

NOTICE OF MEETING

CABINET MEMBER FOR CHILDREN, FAMILIES AND EDUCATION

THURSDAY, 14 OCTOBER 2021 AT 4.30 PM

COUNCIL CHAMBER - SECOND FLOOR, THE GUILDHALL

Telephone enquiries to Lisa Gallacher 02392 834056

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CABINET MEMBER FOR CHILDREN, FAMILIES AND EDUCATION

Councillor Suzy Horton (Liberal Democrat)

Group Spokespersons

Councillor Terry Norton, Conservative

Councillor Jeanette Smith, Progressive Portsmouth People Group

Councillor Judith Smyth, Labour

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

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AGENDA

- 1 Apologies for absence
- 2 Declaration of Interests
- 3 School funding arrangements 2022-23 (Pages 5 - 24)

Purpose of report

To provide the cabinet member with an update on the latest developments in respect of the future schools revenue funding arrangements for the financial year 2022-23.

RECOMMENDED that the cabinet member:

- (1) Notes the Department for Education's proposed changes to school revenue funding arrangements for 2022-23, as set out in this report.
- (2) Approves the proposals for implementing the local funding formula arrangements as set out in this report in particular to:
 - Implement the National Funding Formula rates for both primary and secondary schools in 2022-23 as set out in Appendix 1
 - Implement a minimum funding guarantee (MFG) of at least +0.5% and up to +2.0% subject to affordability, for 2022-23 as set out in paragraph 5.8
 - The method of managing affordability as set out in paragraph 5.10
 - Implement the disapplication request as set out in section 6

- 4 Dedicated Schools Grant quarter 1 Budget monitoring report and revised budget (Pages 25 - 34)

Purpose of report

To inform The Cabinet Member of the projected revenue expenditure of the Dedicated Schools Grant (DSG) for the current financial year 2021-22 as at the end of June 2021, along with proposed budget revisions.

RECOMMENDED that the cabinet member:

- (1) Notes the forecast year end budget position for the Dedicated Schools Grant as at 30 June 2021, together with the associated explanations contained within this report.
- (2) Delegates to the Section 151 Officer or their delegated representative, the responsibility to adjust the Early Years block

budget in line with the DSG allocation adjustments in November 2021 and January 2022.

(3) Approves the revisions to the 2021-22 budget as set out in Appendix 1 and section 8.

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Agenda Item 3



Portsmouth
CITY COUNCIL

Title of meeting: Cabinet Member for Children, Families and Education

Date of meeting: 14 October 2021

Subject: School Funding Arrangements 2022-23

Report by: Mike Stoneman, Deputy Director Children, Families and Education

Wards affected: All

Key decision: Yes/No

Full Council decision: Yes/No

1 Purpose of report

1.1 The purpose of this report is to provide The Cabinet Member with an update on the latest developments in respect of the future schools revenue funding arrangements for the financial year 2022-23.

2 Recommendations

2.1 It is recommended that The Cabinet Member:

2.1.1 Notes the Department for Education's proposed changes to school revenue funding arrangements for 2022-23, as set out in this report.

2.1.2 Approves the proposals for implementing the local funding formula arrangements as set out in this report in particular to:

- Implement the National Funding Formula rates for both primary and secondary schools in 2022-23 as set out in Appendix 1
- Implement a minimum funding guarantee (MFG) of at least +0.5% and up to +2.0% subject to affordability, for 2022-23 as set out in paragraph 5.8
- The method of managing affordability as set out in paragraph 5.10
- Implement the disapplication request as set out in section 6

3 Background

3.1 In July 2021 the Government published the Policy Document "The national funding formula for Schools and High Needs 2022-2023", and the "Schools Revenue funding 2022-2023 operational guide" along with local authority indicative funding allocations. Additionally, in August 2021 the government published the "High Needs funding: 2022 to 2023 operational guidance".

3.2 The publications contain further detail regarding the second year of the three-year plan to provide additional funding for schools and high needs which was announced in September 2019, providing nationally £2.6bn in 2020-21, £4.8bn in 2021-22 and £7.1bn in 2022-23.

