



**NOTICE OF MEETING**

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**SCHOOLS FORUM**

**WEDNESDAY, 28 NOVEMBER 2018 AT 4.30 PM**

**CONFERENCE ROOM A , SECOND FLOOR, THE CIVIC OFFICES**

Telephone enquiries to Jane Di Dino 023 9283 4060  
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**Membership**

Schools Members

Two head teacher representatives - primary phase  
One head teacher representative - secondary phase  
One head teacher representative - special phase  
Four academy representatives - primary proprietor  
Five academy representatives - secondary proprietor  
One academy representative - special proprietor  
One governor - primary phase  
One governor - secondary phase

Non School Members

Four Councillors (one from each political groups)  
One 16-19 Education Providers representative  
One Early Years Providers representative

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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)

**A G E N D A**

- 1 Apologies**
- 2 Declarations of Interest**
- 3 Membership Changes**
- 4 Minutes and matters arising from the previous meeting held on 10 october 2018 (Pages 5 - 10)**

**5 School Funding Arrangements 2019-20. (Pages 11 - 18)**

Purpose.

The purpose of this report is to provide an update on progress regarding the implementation of the school revenue funding arrangements for 2019-20 and to seek the necessary approvals at this stage.

**RECOMMENDED that the Schools Forum:**

- 1. Endorse the proposals for implementing the funding formula arrangements locally as set out in this report; in particular:**
  - **To amend the percentage of funding allocated to notional Special Educational Needs (SEN) as set out in paragraph 4.3;**
  - **The disapplication request as set out in paragraph 5.3.**
- 2. Agree that the final balance of the school specific contingency be carried forward from 2018-19 to 2019-20 as set out in paragraph 6.4.**

**6 Dedicated Schools Grant 2018-19 Quarter 2 Budget (Pages 19 - 28)**

Purpose.

The purpose of this report is to inform Schools Forum of the projected revenue expenditure of the Dedicated Schools Grant (DSG) for the current financial year 2018-19 as at the end of September 2018.

**RECOMMENDED that the Schools Forum:**

- 1. Notes the forecast year-end budget position for the Dedicated Schools Grant as at 30 September 2018, together with the associated explanations contained within this report.**
- 2. Endorses the necessary adjustments to Dedicated Schools Grant to reflect:**
  - **Early years budgets and DSG income budget, to reflect the adjustment in grant funding due to pupil number changes, as set out in paragraphs 3.30 and 3.31.**
  - **An adjustment to the DSG to reflect the decision by the Secretary of State to approve the transfer of £1.0m to capital to support the development of Redwood Park School.**
  - **An adjustment to the DSG to reflect the decision to support The Harbour School in May 2018.**

**7 DFE Consultation on the implementation of new arrangements for reporting deficits of the dedicated schools grant (Pages 29 - 32)**

Mike Stoneman, Deputy Director of Children, Families and Education will present the attached information report.

**RECOMMENDED that the Schools Forum note the report.**

**8 Future meeting dates.**

The forum is asked to note the following future meeting dates and venues:

**2019**

16 January in Conference Room B.

27 February in the Executive Meeting Room.

22 May in Conference Room A.

10 July in the Executive Meeting Room.

16 October in the Executive Meeting Room (this was moved from 9<sup>th</sup>)

4 December in Conference Room A

**2020**

15 January in the Executive Meeting Room.

Please note that the conferences rooms are on the second floor, the Civic Offices and the Executive Meeting Room is on the third floor, the Guildhall.

Members of the public are now permitted to use both audio visual recording devices and social media during this meeting, on the understanding that it neither disrupts the meeting or records those stating explicitly that they do not wish to be recorded. Guidance on the use of devices at meetings open to the public is available on the Council's website and posters on the wall of the meeting's venue.

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# Agenda Item 4

## SCHOOLS FORUM

MINUTES OF THE MEETING of the Schools Forum held on Wednesday, 10 October 2018 at 4.30pm at the Guildhall.

### Present

Jackie Collins	Head Teacher	Primary Phase
Dave Jones	Head Teacher	Primary Phase
David Jeapes	Head Teacher	Secondary Phase
Ian Hunkin	Head Teacher	Special Phase
Alison Beane	Academy	Primary
Karen Stocks	Academy	Primary
Sonia Nickerson	Academy	Primary
Sue Wilson	Academy	Primary
Fiona Calderbank	Academy	Secondary
Stewart Vaughan	Academy	Secondary
Lynne Stagg	Councillor	Liberal Democrats
Judith Smyth	Councillor	Labour
Jason Crouch	Governor	Secondary
Simon Barrable	16-19 Representative	

### 32. Apologies

Apologies were received from Steve Labedz, Kara Jewell and Kate Keller.

### 33. Declarations of Interest

There were no declarations of interests.

### 34. Membership Changes.

Beverley Pennekett, Finance Manager gave the following update on membership:

- The three primary academy vacancies have been filled by Sonia Nickerson, Kate Keller and Sue Wilson.
- There were two secondary academy vacancies. One of these has been filled by Fiona Calderbank but the other is still vacant.
- Ian Hunkin's tenure as a special school representative expired in October but he has agreed to stand again, so will continue in the role.
- Councillor Hannah Hockaday is now the Conservative Group representative.

### 35. Minutes and matters arising from the previous meeting held on 11 July 2018.

**DECISION:** The minutes of the meeting held on 11 July 2018 were confirmed and signed as a correct record.

There were no matters arising or actions.

### **36. School Funding Arrangements 2019-20**

Beverley Pennekett, Finance Manager introduced the report and drew attention to an error in Appendix 1 as the middle column figure primary prior attainment factor £1,050 should read 1,022.

