommended that this is allocated using 'prior attainment as a proxy for SEN'. A phased approach as set out below is recommended. For year 1 (2013-14) – De-delegate back to central control and continue to provide through Harbour school. In preparation for year 2 (2014-15), schools give early preference to model of provision.	Primary & Secondary	Yes, between PCC and Harbour School in year 1.
8.	Library and Museum Services	The cost of this service is approximately £16,000. It is recommended that this is allocated on a per pupil basis (using AWPU) to primary schools and de-delegated back to central control.	Primary	No

Mike Smith proposed to also agree de-delegation of the maternity budget. It was stated that the maternity budget was more difficult to administer and that it would probably require an additional charge to cover administration of the scheme by the local authority. There was agreement around the room that schools would still be keen to de-delegate the maternity budget as schools they felt uncomfortable taking on the financial risks associated with this budget.

**Primary & Secondary School Members agreed unanimously by phase:**

- d. **The proposed treatment of the central expenditure items as detailed in table 2, including any relevant overheads. In addition Members agreed the de-delegation of the Maternity budget together with any relevant overheads.**

## High Needs Block

Richard Webb presented an overview of the funding arrangements in respect of the high needs block referring to the detail within the report.

For alternative provision it was confirmed that there will be a base level of funding for each agreed AP place of £8,000. Above this top-up funding will be provided by the commissioner on a per pupil basis. Eric Bell confirmed that this no different to the arrangement this year apart from the fact that the commissioner would also be liable for transport costs. Mike Smith asked what the average costs of transport were and Eric confirmed this would form part of the report in December.

In cases of permanent exclusions the DfE proposals state that mainstream schools and academies will be required to repay the AWPU to the Local Authority. In order to avoid a perverse incentive for schools to exclude pupils on financial grounds a local arrangement was proposed:

- Mainstream schools or academies will be required to pay top up funding for the rest of the financial year in addition to the AWPU.
- Where the exclusion occurs after the October Census, mainstream schools and academies will be required to pay the top up element of the funding to the provider for the rest of the financial year and the following financial year, in addition to the AWPU.

Mike Smith offered an alternative proposal as a minimum compromise that in year 2 only the AWPU would be repaid. He stated that although there was agreement that the cost of permanent exclusion should be higher than alternative provision there needed to be recognition that sometimes permanent exclusion is necessary.

It was suggested that officers model the impact of repaying a proportion of the top-up (say £1k, £2k and £6k). Richard Webb stated that this could be done but made Schools Forum aware that any reduction in the amount that schools repay would result in the local authority having to retain additional funding separately within the high needs block.

*Action: Richard Webb to bring back further modelling of permanent exclusions to the December meeting.* RW

## Members agreed:

- e. To note that a further progress report will be presented to the December meeting which will include proposals in relation to the use of the central contingency and for funding growth**

- f. To defer a decision in relation to the recommendation on the funding in cases of permanent exclusion but agreed the following principles:
  - i. There should be no perverse financial incentive to permanently exclude.
  - ii. That where the exclusion takes place prior to the October census in an academic year, the school would repay the AWPU
  - iii. That where the exclusion takes place after the October census in an academic year, that the school would repay the AWPU for that year and the following financial year.
  - iv. That the school would also repay a top-up in the first year, but that a decision on the amount to be repaid is delayed until further financial modelling is presented to Members at the next meeting.
- g. To note the proposals in respect of the high needs block and that a further report will be presented in December.

5. Academy Transfers

This item was deferred to the December meeting.

6. Closing balances of Charles Dickens Infant and Junior Schools

Richard Webb presented a report seeking agreement for the proposed use of the closing balances of Charles Dickens Infant School and Charles Dickens Junior School following the transfer of the pupils to Charles Dickens Primary School.

**Schools Forum approved the recommendation.**

7. Any Other Business

None.