3.3 This report is intended to provide The Cabinet Member with an overview of the main changes to school funding highlighted in the Policy Document and Operational Guides and the progress being made towards agreeing the Schools Funding arrangements locally for the financial year 2022-23. As the Portsmouth Funding Formula has been using the NFF for all Primary and Secondary schools there has been no detailed consultation with schools in relation 2022-23.

4 Dedicated School Grant (DGS) Funding

4.1 The DfE Policy Document and Operational Guides for 2022-23, set out how the authority will be funded through the National Funding Formula (NFF) and the changes for 2022-23 along with any changes to the Schools Block and funding for mainstream schools, Central Schools Services Block and High Needs Block.

4.2 In July 2021 the DfE issued a national consultation, "Fair School Funding for all; completing our reforms to the National Funding Formula" where it sets out proposals and seeks views on the move to a hard NFF in the future. Section 7 and Appendix 2 set out the Schools Forum response to the consultation. The DfE has advised that local authorities will continue to have flexibility to set a local formula in consultation with Schools Forum for 2022-23.

4.3 Indicative funding allocations for 2022-23 were published to local authorities in July 2021. Portsmouth's indicative allocations (inclusive of academies' funding) for 2022-23, together with current allocations for 2021-22 are shown in the table below:

Table 1 - DSG Indicative Funding 2022-23				
	2021-22 Allocation July 2021	2022-23 Indicative Allocation July 2021	Change	Change
	£'000	£'000	£'000	%
Schools Block	132,948	135,846	2,898	2.18%
Central Schools Services Block	964	1,014	51	5.25%
High Needs Block	28,053	30,839	2,787	9.93%
Total	161,964	167,699	5,735	3.54%
Early Years Block	14,289	14,289	0	0.00%
Total	176,253	181,988	5,735	3.54%

4.4 Local authorities may again request a one-off transfer of the Schools Block funding to the High Needs Block to support pressures. Schools Forum can agree



up to 0.5% of the Schools Block, and any transfer above this requires Secretary of State Approval. There are no restrictions for transferring funding from the Central Schools Support Block, the Early Years Block or the High Needs Block to other funding blocks. There are no proposals to transfer additional funding to the High Needs block for 2022-23.

4.5 The following sections provide an update on the main changes to the block funding and the impact on Portsmouth.

5 Schools Block

5.1 The Schools Block covers the mainstream (maintained and academy) schools individual budgets and the growth fund.

5.2 The 2022-23 policy document on the Schools Block funding to the local authority will allow for:

- An increase of 3% on all NFF funding factors, with the exception of the free school meals factor which will increase by 2%
- Increase in the minimum per pupil funding levels of 2% (MPPFL) to £4,265 for primary and £5,525 for Secondary as set out in Appendix 1
- An increase to the PFI factor in line with the retail price index¹ (3.17%).

5.3 The policy document also sets out changes to the underlying data sets for three formula factors, two of which allow for the unavailability of national assessment data due to Covid-19 as set out below:

- **Low prior attainment factor;** as in 2021-22, where the national assessment data is not available, the 2019 assessment data will be used to calculate the proportion of pupils who meet this criteria.
- **Mobility factor;** following the cancellation of the May 2020 census, those pupils who joined the school between January and May 2020 will attract funding based on their entry date rather than the May census.
- **Ever 6 (FSM6) factor;** from 2022-23 the eligible pupil data will be taken from the most recent October census rather than the preceding January census. Bringing the factor in line with the other formula factors and shortening the gap between the pupil data and the funding by nine months.

Funding for Schools

5.4 In 2020-21 Portsmouth schools moved to the national funding formula factor values as published by the DfE with the addition of the Portsmouth area cost adjustment of 1.42%². It was agreed by Schools Forum and approved by the

¹ RPIX - Retail Price index for all items excluding mortgage interest.

² Area Cost Adjustment factor 1.01419 or 1.419%



Cabinet Member in January 2021 to increase the lump sum for a second-year year to maximise the funding to schools during 2021-22 and that the value would revert to the NFF value in 2022-23. Appendix 1 sets out the Portsmouth factor values used to calculate the 2021-22 school budgets and the 2022-23 NFF factor values published by the DfE in the Policy Document.