In response to questions, the following points were clarified:

- With regard to free school meals and whether the expected school meal price increase has been taken into account, Ms Pennekett confirmed that the unit values reflect the transitional approach towards the national Funding Formula (NFF). The formula allocates funding to schools, but there is no expectation on schools as to how they spend their funding.
- Two disapplication requests had been submitted at the time the report was written and these are set out in paragraph 6 of the report. A third disapplication request has been submitted and formal request for endorsement would be brought to the next meeting.
- Section 7 of the report sets out the situation regarding Early Years and an update on progress together with any recommendations will be brought to a future meeting.
- Ms Pennekett provided some background regarding the funding arrangement for Charter School, which has arisen as a result of historical fluctuations in pupil numbers and changes in the rules governing funding formulae.
- It was confirmed that if the forum wished to do so, it could take a decision to transfer 0.5% of the schools block funding into the special schools, but that was not the recommendation.

### **DECISION**

#### **The Schools Forum**

**(1) Noted the Department for Education's proposed changes to school revenue funding arrangements for 2019-20 as set out in the report.**

**(2) Endorsed the proposals for implementing the funding formula arrangements locally as set out in this report; in particular:**

- **Schools block will remain intact as set out in paragraph 4.3;**
- **Minimum per pupil funding levels will be implemented at the recommended rates as set out in paragraph 4.6;**
- **To keep those unit values which do not already match the NFF rates under review and amend if necessary, following confirmation of the overall funding allocation as set out in paragraph 4.9;**
- **The criteria for allocating growth funding will reviewed in the spring term as set out in paragraph 5.3;**
- **The disapplication requests as set out in section 6.**

### **33. Recommendations from the SEND Strategic Review relating to managing the spend within the High Needs Block of the Dedicated Schools Grant.**

Dr Julia Katherine, Head of Inclusion introduced the report and asked the Forum to note that following feedback received on the recommendation set out in 5.4.4, it has been decided to withdraw this proposal and bring back a revised proposal to the next Schools Forum meeting, although it was noted that this will have an impact on the affordability of the other proposals. A

revision to the original recommendations in the report was circulated to Forum members to reflect this change.

The Chair thanked Dr Katherine for her report and said that it was never good to have to manage funding pressures but sometimes difficult decisions had to be taken.

In response to questions, the following points were clarified:

- Needs are increasing and government funding allocations are not increasing to the level that is needed to keep pace with this demand. . It was confirmed that this was a matter of national concern and that the government is being lobbied hard on this.
- The cost to schools in terms of redundancies was beyond the remit of the Schools Forum to provide funding.
- The council provides HR support to maintained schools.
- If the Forum were to decide not to endorse the recommendations, its view would be placed on record and the Cabinet Member for Education would be aware.

The Chair explained that the forum needed to take a balanced view on funding. The decision taken on the last agenda item was to endorse the existing position and not transfer 0.5% of the Schools Block funding to the High Needs Block.

## **DECISION**

### **The Schools Forum**

- 1. Noted the recommendations that have been made as a result of the SEND Strategic Review (as set out in Appendix 1 of the report)**
- 2. Endorsed the actions that are being implemented in response to the recommendations (as set out in Section 4 of the report)**
- 3. Approved the proposals to manage the spend within the High Needs Block for 2019-20 as set out section 5 namely:**
  - **A 1% reduction in special school banded funding rates**
  - **Introduce transition plans**
  - **Reduce the spending on Outreach**
  - **Reduce recharges to the Education cash limits.**
- 4. Endorsed the proposal that the reduction of Inclusion Centre places is reconsidered following feedback from head teachers and brought back to a future meeting.**
- 5. Endorsed the principle of introducing banded funding rates for EHCPs in mainstream schools and Inclusions centres, with the final funding rates to be confirmed (following the outcome of recommendation (4) above.)**

The Cabinet Member for Education, Councillor Suzy Horton commented that she was interested to hear the views of the Forum and that unpalatable decisions sometimes had to be taken but that lobbying central government for additional funding would continue.

- 38. Dedicated Schools Grant 2018-19 quarter one budget monitoring.**  
Alison Egerton, Group Accountant introduced the report.

**DECISION**

The Forum noted the forecast year-end budget position for the Dedicated Schools Grant as at 30 June 2018, together with the associated explanations contained within the report.

- 39. Schools Block Funding Formula 2018-19 benchmarking.**  
Beverley Pennekett introduced the report.

**DECISION**

The Schools Forum noted the report.

- 40. Any other business.**

At the request of the Chair, Mike Stoneman, Deputy Director of Children, Families and Education gave the following update on the Willows:

- The day care provision at Willows had been the subject of a detailed review in the summer due to the fact it was running up a deficit and despite the best efforts of the Centre to turn things around the conclusion buy had been drawn in this term that the provision was not viable. Governors therefore have reluctantly agreed to close the provision as from 1 April 2019. The consultation process with affected staff (non-teaching staff) will begin next week.
- At the same time the council is working closely with the Centre to move the Willows special school provision to Solent Academies Trust as part of an expansion of Cliffdale Primary Academy. This requires a statutory process which will commence with a pre-statutory consultation next week.
- Work will continue to ensure the projected deficit is managed down. It is possible that the Dedicated Schools Grant carry forward may have to be used to remove the deficit ahead of the move to Solent Academies Trust.

Forum members were reminded that the next meeting would be held on 28 November.

**DECISION**

The following meeting dates for 2019 were agreed:

**16 January**  
**27 February**  
**22 May**  
**10 July**  
**16 October\***  
**4 December**

- Post meeting note: The October date has been amended due to room availability.