**Dates of Future meetings**

(all Wednesdays, 4.30pm – 6.30pm, to be held in the Civic Offices)

12<sup>th</sup> December 2012 – Budget update (Leader & S151 Officer invited)

13<sup>th</sup> February 2013 – Budget setting

24<sup>th</sup> April 2013 – Central Expenditure Limit

17<sup>th</sup> July 2013 – Final DSG allocation

***Schools Forum members - please contact Richard Webb (023 9284 1203) if you would like to add any items to future agendas.***

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# Agenda Item 6

Agenda item:

6

**Report to:** Schools Forum  
**Subject:** School Funding Reform  
**Date of meeting:** 12th December 2012  
**Report by:** Julian Wooster – Director for Children’s Services  
**Written by:** Richard Webb - Finance Manager

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## Purpose of report

1. The purpose of this report is to: (a) ensure that schools forum is consulted on the changes to the schools funding formula, (b) provide a further update on the progress being made towards implementing the requirements of the school funding reform, and (c) seek the appropriate approvals required.

## Recommendations

2. It is recommended that the schools forum:
  - a. Notes the elements of funding within the high needs block in paragraph 5.
  - b. Agrees to the proposal for allocating additional funding for SEN in mainstream schools from the High Needs Block as detailed in paragraph 9.
  - c. Endorses the indicative top-up rates for 2013-14 for Special Schools and Resourced Units as detailed at paragraph 18.
  - d. Agrees to the proposal for allocating the behaviour support funding as detailed in paragraphs 20 and 21.
  - e. Endorses the indicative top-up rate for 2013-14 for the Alternative Provision places as detailed in paragraph 24.
  - f. Agrees the proposal for funding of permanent exclusions set out in paragraph 31.
  - g. Agrees to the principle that: ‘*growth funding will be allocated to schools where there is a **significant** and **sustained** growth in pupil numbers*’.
  - h. Agrees that for funding to be allocated to schools from the growth fund; the growth in the number of pupils must meet **both** of the following criteria:
    - i. **Significant** – Where the increase in the number on roll exceeds 10 pupils per year and this equates to 5% or more of the total number of pupils on roll.
    - ii. **‘Sustained’** – The ‘significant’ criteria has been met for both the current and previous academic year.

- i. Agrees that the 'one-off' allocation from the growth fund to schools who meet the above criteria, will be equal to 7/12ths of the 'Basic Per Pupil Entitlement' of the current academic year's increase in the Number of Roll. For secondary schools, the Basic Per Pupil Entitlement rate for Key Stage 3 will be used in the calculation.
- j. Endorse that the indicative level of the growth fund for 2013-14 be set at £250,000 and be funded from a re-allocation of the contingency budget.

### **Overview of the High Need Block**

- 3. The new funding mechanism refers to pupils and students requiring high levels of specialist provision as high needs pupils and students. There is no specific definition of 'high needs', however for the purposes of funding, pupils and students with high needs, are those who need educational provision that costs more in total, (including the basic provision given to all pupils and students) than £10,000 per year.
- 4. This applies to all pupils and students with high needs from birth to 19, with high level Specialist Educational Needs (SEN) and pupils of compulsory school age in alternative provision (AP).
- 5. The funding within the high needs block will be used to support a range of items including:
  - a. delegated budgets of special schools;
  - b. centrally funded provision for individual pupils;
  - c. SEN support services
  - d. independent special school fees
  - e. commissioned pupil referral services
  - f. education out of school
  - g. central budgets
  - h. post 16 SEN funding

### **Delegation of funding for SEN in Mainstream schools**

- 6. Additional funding will be allocated to mainstream schools and Academies in relation to support for pupils with statements that was previously held centrally by the Council. This additional funding will form part of the Notional SEN budget, from which mainstream schools and Academies will be required to provide a 'local offer' of teaching and learning for all pupils including those with high need. Mainstream schools and Academies will be required to contribute the first £6,000 of the additional support costs.
- 7. Currently schools are only expected to fund the first £2,000 of additional support costs of low incidence statements. Therefore under the new arrangements, funding which was previously held centrally to support pupils with statements with a cost up to £6,000 will now be delegated to



schools. As the funding will now be delegated through the mainstream funding formula, the funding will now no longer be specifically targeted to the individual pupils, but will instead form part of the schools Notional SEN budget.