- 5.5 The Policy Document and operational guidance state that if schools are funded on the NFF factor values there is no need to consult with schools regarding the 2022-23 mainstream funding formula. It is the intention to update schools of the 2022-23 funding arrangements at the headteacher briefings in September.
- 5.6 This section sets out the changes that have been made in relation to the:
- National Non-Domestic Rates (NNDR), business rates process for 2022-23
 - Minimum funding guarantee (MFG) and
 - Sets out proposals as to how the authority will manage affordability following receipt of the 2022-23 Allocation in December 2021.

National Non-Domestic Rates (NNDR)

- 5.7 The DfE have issued a response to the national consultation on the changes to the payment process of schools' business rates undertaken earlier this year. The details confirm that the method of paying business rates will change from April 2022 onwards, with the DfE paying billing local authorities directly on behalf of state funded schools. Detailed guidance has recently been issued and the authority is working through the implications to current processes and will inform schools of the changes in due course. However, it should be noted that the 2022-23 will be the last year that the funding of NNDR will form part of the school budget shares.

Minimum Funding Guarantee (MFG)

- 5.8 Local authorities will have the freedom to set a Minimum Funding Guarantee (MFG) in their local formula of between +0.5% to +2.0% per pupil, without application to the Secretary of State. The MFG is applied to the individual school funding formula after the minimum per pupil funding.

Proposals for managing affordability

- 5.9 The authority normally receives the initial funding allocation in mid to late December, which is too late to come back to Schools Forum and Cabinet Member to obtain any further formula approvals before presenting the final budget for approval in mid-January.
- 5.10 In recent years the authority has had surplus funds to pass out to schools and has increased the value of the Lump sum factor to do this. In the unexpected event that funding does not cover the cost of the funding formula to ensure that



Officers are able to propose an affordable budget to Schools Forum and the Cabinet Member it is proposed that the following factors would be adjusted:

- The area cost adjustment of 1.42% would be reduced or not added to the NFF formula factor values.
- The level of MFG would be reduced to a level lower than plus 2% but higher than plus 0.5% per pupil.

6 Disapplication requests

6.1 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. The authority will be submitting a disapplication request by the deadline of 11 October 2021 in respect of the operation of the minimum funding guarantee (MFG), as set out in the following paragraphs.

6.2 **Ark Charter Academy:** has historically enjoyed a high level of MFG protection, which dates back many years and was caused by a sudden and significant drop in pupils. The local formula at that time, in common with most other local formulae, provided "real term protection", which ensured that a school would receive at least 95% of the previous year's funding in cash terms. This funding was subsequently locked in by the MFG, which provides protection on a per pupil basis. As the pupil numbers at Ark Charter have increased, so the MFG protection has grown.

6.3 Capital investment for Ark Charter was needed to increase the capacity of the school to meet basic need; however, the local authority could not sanction the capital investment if the increase in capacity would also increase the level of MFG support.

6.4 In 2018-19 the local authority agreed a compromise with Ark Charter, whereby only 600 pupils (2018-19 capacity) would continue to receive MFG protection and any new pupils above that level will receive appropriate pupil-led funding for that school, i.e., basic entitlement, deprivation, prior attainment funding etc. Official approval to this agreement was received from the DfE but needs to be applied for annually.

6.5 This is the fifth and final year of this disapplication request.

7 National Consultation regarding the national fair funding formula 2023-24 onwards

7.1 In July 2021 the DfE published a national consultation³ setting out the proposals to move all mainstream schools on to a "Hard" National Funding Formula (NFF)

³ Fair School Funding for all: completing our reforms to the National Funding Formula. [Fair school funding for all: completing our reforms to the National Funding Formula - Department for Education - Citizen Space](#)



in future years. The consultation closed on 30 September 2021. Due to the limited timescale the authority worked with a small working group of Schools Forum members and drafted a response to the consultation. The response was shared with all mainstream schools from 31 August 2021 and schools were asked to let the authority know if they felt the response had missed anything, no later than 10 September 2021.

7.2 No responses were received from schools and the final response was circulated to Schools Forum Members for approval before submission to the DfE.