The meeting concluded at 6pm.



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David Jeapes  
Chair

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# Agenda Item 5



Portsmouth  
CITY COUNCIL

**Report to:** Schools Forum

**Subject:** School Funding Arrangements 2019-20

**Date of meeting:** 28 November 2018

**Report by:** Alison Jeffery, Director of Children, Families and Education

**Wards affected:** All

**Key decision:** No

**Full Council decision:** No

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## 1. Purpose of report

- 1.1 The purpose of this report is to provide an update on progress regarding the implementation of the school revenue funding arrangements for 2019-20 and to seek the necessary approvals at this stage.

## 2. Recommendation

- 2.1 It is recommended that Schools Forum:
- 2.11 endorse the proposals for implementing the funding formula arrangements locally as set out in this report; in particular:
- To amend the percentage of funding allocated to notional Special Educational Needs (SEN) as set out in paragraph 4.3;
  - The disapplication request as set out in paragraph 5.3.
- 2.12 agree that the final balance of the school specific contingency be carried forward from 2018-19 to 2019-20 as set out in paragraph 6.4.

## 3. Background

- 3.1 The Cabinet Member and Schools Forum received reports in July and October 2018, setting out the background and early proposals for allocating school funding in 2019-20 in advance of full implementation by the government of the National Funding Formula (NFF) for schools.
- 3.2 The Cabinet Member has agreed, and Schools Forum have endorsed, the following principles for allocating funding to schools next year.
- To maintain the transitional approach for primary schools

- To remove the reception uplift factor from the local formula
- To maintain the minimum funding guarantee at minus 1.5%
  - To retain the Schools Block at its given value i.e. no transfer to the High Needs Block
  - To calculate initial funding allocations for 2019-20 in accordance with the unit values shown in the table at appendices 1 and 2;
  - To keep those unit values which do not already match the NFF rates under review and amend if necessary, following confirmation of the overall funding allocation in December;
  - To implement a banded funding system for element 3 top up for pupils with Education, Health & Care Plans at mainstream schools and inclusion centres;
  - To reduce element 3 banding rates by 1% for special schools;
  - To review the commissioning arrangements for both outreach and central services to maximise value for money;
- To review the criteria for allocating growth funding to schools in the Spring term.

#### **4. Notional Special Educational Needs (SEN) Funding**

- 4.1 At its meeting on 10<sup>th</sup> October, the Schools Forum received an analysis of local authorities' funding formulae for schools, which is published annually by the Education & Skills Funding Agency (ESFA). Portsmouth's formula is largely similar to national averages. Where we are currently out of kilter with the national picture e.g. IDACI funding unit values, we are transitioning towards the NFF rates. It is noticeable, however, that Portsmouth recognises a significantly lower proportion of overall funding as being notional SEN.
- 4.2 The notional SEN budget is an identified amount of money within a school's overall budget that is to contribute to the special educational provision of children with SEN or disabilities. It is not ring-fenced and schools are expected to provide SEN support from the whole of their budget. Local authorities are required to specify what percentage of funding allocated through each factor contributes to the notional SEN budget.
- 4.3 Redefining the notional SEN budget will not impact in any way upon a school's funding; nevertheless it is proposed to amend the proportion of funding attached to the notional SEN budget as set out in the table below, in order to bring Portsmouth's values more in line with national averages.

Percentage of individual unit values allocated to Notional SEN	Formula Factor						
	Basic entitlement	FSM	FSM6	IDACI	EAL	PA	Lump Sum
National average	3%	24%	30%	33%	15%	85%	2%
Statistical Neighbours average	5%	23%	25%	26%	5%	95%	1%
Portsmouth	6%	0%	16%	20%	0%	100%	0%
<b>Proposed percentages for Notional SEN</b>	<b>6%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>0%</b>	<b>100%</b>	<b>0%</b>

## 5. Disapplication requests

- 5.1 Each year, local authorities can submit disapplication requests to the ESFA, where strict adherence to the legislation as set out in the School and Early Years Finance (England) regulations (as amended each year), would generate perverse results for specific schools. As reported in October, two disapplication requests have been submitted to the ESFA in respect of the operation of the minimum funding guarantee (MFG), both of which were endorsed by the Cabinet Member and Schools Forum.
- 5.2 A further disapplication request has now been submitted, in respect of the operation of the Minimum Funding Level (MFL) for Mayfield school and we are seeking member approval and Schools Forum endorsement of this request.
- 5.3 Portsmouth is adopting the recommended MFL of £3,500 per pupil for a primary school and £4,800 per pupil in a secondary school. The MFL for all-through schools is £4,042, which is a weighted average of the primary and secondary values, allowing for 7 year groups in primary schools and 5 year groups in secondary schools. Mayfield school is still a growing all-through school and does not yet have all primary year groups in place. We are therefore proposing an increase in the MFL to recognise the balance of primary and secondary pupils in the school.

## 6. De-delegation and school-specific contingency

- 6.1 Local authorities can seek approval from Schools Forum (maintained schools only), on an annual basis, to de-delegate funding from maintained schools to support some specific functions e.g. behaviour support services, support to underperforming ethnic groups, school specific contingency.
- 6.2 Due to the increasing number of academies in the city, it is no longer appropriate to seek de-delegation in most cases and a range of traded

services are now available to both schools and academies so that spend decisions can be made on an individual basis.

6.3 The school specific contingency (which can be used to support e.g. deficits of closing maintained mainstream schools) currently sits at a value of £141,800. There have been no calls on the fund so far in 2018-19 and none are expected for the remainder of the period. It is not therefore proposed to seek de-delegation for this purpose in 2019-20.