8. As detailed within the consultation document and the previous report to schools forum, the Council proposed to use the additional flexibilities available in order to target additional funding, in exceptional circumstances, to schools and Academies. This additional funding will be targeted to where the funding, allocated through the funding formula, does not adequately reflect the number of pupils with statements within the school.
9. Based on the financial modelling and the feedback from the funding working group, it is proposed that funding of £731,000 will be allocated in 2013/14 as follows:
  - a. 51% of the available funding will be allocated on a per pupil basis through the 'Basic Per Pupil Entitlement' factor within the funding formula, to ensure all schools receive additional support towards the Notional SEN budget.
  - b. 49% of the available funding will be targeted, in exceptional circumstances, to the schools and academies with a higher proportion of 'low incidence high cost statements'. The criteria for this allocation is based on the percentage of pupils with these statements compared to the Number on Roll (NOR):

<b>% of pupils with low incidence high cost statements compared to NOR</b>	<b>Primary Schools indicative additional funding per pupil with a low incidence high cost statement £</b>	<b>Secondary Schools indicative additional funding per pupil with a low incidence high cost statement £</b>
Over 1.4%	700	800
Over 1.75%		1,200
Over 2%	1,700	1,550
Over 2.25%		1,800
Over 2.5%	1,950	2,050
Over 3%	2,200	
Over 3.5%	2,600	

10. The difference in rates for exceptional funding between the primary and secondary phases is designed to (a) maintain the current funding levels within each sector in the same proportion, (b) reflect the size of available resources between the primary and secondary schools, and (c) target the funding where the funding formula does not adequately reflect the number of pupils with statements within the school.

11. These rates ensure that all schools with low incidence high cost statements of greater than 2% of their NOR are winners when compared to the current distribution of funding therefore creating a financial incentive to support pupils with low incidence high cost statements.
12. The financial modelling of the above proposal has shown that this closely reflects the current allocation of funding to schools for low incidence high cost statements. The variances can be summarised as follows:

<b>Funding Gained / Lost compared with current funding methodology</b>	<b>Number of Primary Schools</b>	<b>Number of Secondary Schools</b>
Gain between £7,500 - £8,750	-	1
Gain between £5,000 - £7,500	3	1
Gain between £2,500 - £5,000	7	2
Gain between £0 - £2,500	9	2
Loss between £0 - £2,500	20	1
Loss between £2,500 - £5,000	10	-
Loss between £5,000 - £7,500	-	2
Loss between £7,500 - £8,500	-	1

### **Specialist SEN Settings**

13. Specialist settings include special schools, special units and resourced provision in mainstream schools and academies that are set aside specifically to provide services to pupils with high needs.
14. Specialist SEN settings will receive base funding of £10,000 per agreed place. The place element of the funding will be passed on directly to maintained providers by Portsmouth City Council. Academies and other non-maintained providers will receive the place funding from the Education Funding Agency. 'Top-up' funding above this level, will be paid by the commissioning authority on a per-pupil basis.
15. To maintain stability in the level of funding for Special Schools and in order to maintain the recognition of the higher level of support required for those pupils with the high level of needs, the Council is proposing to adapt the traditional 'A – H' banding mechanism to allocate the necessary top-up funding for pupils in Special Schools, for the financial year 2013-14. The amounts payable at each band have been updated in order to reflect the introduction of the 'place' funding mechanism. In order to maintain the stability of funding for each school, each school will have its own band values. The band values are based on the assumption that the total funding for each school remains the same as in 2012-13 (subject to the MFG mechanism) and that all of the places are full.

16. As with the special schools, the special units and resourced provision will also receive place funding of £10,000. However, based on the financial modelling and the feedback from the special funding working group, and in order to maintain financial stability for these units, the Council is proposing use the 2012-13 per pupil funding values as the basis for calculating the appropriate top-up rates.

17. These funding arrangements will be reviewed again during 2013-14 and alternative arrangements may be proposed for the following financial year.