7.3 A copy of the Schools Forum response to the consultation can be found at Appendix 2.

8 High Needs Block

8.1 Nationally the Government have increased High Needs funding by a further £780m on top of the £730m provided in 2021-22. The DfE has advised that each local authority should see an increase in their High Needs Block funding of 8% per head of population, using the 2020-21 high needs allocations⁴ as a baseline. The DfE has also set a gains cap of 11%.

8.2 Indicative funding published by the DfE in July 2021 provides Portsmouth with an increase in funding of 9.93%⁵ when compared to 2021-22.

8.3 The basic structure of the High Needs NFF for 2022-23 is not changing, however, there are some technical changes to the data for three individual proxy factor which are set out below:

- **The historic spend factor** has been updated to use 50% of authorities actual spend in 2017-18 rather than 50% of the budgeted expenditure. Even with this adjustment Portsmouth's indicative allocation exceeds the funding cap of 11% and therefore there is not a negative impact in 2022-23. The DfE have stated they will continue to look at reducing the significance of this factor in future years and replacing it with alternative proxies following consultation.
- **Key Stage 2 and Key Stage 4 low attainment factors**, as with the mainstream formula, due to Covid-19 there is no appropriate attainment data for the low attainment factors, therefore for 2022-23 the DfE are using the 2019 attainment data to calculate funding to local authorities.

8.4 The actual funding allocation for 2022-23 will not be known until December 2021 and will be adjusted for the latest pupil census information.

⁴ December 2020 allocation excluding basic entitlement, import/export adjustment and hospital education.

⁵ The funding floor and cap on gains calculation excludes funding for basic entitlement, import/export adjustment, hospital education and the AP settings TPG and TPECG funding. Portsmouth City Council receives the full 11% on the other formula factors.

High Needs Funding for Schools

8.5 The DfE issued the High Needs Funding:2022 to 2023 operational guidance in August 2021. The operational guidance does not identify any changes to the current funding arrangements for schools in 2022-23. Proposals regarding the number of places and the Element 3 Top-up rates for Special Schools, Inclusion Centre, Alternative Provision settings and mainstream pupils with Education Health and Care plans (EHCP) will be brought to future meetings as part of the Dedicated Schools Grant budget process.

9 Central Schools Services Block

9.1 The Central Schools Services Block (CSSB) supports the following budgets:

- Admissions
- Central licences provided by the DfE
- Schools Forum
- Education support grant retained duties for all schools
- Teachers pay and pensions grant centrally employed teachers.

9.2 For 2022-23 the funding of the Teachers Pay and Pensions grants for centrally employed teachers has been rolled in to the per pupil rate funded by the DfE. This funding is now included in the baseline per pupil funding and no further adjustments will be made in future years.

9.3 The authority is expected to receive an increase of £51,000 due to an increase in the per pupil funding rate to £39.53, an increase of 5.25%. The authority will utilise the increase to fund an inflationary increase in central licences, to support the Admissions Service and the retained duties for all schools.

10 Early Years Block Funding

10.1 To date the DfE has not issued any guidance in relation to the Early Years Block for 2022-23. Once this has been published, an update will be brought to Schools Forum and the Cabinet Member for Children Families and Education

11 Reasons for recommendations

11.1 The purpose of this report is to provide an update on the latest developments in respect of the future school revenue funding arrangements for 2022-23 onwards. The report also seeks endorsement to the proposals for implementing these arrangements locally, 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.

12 Integrated impact assessment

- 12.1 An integrated impact assessment is not required as the recommendations do not have a positive or negative impact on communities and safety, regeneration and culture, environment and public space or equality and diversity.
- 12.2 This report and the proposals within form part of, and are consistent with, the national implementation of the schools and high needs National Funding Formula as directed by the Department of Education and set out in the School and Early Years Finance (England) Regulations 2021.
- 12.3 The DfE has conducted a full Equality Impact Assessment which is attached to the Policy document and can be found on their website⁶. The funding system does not seek to target funding by reference to particular protected characteristics under the Equality Act 2010, but instead targets funding to those groups which the evidence demonstrates face barriers to their educational achievement.