6.4 It is, however, recommended that Schools Forum agrees that the final balance of the school specific contingency be carried forward from 2018-19 to 2019-20, to be used for the same purpose.

## **7. Reason for recommendations**

7.1 This report provides an update on the latest position in implementing the school revenue funding arrangements for 2019-20 onwards. The report also seeks endorsement to the proposals for implementing these arrangements, in order to ensure that they comply with the requirements of both the DfE's operational guidance and the School and Early Years Finance (England) Regulations.

## **8. Equality impact assessment (EIA)**

8.1 The report does not require an Equality Impact Assessment as the recommendations do not have any impact upon a particular equalities group

## **9. Legal Implications**

9.1 There are no legal implications arising from the implementation of this report's recommendations

## **10. Finance Comments**

10.1 Financial comments and implications are included in the body of this report.

Signed by: Alison Jeffery, Director of Children, Families and Education

### **Appendices:**

Appendix 1: Proposed primary unit values for 2019-20

Appendix 2: Proposed secondary unit values for 2019-20

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

<b>Title of document</b>	<b>Location</b>
The national funding formula for schools and high needs 2019 to 2020 (published 24/07/18)	<a href="https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs">https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs</a>
Schools revenue funding 2019 to 2020: Operational guide (published 24/07/18)	<a href="https://www.gov.uk/government/publications/pr-16-schools-funding-guidance-for-2019-to-2020">https://www.gov.uk/government/publications/pr-16-schools-funding-guidance-for-2019-to-2020</a>
School and Early Years Finance (England) Regulations 2018	<a href="http://www.legislation.gov.uk/ukxi/2018/10/made">http://www.legislation.gov.uk/ukxi/2018/10/made</a>
Schools Block Funding Formulae 2018 to 2019	<a href="https://www.gov.uk/government/publications/schools-block-funding-formulae-2018-to-2019">https://www.gov.uk/government/publications/schools-block-funding-formulae-2018-to-2019</a>

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by ..... on .....

.....  
 Signed by:

**Appendix 1: Proposed primary unit values for 2019-20**

Factor	Primary Factor funding rates		
	PCC 2018-19 Rate	NFF 2019-20 Rate	PCC Consultation Proposed 2019-20 Rate
	Primary	Primary	Primary
Reception Uplift	Y	N	N
AWPU (Primary	£2,800	£2,747	£2,782
Free School Meals (FSM)	£151.50	£440	£313
Free School Meals - Ever 6	£388.50	£540	£470
IDACI Band F	£0	£200	£105
IDACI Band E	£140	£240	£190
IDACI Band D	£460	£360	£390
IDACI Band C	£785	£390	£560
IDACI Band B	£1,100	£420	£715
IDACI Band A	£1,415	£575	£950
EAL	£515	£515	£515
Prior Attainment	£1,050	£1,022	£1,050
Lump Sum	£112,500	£110,000	£110,000



**Appendix 2: Proposed secondary unit values for 2019-20**

Factor	Secondary Factor funding rates		
	PCC 2018-19 Rate £	NFF 2019-20 Rate £	Proposed 2019-20 Rate £
AWPU KS 3	3,863	3,863	3,863
AWPU KS4	4,386	4,386	4,386
Free School Meals (FSM)	440	440	440
Free School Meals - Ever 6	785	785	785
IDACI Band F	290	290	290
IDACI Band E	390	390	390
IDACI Band D	515	515	515
IDACI Band C	560	560	560
IDACI Band B	600	600	600
IDACI Band A	810	810	810
EAL	1,385	1,385	1,385
Prior Attainment	1,550	1,550	1,550
Lump Sum	110,000	110,000	110,000

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<b>Title of meeting:</b>	Schools Forum
<b>Date of meeting:</b>	28 November 2018
<b>Subject:</b>	Dedicated Schools Grant 2018-19 quarter two budget monitoring
<b>Report by:</b>	Chris Ward, Director of Finance and Information Services and Section 151 Officer
<b>Wards affected:</b>	All
<b>Key decision:</b>	No
<b>Full Council decision:</b>	No

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## 1. Purpose of report

- 1.1. The purpose of this report is to inform Schools Forum of the projected revenue expenditure of the Dedicated Schools Grant (DSG) for the current financial year 2018-19 as at the end of September 2018.

## 2. Recommendations

It is recommended that Schools Forum:

- 2.1. Notes the forecast year-end budget position for the Dedicated Schools Grant as at 30 September 2018, together with the associated explanations contained within this report.
- 2.2. Endorses the necessary adjustments to Dedicated Schools Grant to reflect:
  - Early years budgets and DSG income budget, to reflect the adjustment in grant funding due to pupil number changes, as set out in paragraphs 3.30 and 3.31.
  - An adjustment to the DSG to reflect the decision by the Secretary of State to approve the transfer of £1.0m to capital to support the development of Redwood Park School.
  - An adjustment to the DSG to reflect the decision to support The Harbour School in May 2018.

### 3. Background

- 3.1. The DSG is a ring-fenced grant for Education and can only be used for the purposes of the Schools Budget as defined in the School and Early Years Finance (England) Regulations.
- 3.2. The original DSG budget for the financial year 2018-19, was approved by the Cabinet Member for Education and endorsed by Schools Forum in January 2018. Further budget adjustments were agreed by the Cabinet Member and endorsed by Schools Forum in July 2018. This report provides Schools Forum with the latest forecast estimate of the year-end outturn as at 30 September 2018.
- 3.3. Table 1 below sets out the forecast year-end financial position of the DSG budget as at 30 September 2018.