18. The indicative top-up rates for the special schools and resourced units for 2013-14 are as follows:

### Special Schools

	<b>Redwood</b>	<b>Cliffdale</b>	<b>Willows</b>	<b>Mary Rose</b>	<b>Harbour</b>
Band A	18,269	18,822	22,004	19,886	20,134
Band B	9,764	10,317	13,499	11,381	11,629
Band C	8,091	8,644	11,826	9,708	9,956
Band D	6,712	7,266	10,448	8,330	8,577
Band E	4,991	5,545	8,726	6,609	6,856
Band F	2,621	3,174	6,356	4,238	4,486
Band G	1,793	2,347	5,529	3,411	3,659
Band H	294	847	4,029	1,911	2,159

### Resourced Units

<b>Unit Type</b>	<b>2012/13 Place Value</b>	<b>2012/13 Average AWP</b>	<b>Total Funding 2012/13</b>	<b>Indicative 2013/14 'Top-up' funding</b>
Nurture and Assessment	5,829	3,105	8,934	0
Hearing Impairment (Infant)	7,246	2,855	10,101	101
Hearing Impairment (Junior)	7,246	2,747	9,993	0
Language Impairment (Infant)	9,876	2,855	12,731	2,731
Language Impairment (Primary)	9,141	2,793	11,934	1,934
Autistic Spectrum Condition (Primary)	15,683	2,793	18,476	8,476
SEBD *AP provision £8k place value	11,845	2,793	14,638	6,638

## **Behaviour Support Funding**

19. At the schools forum meeting on 24th October, Members unanimously agreed to the de-delegation of the Behaviour Support Funding from mainstream schools for 2013-14. The elements of the behaviour support provision are detailed below.

	<b>Multi Agency Behaviour Support Service</b>	<b>Targeted Mentoring Support Service</b>	<b>Fair Access Protocol</b>	<b>Total</b>
Early Years	£32,000	£0	£0	£32,000
Primary	£393,000	£0	£4,000	£397,000
Secondary	£162,000	£168,000	£55,000	£385,000
Special	£24,000	£30,000	£0	£54,000
Total	£611,000	£198,000	£59,000	£868,000

20. It was previously suggested that the delegation to mainstream schools would be allocated using prior attainment as a proxy for SEN. Having modelled various options and following discussions with the working group it is proposed that the values above for Primary and Secondary schools are allocated via the Basic Per Pupil Entitlement and FSM on a 50/50 split. Targeting the funding in this way takes account of both the size of the potential need in each school (NOR) and the potential severity of need in each school (FSM).

21. The delegation to special schools will be on a per pupil basis via the top-up element of their funding and the Harbour School will offer a service to these schools through an SLA, to allow them to purchase the behaviour support services. The early year's element will be managed centrally.

22. During 2013-14 schools will be required to indicate a preference as to the model of provision of these behaviour support services for 2014-15.

## **Alternative Provision**

23. The place-plus approach to Alternative Provision (AP) Settings is similar to that for specialist SEN settings. There will be a base level of funding for each agreed AP place of £8,000. Above this £8,000 place funding, top-up funding will be provided by the commissioner on a per pupil basis.

24. The indicative top-up rate for 2013-14 for the alternative provision settings is expected to be £4,500. In addition schools will be expected to fund the additional transport costs from within the £6,000 Notional SEN budget.

25. In the cases of early intervention, placements to avoid permanent exclusion or fixed term exclusion, the commissioner will be the mainstream

school or Academy, whereas in other instances it will generally be the Local Authority.