13 Legal implications

- 13.1 There are no legal implications arising directly from the recommendations in this report.

14 Director of Finance's comments

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

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Signed by: **Mike Stoneman - Deputy Director Education, CFE**

Appendices:

- Appendix 1: Portsmouth Rates to National Funding Rates Comparison Table 2021/22 to 2022-23
- Appendix 2: Portsmouth Schools Forum response to the National Consultation "Fair funding for all; completing our reforms to the National Funding Formula"

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:

Title of document	Location
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6

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1003492/2022-23_NFF_Policy_Document.pdf



School and Early Years Finance (England) Regulations 2021	The School and Early Years Finance (England) Regulations 2021
The National Funding Formulae for Schools and High Needs 2022-23 (published 19 July 2021)	https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1003492/2022-23_NFF_Policy_Document.pdf
Schools revenue funding 2022 to 2023: Operational Guide (published July 2021)	https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1003631/Schools_revenue_funding_2022_to_2023.pdf
High Needs Funding: 2022 to 2023 Operational Guidance (published 19 August 2021)	High needs funding: 2022 to 2023 operational guidance - GOV.UK

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

.....
Signed by:

Appendix 1 - Portsmouth Rates to National Funding Rates Comparison Table 2021/22 to 2022-23

Funding Factors	Payable for:	Unit rate 2021-22*		Unit Rate 2022/23	
		Primary £	Secondary £	Primary £	Secondary £
Basic Entitlement					
Number on Roll (NOR)	Primary including reception	3,167		3,217	
NOR Key Stage 3	Key stage 3 pupils		4,466		4,536
NOR Key Stage 4	Key stage 4 pupils		5,033		5,112
Deprivation					
Free School Meals	Free School Meals (FSM)	467	467	470	470
Free School Meals Ever 6	Free School Meals Ever 6	583	852	590	865
IDACI F	Pupils ranked between 9,033 and 12,316	218	314	220	320
IDACI E	Pupils ranked between 5,748 and 9,032	264	421	270	425
IDACI D	Pupils ranked between 4,106 and 5,747	416	588	420	595
IDACI C	Pupils ranked between 2,464 and 4,105	451	639	460	650
IDACI B	Pupils ranked between 822 and 2,463	482	690	490	700
IDACI A	Pupils ranked between 1 and 821	429	877	640	890
Prior attainment					
Primary	Primary pupils identified as not achieving the expected level of development in the early years foundation stage profile (EYFSP)	1,111		1,130	
Secondary	Pupils not achieving the expected standard in Key Stage 2 at either reading, writing or maths		1,684		1,710
English as an additional Language	EAL eligible pupils who started school within the last 3 years	558	1,506	565	1,530
Mobility		913	1,308	925	1,330
Lump Sum	Flat rate per school	132,998	132,998	121,300	121,300

*Note: the 2021-22 rates represent the values for Portsmouth schools based on the national NFF rates plus the area cost adjustment of 1.01416.

Appendix 1 - continued

Minimum per pupil funding level comparison table 2021-22 to 2022-23			
Phase	Per pupil funding level 2021-22	Per pupil funding level 2022-23	Change
	£	£	£
Primary	4,180	4,265	85
Secondary	5,415	5,525	110
All Through	4,695	4,790	95
KS3 only schools	5,215	5,321	106
KS4 only schools	5,715	5,831	116

Appendix 2 - Portsmouth Schools Forum response to the national consultation "Fair funding for all: continuing our reforms to the national Funding Formula"

Question 1: *Do you agree that our aim should be that the directly applied NFF should include all pupil-led and school-led funding factors and that all funding distributed by the NFF should be allocated to schools on the basis of the "hard" formula, without further local adjustment through local formulae? (Page 19)*

Question 1: Response

Pupil Led factors

PCC are already on the National Funding Formula (NFF) for the pupil led factors so have no problem with moving to "hard" NFF for pupil led factors.

Schools led factors

It is recognised that there are advantages of having a "hard" national formula and a consistent approach to funding these factors across the country. Particularly where an Academy Trust has schools across more than one local authority.

However, it is felt that removing local authority autonomy to adjust factors locally will remove any flexibility to pass funds out to schools.