<b>Table 1 - Dedicated Schools Grant</b>				
	<b>Original budget 2018-19 £000's</b>	<b>Revised Budget 2018-19 £000's</b>	<b>Projected outturn 2018-19 £000's</b>	<b>Projected over / (under) spend £000's</b>
<b>Income</b>				
DSG Brought forward 2017-18	(413)	(4,687)	(4,687)	0
DSG and other specific grants	<u>(79,592)</u>	<u>(70,389)</u>	<u>(70,284)</u>	<u>105</u>
<b>Total Income</b>	<b>(80,005)</b>	<b>(75,076)</b>	<b>(74,971)</b>	<b>105</b>
<b>Expenditure</b>				
Primary ISB	34,230	28,561	28,561	0
Secondary ISB	14,742	11,305	11,305	0
Special school place funding	1,556	1,556	1,607	51
Inclusion Centre Place funding	346	301	301	0
Alternative provision place funding	<u>1,082</u>	<u>1,082</u>	<u>1,082</u>	<u>0</u>
<b>Total Delegated</b>	<b>51,956</b>	<b>42,805</b>	<b>42,855</b>	<b>51</b>
De-delegated and central budgets	1,385	1,538	1,539	1
Early Years	14,204	14,131	14,157	26
High Needs	12,460	12,462	12,852	390
Expenditure approved by the Secretary of State	0	1,000	1,000	0
Approved support to Special Schools	0	868	868	0
<b>Total Expenditure</b>	<b>80,005</b>	<b>72,804</b>	<b>73,271</b>	<b>467</b>
<b>DSG Carried forward</b>	<b>0</b>	<b>2,272</b>	<b>1,700</b>	<b>(573)</b>

### **Academy conversions and post 16 recoupment**

- 3.4. Since the original budget was set in January 2018, there have been a number of academy conversions and Post 16 place adjustments; these have been included within the revised budget along with the one academy conversion (Meon Infant School) during the period from 1 July to 30 September 2018.

### **Special School places**

- 3.5. Special school places are expected to overspend by £50,800. This is mainly due to the additional seven places agreed at Willows Centre for Children for pupils who started school in September 2018.
- 3.6. In addition, the summer term class lists identified an additional pupil placed at Mary Rose Academy, which lead to a further increase in place funding. As the autumn term class lists will not be confirmed by the SEND team until November 2018 it has been assumed that the additional place will be paid for the full financial year. Once the autumn term class lists have been confirmed the forecast may be adjusted.
- 3.7. As stated in the July report to Cabinet Member and Schools Forum, the in-year budgetary pressure is being offset against the 2017-18 carry forward, whilst the High Needs budgets are reviewed with the expectation that they will be manageable within the allocated budget for the 2019-20 financial year.

### **De-delegated and Central Budgets**

- 3.8. The growth fund allocations have been issued to schools and academies meeting the criteria for 2018-19. Overall four maintained schools and seven academies received growth funding for the financial year 2018-19. There is a small overspend on the budget (£1,700) due to the rounding of pupil numbers, no further payments are expected during the course of the financial year.

### **Early Years Block**

- 3.9. The nursery budget is forecast to overspend by a nett £25,700. The second quarter's accounts contain the final summer term payments to early years' providers of two, three and four year-olds and the estimated payments for the autumn term. The forecast is therefore estimated based on the payments to the end of the second quarter.
- 3.10. Table 2 below provides a breakdown of the forecast overspend. There is an expected overspend for two, three and four year old place funding due

to an increase in pupil numbers over the summer term and the growth contingency fund has been used to offset the predicted overspend. The remaining overspend relates to the early years pupil premium for eligible three and four year olds.

<b>Table 2 Early Years Forecast</b>			
	<b>Total 2018-19</b>		
	<b>Budget 2018-19</b>	<b>Forecast</b>	<b>Variance (Under) / Over</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Two year olds	1,939,800	1,962,500	22,700
Two year old contingency growth fund	50,100	27,400	(22,700)
Three & four year olds universal hrs	8,008,500	8,339,800	331,300
Three and four year olds additional hours	2,862,300	2,834,400	(27,900)
Three & four year old contingency growth fund	329,500	26,100	(303,400)
Three & four year olds Pupil Premium	99,500	125,200	25,700
<b>Total</b>	<b>13,289,700</b>	<b>13,315,400</b>	<b>25,700</b>

3.11. Following the receipt of the final payments for the autumn term and spring term estimated payments, the forecast position and use of the growth contingency may be revised and will be reported in the third quarter monitoring.

3.12. As in previous years if the increased pupil numbers are accessing early child care at the time of the January 2019 census the authority will see an adjustment to the early years funding block in July 2019-20 to reflect the change in pupil numbers.

### **High Needs Block**

3.13. The summer term class lists for Special Schools, Inclusion Units and Alternative Provision (AP) settings across the City were fully validated and paid during the second quarter, estimated element 3 payments for the autumn term have been paid to schools and included in the quarter 2 forecasts, this includes the additional pupils at Willows Centre for Children who started school in September 2018.

3.14. Table 3 below summarises the forecast outturn position for the high needs block, explanations for which are set out in the following paragraphs.