### **Funding in cases of permanent exclusions**

26. As previously reported, under the DfE proposals mainstream schools and academies will be required to repay the AWPU to the Local Authority in the case of a permanent exclusion.
27. This arrangement would create a perverse financial incentive for schools to exclude pupils on financial grounds, as it would be cheaper to exclude a pupil and repay the AWPU, than to pay the top-up to the alternative provision provider.
28. A local arrangement was proposed at the schools forum meeting on the 24<sup>th</sup> October 2012. Although the proposal was not accepted in full, the following principles were agreed in relation to funding in cases of permanent exclusion:
  - a. There should be no perverse financial incentive to permanently exclude.
  - b. That where the exclusion takes place prior to the October census in an academic year, the schools would repay the AWPU.
  - c. That where the exclusion takes place after the October census in an academic year, that the school would repay the AWPU for that year and the following year.
  - d. That the school would also repay a top-up in the first year, but that a decision on the amount to be repaid is delayed until further financial modelling is presented to Members at the next meeting.
29. The financial modelling overleaf compares the cost of placing a pupil in alternative provision against the potential local arrangement scenarios in cases of permanent exclusion. The modelling is based on the assumption that exclusion takes places the day after the October census and that any pro-rata calculation is based on 6/12ths.

	DfE exclusion proposal £	Top-up £6,000 £	Top-up £4,500 £	Top-up £3,000 £	Top-up £1,000 £
<b><u>Cost of placing pupil in alternative provision:</u></b>					
Year 1 (from October - March)	3,000	3,000	3,000	3,000	3,000
Year 2	6,000	6,000	6,000	6,000	6,000
	9,000	9,000	9,000	9,000	9,000
<b><u>Contribution from Schools in cases of permanent exclusion:</u></b>					
<b>Primary:</b>					
Year 1 - AWPU (October - March)	(1,330)	(1,330)	(1,330)	(1,330)	(1,330)
Year 1 - Top-up	0	(6,000)	(4,500)	(3,000)	(1,000)
Year 2 - AWPU	0	(2,659)	(2,659)	(2,659)	(2,659)
	(1,330)	(9,989)	(8,489)	(6,989)	(4,989)
Placement v's Exclusion - (Cost)/Saving	7,671	(989)	512	2,012	4,012
<b>Secondary - KS3:</b>					
Year 1 - AWPU (October - March)	(1,890)	(1,890)	(1,890)	(1,890)	(1,890)
Year 1 - Top-up	0	(6,000)	(4,500)	(3,000)	(1,000)
Year 2 - AWPU	0	(3,779)	(3,779)	(3,779)	(3,779)
	(1,890)	(11,669)	(10,169)	(8,669)	(6,669)
Placement v's Exclusion- (Cost)/Saving	7,111	(2,669)	(1,169)	332	2,332
<b>Secondary - KS4:</b>					
Year 1 - AWPU (October - March)	(2,194)	(2,194)	(2,194)	(2,194)	(2,194)
Year 1 - Top-up	0	(6,000)	(4,500)	(3,000)	(1,000)
Year 2 - AWPU	0	(4,388)	(4,388)	(4,388)	(4,388)
	(2,194)	(12,582)	(11,082)	(9,582)	(7,582)
Placement v's Exclusion- (Cost)/Saving	6,806	(3,582)	(2,082)	(582)	1,418

30. As the table above shows, the only option which provides a scenario across all phases, which does not create an incentive to exclude pupils on financial grounds is the option where the top-up for the first year of £6,000 is paid back to the Authority in addition to the AWPU in both years (AWPU pro-rata in year 1). The top-up would not be on a pro-rata basis.

31. It is therefore proposed that in cases of permanent exclusion:

- Mainstream schools or academies will be required to pay £6,000 top up funding in addition to a pro-rata element of the AWPU for the current financial year.
- Where the exclusion occurs after the October Census, mainstream schools and academies will be required to pay the above, plus the full AWPU for the following financial year (except in years 2,6 and 11 where the pupil would be leaving the school).

## Growth Fund

32. Funding for significant pupil growth for primary and secondary schools can now be retained centrally before the school funding formula is calculated. However, the requirements below must be complied with.

- a. The growth fund can only be used for the purposes of supporting growth in pre-16 pupil numbers to meet basic need and to support additional classes need to meet the infant class size regulation.
- b. The fund must be used on the same basis for the benefit of both maintained schools and recoupment Academies.
- c. Any funds remaining at the end of the financial year must be added to the following year's DSG and reallocated to maintained schools and Academies through the local funding formula.
- d. Local authorities will be required to produce criteria on which growth funding is to be allocated
- e. Local Authorities will need to propose the criteria to Schools Forum and gain agreement before growth funding is allocated. The Local Authority will also need to consult the Schools Forum on the total sum to be top-sliced from each phase and must regularly update the Schools Forum on the use of the funding.