For example, in Portsmouth, we have an agreement with a school, which enables us to restrict the funding of the minimum funding guarantee (MFG) (with Secretary of State approval) to a specific number of pupils. This provides a surplus, which is distributed across all schools in the city through increasing the value of the lump sum. The lump sum is adjusted, as it is the same value for all schools therefore fair, does not influence the pupil led factor funding and build in future MFG pressures.

Removing the flexibility to change at least one factor in the formula could mean that authorities who have surplus funds can't pass them out to schools.

It is also not clear how an authority would deal with an increase in pupil numbers for example if a school was growing and the pupil numbers were increased within the ISB, funding of these additional pupils will have been managed through the use of adjusting the funding provided through other formula factors (lump sum and MFG) for affordability.

General comments/questions

Under the current "soft" NFF the local authority per pupil funding allocation is calculated on previous year's factors, which then causes differences when the actual allocation is received. There is usually an issue with the data sets used, which means that allocations have to be slightly different. It is assumed this will not be an issue with a "hard" NFF, but clarification of which data sets will be used to distribute the funding is needed.

The document talks about equity and the same formula for MATs, but the reality is that income for Education Health and Care Plan (EHCP) students varies, as does the allocations of High Needs DSG to local authorities - how does that fit in? The

consultation (page 12) states that the Schools Block is in isolation of the High Needs funding, but with high needs variations across authorities can it really be considered equitable.

Does the current NFF promote inclusion?

Question 2: *Do you have any comments on how we could reform premises funding during the transition to the directly applied NFF? (Page 22)*

Question 2: Response
Premises PFI

The PFI value in the Individual Schools Budget links to legal agreements with the school, PFI provider and the DfE to changes this could create affordability issues for schools and/or local authorities.

The proposed further consultation and utilisation of actual contractual arrangements is key to understanding the complexity of the arrangements with schools and the impact any changes could have on legal agreements and funding.

Some authorities such as Portsmouth may have Principle Agreements with the DfE as part of the academy conversation of PFI schools that protect the local authority and school from any changes to the formula that leave them financially worse off.

Premises: Exceptional circumstances and Split Sites

As the Authority does not receive or provide to schools any funding regarding exceptional circumstances or split sites, the Forum cannot comment on the proposals for these factors.

Question 3: *Do you agree with our proposal to use national, standardised criteria to allocate all aspects of growth and falling rolls funding? (Page 27)*

Question 3: Response

A standardised approach would provide national consistency but this could be at the detriment of a number of authorities who have worked closing with schools locally to develop a Growth Fund that provide adequate funding and supports the authority to meet its basic needs requirements.

It is not clear how the proposed standardised criteria will be applied, for example, the consultation talks about "significant growth" but does not state what "significant" means.

The consultation also states that overall the proportion of funding within the schools block will remain the same (adjusted for forecast pupil numbers). However, every local authority has their own Growth Fund criteria and funding, some of which have supplemented their Growth Fund from other funding sources (e.g. carry forwards or other block funding). If a standardised approach is implemented the expectation will be that those authorities that have supplemented their Growth Fund will see funding to their schools reduce. This would potential create

difficulties in the receiving schools who will have planned according to the funding they were expecting to receive.

Therefore, the implications of a standardised approach are not clear and further consultation on the detail of this approach is required.

Falling rolls fund

A consistent approach for falling rolls would be helpful if the local authority has not yet implemented a falling rolls fund. However, if a school has to have had a least one year of decreased numbers and to have adjusted their budget to take into account the reduction, it is not clear how the falling rolls fund will help as the school will have already reduced their staffing accordingly.

Question 4: *Do you have any comments on our proposed approach to growth and falling rolls funding? (Page 27)*

Question 4: Response

Popular Growth

PCC do not fund popular growth, a school should be able to manage the additional costs until their funding formula arrives in next financial year.

The consultation only refers to recent academy sponsors, how recent is recent? There does not seem to be any equity for maintained schools that have had a change in Head-Teacher and an improvement in Ofsted rating and popularity?

If you are introducing a standardised approach, it should cover all mainstream schools not just academies.