<b>Table 3 - High Needs Budget</b>	<b>2018-19 Revised budget</b>	<b>Forecast Outturn as at 30 Sept 18</b>	<b>Forecast (under)/overspend</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Element 3 Top up	8,731,900	9,102,100	370,200
Out of City providers	2,148,900	2,253,000	104,100
Financial support to special schools	868,300	868,300	0
Expenditure approved by Secretary of State	1,000,000	1,000,000	0
Permanent exclusion recharge	0	(85,000)	(85,000)
SEN support services	674,700	674,700	0
Medical Education	660,000	660,000	0
Outreach	186,900	186,900	0
Fair Access Protocol	60,000	60,000	0
<b>Total High Needs Block</b>	<b>14,330,700</b>	<b>14,720,000</b>	<b>389,300</b>

### Element 3 Top-up

3.15. Table 4 below breaks down the forecast overspend position for the Element 3 Top up funding as at the end of September 2018.

<b>Table 4 - Element 3 Top-up</b>	<b>2018-19 Revised budget</b>	<b>Forecast Out turn as at 30 Sept 18</b>	<b>Forecast (under)/over spend</b>
	<b>£</b>	<b>£</b>	<b>£</b>
EHCP Mainstream	1,205,200	1,550,500	345,300
Element 3 Top Up Special Schools	5,824,400	5,812,000	(12,400)
Element 3 Top Up - Resource Units	281,200	288,000	6,800
Element 3 Top Up - AP	221,100	220,800	(300)
Post 16 Special Educational Needs	800,000	800,000	0
Element 3 Top Up - OLA School	400,000	430,800	30,800
<b>Total Element 3 Top-up</b>	<b>8,731,900</b>	<b>9,102,100</b>	<b>370,200</b>

3.16. The September 2018 in-take of Post 16 pupils cannot be agreed and finalised with Colleges until after October 2018, when pupil destinations are confirmed. Therefore the forecast position will be updated in the third quarter following receipt of the final data.

3.17. The forecast position for pupils at mainstream schools with Education Health and Care Plans (EHCP), is showing a predicted overspend of £345,300. The forecast position includes any changes to pupils and EHC Plans up to the end of September 2018 and along with the expected growth (based on 2017-18 growth) over the remaining months of the academic year.

3.18. There has been a net increase of 22 mainstream pupils with EHCPs between July and September 2018. The average cost per pupil has

decreased from £3,494 at the end of the first quarter to £3,405 at the end of quarter two, this is still high than a budgeted rate of £2,911 per pupil.

3.19. Portsmouth is responsible for paying the Element 3 Top-up rates for our pupils, including when they are placed in Special Schools located in other local authorities. The forecast overspend reflects known variances, however, a number of invoices are still outstanding for the 2017-18 financial year. Expected costs were accounted for in the correct year, but any variances to these estimates could impact on the forecast position for 2018-19. The current value of the outstanding creditors is £74,400.

### Out of City Placements

3.20. Out of City placements are split between:

- Independent and Specialist provision
- Child and Adolescent Mental Health Services (CAMHS).

3.21. Table 5 below provides a breakdown of the forecast position for each element.

	Budget		Forecast position		Variance	
	£	Pupils	£	Pupils	£	Pupils
Independent & Specialist providers	2,120,400	40	2,217,700	36	97,300	(4)
CAMHS	28,500	7	35,300	9	6,800	2
<b>Total</b>	<b>2,148,900</b>	<b>47</b>	<b>2,253,000</b>	<b>45</b>	<b>104,100</b>	<b>(2)</b>

### Independent and specialist provision

3.22. Whilst the budget is forecast to overspend by £97,300, this is lower than the forecast position of £178,600 at the end of quarter one. There has been no change in the actual number of pupils, however the authority has seen two high cost placements cease, which have been replaced by two lower cost placements. Thus the average cost of the placements at £61,590 whilst higher than the budgeted average of £53,010 has reduced from the average cost of £63,862 as at the end of June 2018.

3.23. The authority is currently awaiting a number of outstanding invoices from providers relating to the 2017-18 financial year. These are currently showing as creditors in the 2018-19 financial year. Estimated costs were accounted for in the correct financial year, but any variances to these estimates could impact on the forecast position for 2018-19. The current value of the outstanding creditors is £131,100.



### **Child and Adolescent Mental Health Services (CAMHS)**

- 3.24. There are currently 9 Pupils where the authority is expecting to fund a CAMHS placement at an estimated total cost 35,300, this is £6,800 over budget (budget set on 7 pupils). It should be noted that the actual cost of these pupils will not be known until the invoice is received. The estimate is based on the average cost per pupil paid in 2017-18 (£3,916).
- 3.25. There were a number of pupils placed in CAMHS settings in 2017-18 for whom the authority is still awaiting invoices. These have been accounted for in the correct year, however, should the value of the actual invoice be different from the creditor provision, this could impact on the forecast for 2018-19. The current value of outstanding creditors is £19,600.

### **Expenditure approved during the financial year**

- 3.26. In February 2018 Cabinet Member approved a proposal to utilise £1 million of the 2017-18 carry forward to fund capital works at Redwood Academy. This proposal was subsequently endorsed by Schools Forum at the February 2018 meeting. Under the School and Early Years Finance (England) regulations, Secretary of State Approval is required when transferring revenue grant to capital projects. The Council has applied for and received Secretary of State approval for this transfer.
- 3.27. The revised budget and forecast position in Table 1 includes the £1 million to reflect the Secretary of State approval, and this report seeks Schools Forum endorsement to adjust the DSG budget accordingly.
- 3.28. In May 2018, the Cabinet Member and Schools Forum agreed to provide one-off financial support to The Harbour School from accumulated balances, in order to write off the school's deficit and move forward with a balanced budget.
- 3.29. The revised budget and forecast position in Table 1 reflects that position and it is requested that Schools Forum formally endorse the change in budget provision.