33. Before developing the specific criteria for allocating growth funding to primary and secondary schools, it is necessary to clarify the underlying principle around which the criteria will be established. The proposed principle is as follows:

*'Growth funding will be allocated to schools where there is a **significant** and **sustained** growth in pupil numbers'*

34. In setting the criteria, 'significant' and 'sustained' have been defined as follows:

- a. **'Significant'** – For an increase in growth to be deemed significant for a school, it is necessary to consider both the absolute number of pupils by which the Number on Roll has increased, as well as its relationship to the overall number of pupils in the school. Therefore the 'significant' criteria will be both a number and a percentage.
- b. **'Sustained'** – For an increase in growth to be deemed a sustained increase for a school, it would be necessary to consider the increase in pupil numbers over a period of time, therefore a period of two or three years have been considered.

35. In order to determine the values to be used in specifying both the 'significant' and 'sustained' criteria, financial modelling has been completed on a range of scenarios. The modelling was based on future estimates of growth in pupil numbers for 2013-14 and 2014-15. The results of the financial modelling are attached at Appendix 1.
36. Based on the financial modelling and the feedback from the funding working group, it is proposed that for funding to be allocated to schools from the growth fund; the growth in the number of pupils must meet **both** of the following criteria:
- a. **'Significant'** – Where the increase in the number on roll exceeds 10 pupils per year and this equates to 5% or more of the total number of pupils on roll.
  - b. **'Sustained'** – The 'significant' criteria has been met for both the current and previous academic year.

The one-off allocation from the growth fund to schools who meet the above criteria, will be equal to 7/12ths of the 'Basic Per Pupil Entitlement' of the current academic year's increase in the Number of Roll. For secondary schools, the Basic Per Pupil Entitlement rate for Key Stage 3 will be used in the calculation. It is proposed that the growth fund be set at an indicative level of £200,000 for 2013-14 and be funded from a re-allocation of the contingency budget.

## **Conclusion**

37. The report sets out a number of proposals in relation to changes arising from the school funding reform which require the support or approval of the schools forum. It is recommended that schools forum approve the recommendations within this report.



**Growth Funding requirements**  
**Increase in the Number on Roll**

	Pupil increase				Funding required			
	Increase over a 2 year period		Increase over a 3 year period		Increase over a 2 year period		Increase over a 3 year period	
	2013/14 NOR	2014/15 NOR	2013/14 NOR	2014/15 NOR	2013/14 £	2014/15 £	2013/14 £	2014/15 £
Increase of over 10 NOR and 5% of total NOR	80	96	19	54	127,652	180,600	30,317	86,165
Increase of over 15 NOR and 5% of total NOR	50	96	0	54	79,782	180,600	0	86,165
Increase of over 20 NOR and 5% of total NOR	28	96	0	26	44,678	180,600	0	41,487
Increase of over 10 NOR and 10% of total NOR	28	0	0	0	44,678	0	0	0
Increase of over 15 NOR and 10% of total NOR	28	0	0	0	44,678	0	0	0
Increase of over 20 NOR and 10% of total NOR	28	0	0	0	44,678	0	0	0
Increase of over 10 NOR and 15% of total NOR	0	0	0	0	0	0	0	0
Increase of over 15 NOR and 15% of total NOR	0	0	0	0	0	0	0	0
Increase of over 20 NOR and 15% of total NOR	0	0	0	0	0	0	0	0

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# Agenda Item 7

Agenda item:

7

**Report to:** Schools Forum

**Subject:** School Academy Transfers

**Date of meeting:** 12 December 2012

**Report by:** Mike Stoneman, Strategic Commissioning Manager

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## 1. Purpose

- 1.1 The purpose of this report is to provide the Schools Forum with an overview of the academy conversion process, the responsibilities and obligations that apply to the Local Authority, including an indication of the resources needed to meet these requirements, and to inform of the proposal to secure a contribution from schools towards the Council costs associated with the academy transfer process.

## 2. Recommendation

- 2.1 It is recommended that the Schools Forum note the content of this report and the following recommendation to Cabinet.
- a. that the Council seek a contribution of £5,000 from the converting school, towards the costs associated with the academy transfer process on the following basis:

The contribution will be capped at £5,000. This will be deducted from the schools account at the beginning of the transfer process. In extreme circumstances the Council may seek an additional contribution if costs significantly exceed the capped figure of £5,000. This will be discussed and negotiated with the School before any further deductions are implemented.

## 3. Background

- 3.1 The Academies Act 2010 was passed on 27 July 2010. It gives all maintained schools the opportunity to become academies. Those in the first tranche of new publicly funded academies opened in September 2010. They will be independent of Local Authority control. They will be

able to set their own pay and conditions for staff, and will be able to buy in private services; including buying back services from the Local Authority should they so wish.

- 3.2 All academies established by the Secretary of State enter into a contract (the funding agreement) with a charitable company, which is often referred to as the Academy Trust. The funding agreement provides the framework within which the academy must operate, and a draft model funding agreement for headteachers and governors is now available from the DfE.
- 3.3 There are different versions of the model to reflect the circumstances of different types of school, such as primary, secondary and special. The ongoing funding of the Academy Trust is contingent upon the conditions in its funding agreement being met.
- 3.4 There is no statutory requirement for any formal relationship between local authorities (LAs) and academies beyond that which is required for the delivery of LA statutory duties, such as the making and reviewing of SEN statements, securing sufficient education in an area and provision of home-to-school transport for eligible children. However, LAs will continue to play a key strategic role locally and there will be significant advantages for both academies and LAs in constructive partnership working;

#### **4. Summary of Academy Transfer Process**

- 4.1 The process of converting to an academy involves the following key stages:
  1. The school or schools making expressions of interest to the Department for Education (DfE) and the DfE then confirming that they are acceptable and giving the green light for the process to start
  2. Employment and HR procedures including all consultation under the TUPE Regulations 2006 with staff and unions prior to the conversion. Upon the conversion, all employees of the converting schools, employed immediately before the conversion, will have their contracts of employment transferred to the new academy
  3. Approval of the application by the Secretary of State which triggers the start of legal formalities
  4. Other practical issues including arranging to change all service suppliers arrangements to the new academy and changing banking and insurance arrangements and associated site and building transfer arrangements
  5. The Secretary of State's final approval and signing of the Funding Agreement.

- 4.2 The workload associated with each Academy conversion will vary according to the complexity of the conversion. However, it is significant and the Local Authority will require additional resources to ensure that the increased workload associated with the academy transfer process is undertaken in a reasonable timescale, as well as ensuring that the Council liabilities are transferred appropriately to the new academy. It is likely that more Academy Transfers will go ahead over the next 1-2 years. It is therefore important that the Local Authority agree now the resources that are required and seek to recover these costs from the schools that are going through the process.

## **5. Forming the Academy**

- 5.1 Academy conversions can take about three months, but may take longer, depending upon the complexity of the situation and how quickly the transfer of staff, assets and land can be negotiated with the Local Authority. The DfE has issued model documentation which is intended to make the process more straight forward.
- 5.2 When entering into an Academy conversion, schools receive a grant from the DfE of up to £25,000 towards their conversion costs.
- 5.3 The Local Authority receives no direct source of funding to cover the costs linked to Academy conversions, however, there is a great deal of officer time required to ensure smooth transfer arrangements are undertaken within a reasonable timeframe.
- 5.4 Following discussion with other Local Authorities, it is clear there are various approaches that have been taken. Some Local Authorities have absorbed the associated costs of the transfer process within existing resources, whilst, others such as Swindon, Norfolk and Medway have charged for LA Officer time (all capped at £5,000). Locally, Hampshire CC and West Sussex CC has to date absorbed these costs, whereas Southampton City Council is now actively considering the option of charging on a similar basis to the approach Portsmouth City Council is now proposing.