### **Grant funding**

- 3.30. The DSG grant funding includes a number of adjustments to the allocation made by the Department for Education during the second quarter. This includes the adjustments made for academy recoupment, high needs, early years and post 16 place recoupment. Table 5 sets out the adjustments to the funding blocks with the explanations detailed in the paragraphs below.

<b>Table 5</b>			
<b>DSG Funding Blocks</b>	<b>March 18 allocation (excluding academies)</b>	<b>July 2018 allocation (excluding academies)</b>	<b>Revised DSG allocation (excluding academies)</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Schools Block	41,912	40,884	(1,028)
Central School Services Block	799	799	0
Early Years Block 2018-19	14,204	14,131 <sup>1</sup>	(73)
High Needs Block	14,969	14,880	(89)
<b>Total DSG</b>	<b>71,884</b>	<b>70,694</b>	<b>(1,190)</b>

- 3.31. The schools block reduction represents the recouplement for Penhale Infant and Nursery academy conversions. The Meon Infant conversion will be reflected in the November allocation and confirmed in the quarter three report.
- 3.32. In July 2018, the DfE confirmed the final allocation of the 2017-18 early years block based on the January 2018 census data. Providing a net increase (£17,000) in funding due to the number of 2 year old children accessing early education in the City increasing offsetting those 3 and 4 year old pupils eligible to receive early years pupil premium decreasing. The funding allocation from the DfE has been adjusted to reflect this.
- 3.33. The reduction in pupil numbers recorded on the January 2018 census has also impacted on the early years block allocation for 2018-19. Approval is sought to increase the budget for 2 year olds in Private, Voluntary and Independent (PVI) settings, decrease the early years' pupil premium the DSG income and decrease the 3 and 4 year olds in PVI and maintained settings by a net £56,000; in order to reflect the in-year decreased funding allocation from the DfE.
- 3.34. Over the autumn term the Children's Finance team have worked with both the Early Years team and Education Information team to test a methodology using the January census information available in March to support the estimation of the early years block allocation adjustment made in the July every year. The results of the testing indicate that using this methodology should provide the authority with a robust estimate of the mid-year adjustment. It is intended to use this process to estimate the adjustments to the 2018-19 and the 2019-20 allocations, which will be reported in the 2018-19 outturn report to Cabinet Member and Schools Forum.
- 3.35. The majority of the high needs block allocation reduction relates to the import/export pupil number changes. As part of the methodology for funding the local authority under the high needs block national funding

<sup>1</sup> This reflects the 2018-19 allocation adjustment, the net funding adjustment of £56,000 incorporates the £17,000 increase for 2017-18 and the £73,000 decrease for 2018-19.

formula the DfE adjusts for the nett number of pupils placed in Portsmouth high needs settings by other local authorities and the Portsmouth pupils placed in other local authority schools. When the original allocation was received in December 2017 Portsmouth was a nett importer based on the January 2017 school census and the 2016-17 individual learner record (ILR) submitted for post 16 pupils.

3.36. In July 2018 the allocation was updated for the January 2018 school census and the 2017-18 ILR return, this adjustment moved the authority from a nett importer to a nett exporter, reducing the funding by £87,000.

3.37. The import/export adjustment was new this year and the authority is developing a methodology to estimate the impact of future import/export adjustments to support planning.

3.38. The remaining high needs adjustments relate to the recoupment of additional post 16 places at Highbury College from September 2018. Partly offset by an increase in per pupil funding received through the national funding formula, providing an overall nett deduction to the high needs block of £89,000.

3.39. As some of these adjustments were unexpected and therefore not budgeted, this provides a nett forecast reduction in DSG income compared to budget.

#### **Carry forward balance**

3.40. As at the 30 September 2018 the forecast carry forward has reduced to £1.7m, which reflects the decisions made by Cabinet Member and endorsed by Schools Forum to use the brought forward balance to manage pressures in the high needs block and one-off spending decisions.

#### **4. Reasons for recommendations**

4.1. It is recommended that Schools Forum notes the contents of the report in respect of the financial forecast outturn for 2018-19 as at the end of the second quarter, 30 September 2018.

#### **5. Equality impact assessment**

5.1. An equality impact assessment is not required as the recommendations do not have a negative impact on any of the protected characteristics as described in the Equality Act 2010.

#### **6. Legal implications**

6.1. There are no legal implications arising directly from the recommendations contained within this report

**7. Director of Finance's comments**

7.1. Financial comments are contained within the body of the report

.....  
Signed by:

**Appendices:**

**Background list of documents: Section 100D of the Local Government Act 1972**

The information upon which this report has been based has been drawn from a variety of sources: however much of the information used is held in budget files prepared by the children and Education Finance Team. Please contact Beverley Pennekett, Finance Manager, if required.

Title of document	Location

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by ..... on .....

.....  
Signed by:

# Agenda Item 7



Department  
for Education



Education & Skills  
Funding Agency

## Consultation on the implementation of new arrangements for reporting deficits of the dedicated schools grant

Since the Department for Education introduced the dedicated schools grant (DSG) in 2006, a small number of local authorities have overspent their DSG allocations and found themselves in a cumulative DSG deficit. In these situations, regulations have required that local authorities seek the approval of their schools forum in allowing them to carry over the overspend and offset it against the following year's DSG. Previously, when a local authority found itself to have a DSG deficit of over 2%, we've asked for an explanation, and an account of what its plan is for bringing its budget back into balance.