## **6. Legal Agreements required**

- 6.1 There are two main aspects to an Academy transfer agreement between the Local Authority and the new Academy. These are the Commercial Transfer Agreement (CTA) and the Land Ownership documentation.

### **Commercial transfer agreement**

- 6.2 The Commercial Transfer Agreement (CTA) is the agreement dealing with the transfer of assets and liabilities from the governors of the old school or schools to the new academy or academies. It has the Local

Authority as an extra party and the DfE requires a converting school to try to agree terms with the Local Authority.

- 6.3 Depending on circumstances, the final settlement of the Commercial Transfer Agreement can be a much more time consuming exercise than the other documentation. The agreement covers the following areas:
- ensures that all liabilities that were the responsibility of the converting school/governing body transfer to the new academy
  - ensures that liabilities that Portsmouth City Council (PCC) had for the converting school, up until conversion, are covered. This is necessary as the governing body of the old school ceases to exist on the day before conversion and without this agreement, any liabilities incurred by the governing body of the old school would default to the local authority and therefore impact on all schools (School Standards and Framework Act 1998)
  - the CTA covers the transfer of
    - contracts and assets
    - staffing, including terms and conditions
  - the CTA details all contracts in force including those negotiated by PCC on behalf of all schools – the majority of contracts will transfer to the academy
  - the governing body also needs to provide staffing information including terms and conditions, copies of contracts, details of each employee etc. This information will need to be verified where PCC is the employer
  - the CTA also includes agreement concerning any loans from PCC.

### **Land Ownership**

- 6.4 When the Secretary of State for Education signs the Funding Agreement, an order will be made in relation to land ownerships. Depending on the pre-conversion category of school, the Secretary of State will either require relevant freeholds to be transferred; or require that the freehold owner of the school or schools (the Local Authority) grants the new academy(ies) 125 year leases of the relevant school sites. The leases are fairly standard documents and the basic conveyancing process should be straightforward. There are different arrangements for church schools.
- 6.4 It is worth noting that although the basic lease term is 125 years it can be brought to an end if the relevant Funding Agreement is terminated. There may be other matters necessitating supplemental documentation. Some will comprise '*novation agreements*' where the current governing body has contracts with third parties for the supply of services or facilities and those contracts have to be '*novated*' by fresh agreements under which the new academy or academies take the

place of the old governing bodies to ensure that there is a continuance of relevant services and facilities.

## 7. Local Authority Costs incurred

7.1 The academy conversion process requires extra resource, for which the school is given an allocation towards transfer costs; although some of the costs can be offset against existing internal service level agreement arrangements, to mitigate some of the additional costs incurred, the LA proposes to secure a contribution of up to £5,000 for each conversion.

7.2 The contributions will support the following increased workload:

Area	Description
<b>Legal and Property</b>	<p>To act on behalf of the LA during the Academy transfer process. This may involve purchasing external legal advice where insufficient internal capacity exists to manage the transfer workloads. The Academy provider will be expected to lead on the drafting of legal documentation associated with the transfer process. PCC Legal Services will be responsible for:</p> <ul style="list-style-type: none"> <li>• acting on behalf of the LA in preparation of the Commercial Transfer Agreement and Land Ownership Transfer Agreement.</li> </ul>
<b>Finance</b>	<p>Finance will provide the following support during the transfer process:</p> <ul style="list-style-type: none"> <li>• Assist in the closure of 'old school' accounts and determining the final schools balance.</li> <li>• Ensure required closure processes are completed, e.g. bank accounts, purchase cards, petty cash and outstanding income.</li> <li>• Managing the finance related processes for PCC when transacting with schools / Academies / DfE.</li> <li>• Provision of financial advice around transfer arrangements.</li> <li>• Verification of any financial aspects of transfer negotiations.</li> </ul>
<b>Employment and HR</b>	<p>The transfer of contracts of employment, historic terms and conditions and payroll transfers to comply with TUPE regulations.</p>
<b>Project Management</b>	<p>Co-ordination of the conversion process which includes initial DfE response, version agreements CTA and final sign off, school meetings and liaison with the DfE, external solicitors, LA officers, etc.</p>

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