In the last two years the number of authorities reporting a cumulative DSG deficit has substantially increased. Because of this, we've decided that there is a need to tighten up the reporting arrangements. As announced in July 2018, we will through conditions of grant require a report from all local authorities that have an overall cumulative DSG deficit of 1% or more at the end of the 2018 to 2019 financial year, outlining their recovery plans. The 1% calculation will be based on the latest published DSG allocations for 2018 to 2019, gross of recoupmnt, as at the end of the 2018 to 2019 financial year.

### DSG Deficit Recovery Plans

DSG is a ring-fenced specific grant, provided outside the local government finance settlement. It must be used in support of the schools budget for the purposes defined in the School and Early Years Finance (England) Regulations. As funding is ring-fenced, there is no requirement for local authorities to top-up the grant from general funding or from non-ring-fenced revenue reserves.

For this reason, DfE intends to require all local authorities with a cumulative overspend on DSG provision to produce recovery plans detailing the steps they plan to take to provide statutory services within the annual funding envelope. These recovery plans should be discussed with, and if possible, agreed with, the local schools forum.

Even though there is no requirement to subsidise DSG from general funding, local authorities cannot continue to build up cumulative deficits on DSG provision. In this scenario, local authorities may come under pressure to address the cumulative deficit on DSG provision through drawing on other resources.

Where a local authority has a cumulative overspend, producing a deficit on its DSG reserve, its recovery plan should look to bring the overall DSG account into balance within a maximum of three years. We recognise that this may prove difficult for some local authorities. Where this is the case, we would be open to receipt of evidence explaining the problem, and may accept a recovery plan that leaves some or all of the deficit accumulated to date outstanding. This means that the local authority would carry forward the amount agreed as a deficit, but we would not require this to be

recovered within the three-year period. In all cases, we will expect local authorities' recovery plans to demonstrate how they will bring in-year spending in line with in-year resources within three years at most.

Any authorities that propose to leave part or all of their accumulated DSG deficit outstanding will need to provide a clear explanation as to why their deficits could not be recovered in the short term and provide thorough evidence to support their proposals. They will also need agreement from their Chief Finance Officer (CFO).

We expect a range of evidence to support local authority recovery plans. We would expect this to have already been presented to schools forums. We are aware that DSG deficits are usually caused by high needs pressures, and in these cases the evidence required in the recovery plans will typically include what we already look for in block movement disapplication requests. Authorities will, however, need to address whatever the main causes of overspending on the DSG have been.

The evidence should include:

- A full breakdown of specific budget pressures locally that have led to the local authority incurring a cumulative DSG deficit of over 1%. Where this has resulted from high needs pressures, information should include the changes in demand for special provision over the last three years, how the local authority has met that demand by commissioning places in different sectors (mainstream and special schools, further education and sixth form colleges, independent specialist provision and alternative provision), and if there have been any reductions in the provision for mainstream school pupils with high needs
- Where the deficit has resulted from high needs pressures, an assessment and understanding of the specific local factors that have caused an increase in high needs costs to a level that has exceeded the local authority's high needs funding allocations; and a plan to change the pattern of provision where this is necessary, as well as to achieve greater efficiency and better value for money in other ways; together with evidence of the extent to which the plan is supported by schools and other stakeholders
- A detailed recovery plan showing how the authority intends to bring its DSG reserve back into balance within three years, showing clearly how expenditure will be contained within future funding levels
- If the authority judges that it cannot recover the whole of its cumulative DSG deficit within three years, it must explain the reasons for this. If the authority wishes to defer recovery of some of the cumulative deficit, it must show in its recovery plan that it is able to at least contain its expected in year expenditure within its expected in year DSG income by the end of the three-year period
- Details of any previous movements between blocks, what pressures those movements covered, and why those transfers have not been adequate to counter the new cost pressures
- Assumptions on assumed future transfers between blocks of the DSG, if permitted in future years, and evidence of support from the schools forum and wider school community for these

## Reporting DSG Deficits

Following discussion with MHCLG, we believe that there are currently inconsistencies in the way local authorities report their DSG reserves or deficits in the statistical returns that are submitted to MHCLG. We have agreed that DSG reserves or deficits should in future be reported as a separate

ring-fenced reserve in RO returns, and MHCLG will be changing guidance to reflect this. What this means for local authorities is that DSG deficits will not need to be covered by an equivalent amount in local authorities' general reserves. Consequently, new lines will be added to the 2018/19 RO returns and local authorities will be expected to state what their cumulative DSG deficit is every year. This should reconcile to the s.251 returns that local authorities submit to DfE every year. These changes will ensure that the full extent of DSG deficits is reported consistently across the sector on an annual basis.

## Next Steps

The consultation period regarding the DSG deficits will end on 7 December, after which we will finalise what needs to be included in recovery plans, setting a submission deadline for June 2019 in respect of deficits at the end of 2018 to 2019. We will be meeting local authority representatives this autumn to discuss the implementation plans and ensure that these changes are introduced as smoothly as possible. Please see the table below to understand how the addition of the DSG deficit recovery plans will fit into the current funding year's assurance schedule:

Action	Deadline
Launch of DSG deficit consultation	Early November
School block movement disapplication deadline	30 November
End of DSG deficit consultation	7 December
Section 251 2019 to 2020 Budget statements submitted	4 March - 30 April
Section 251 budget statement 2019 to 2020 checks to be completed	1 May - 26 June
Deadline for submission of DSG recovery plans	30 June
Review of recovery plans	July-September
Deadline for submission of CFO assurance statement on use of DSG in 2018 to 2019	Mid September

If you have any comments on the proposals please respond to [amsqfunding.comms@education.gov.uk](mailto:amsqfunding.comms@education.gov.uk) by 7 December 2018.

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