Start-up costs

A further consultation. No comment

Growing schools - basic need

Local authorities have topped up growth funding from the DfE with schools block funding, as growth funding received does not reflect the agreements they have with schools.

If the whole population of the city is reducing/staying stable the current method of funding a Local Authority will mean either a reduction in funding or funding remaining static. However, schools will continue to see growth until they are full over a 5 year period, this is a particular issue for secondary schools as funding will need to cover more than just a class and teacher. The proposals should allow current arrangements to be honoured until schools are full and should only implemented for new arrangements after the NFF has been implemented.

Question 5: *Do you agree that, in 2023-24, each LA should be required to use each of the NFF factors (with the exception of any significantly reformed factors) in its local formulae? (Page 32)*

Question 5: Response

From Portsmouth's experience, we transitioned schools to the NFF formula over a number of years. Providing a year's warning where factors were going to cease such as the reception pupil adjustment and the Looked after Children factor and explaining the impact as part of the annual consultation process. By introducing the changes to all authorities in 2023-24 this provides time for consultation with schools and financial modelling of the impact enabling schools to plan for the change.

Portsmouth use all the "hard" NFF factors (with the exception of the sparsity factor) and can't see it's an issue to move all schools on to all relevant factors (some areas may not trigger the sparsity factor) from 2023-24.

Question 6: *Do you agree that all LA formulae, except those that are already 'mirroring' the NFF, should be required to move closer to the NFF from 2023-24, in order to smooth the transition to the "hard" NFF for schools? (Page 32)*

Question 6: Response

Yes, Portsmouth took this approach when all schools were moved to the NFF. We found that we were able to move secondary schools to the NFF quicker than primary schools and any proposals should allow for flexibility.

Question 7: *Do you agree that LA formulae factor values should move 10% closer to the NFF, compared with their distance from the NFF in 2022-23? If you do not agree, can you please explain why? (Page 32)*

Question 7: Response

Yes, but we think there needs to be a degree of flexibility. When Portsmouth transitioned to the NFF, the key focus was to smooth the transition for schools so that no school saw a cliff face drop in funding (MFG⁷ was at minus 1.5% at the time). We found that we had to move slower with some factors (deprivation) than others, as the impact was greater on our schools with higher numbers of deprived pupils. Setting a target of 10% per factor may restrict the opportunities for authorities to smooth the impact on schools.

Portsmouth also have an agreement with a growing school to restrict the number of pupils against which they apply the MFG (with Secretary of State approval), the additional funding released from this exercise is passed through to all schools in the authority through an increased Lump Sum. If the 10% rule were applied then this would mean we could not pass £77,100 (based on 2021-22 funding) out to schools through the formula. Consideration should be given to enable authorities to seek Secretary of State approval to dis-apply the 10% for specific purposes.

Question 8: *As we would not require LAs to move closer to the NFF if their local formulae were already very close to the NFF, do you have any comments on the appropriate threshold level? (Page 32)*

Question 8: Response

⁷ Minimum Funding Guarantee per pupil.

A 1% tolerance on the NFF values including area cost adjustment seems reasonable. Financial modelling has indicated this provides enough tolerance to round a factor value to the nearest whole pound.

Question 9: *Do you agree that the additional flexibility for LAs in the EAL factor, relating to how many years a pupil has been in the school system, should be removed from 2023-24? (Page 33)*

Question 9: Response

Portsmouth already use EAL3 for the English as a Second Language (EAL) factor. It makes sense that if nationally we are moving to a "hard" formula that the flexibility to use different options within the formula are removed.

EAL3 is already used to distribute funding to local authorities so should not make any difference to the authority's funding.

EAL1 and EAL 2 would provide less funding to Portsmouth City Council and therefore schools, so Portsmouth would want to continue to support EAL 3.

Question 10: *Do you agree that the additional flexibilities relating to the sparsity factor should remain in place for 2023-24? (Page 33)*

Question 10: Response

Portsmouth do not use the sparsity factor as none our schools meet the sparsity criteria in the formula.

Nationally we would not want funding diverted from other factors to support any changes to the sparsity factor.

Question 11: *are there any comments you wish to make on the proposals we have made regarding ongoing central school services, including on whether in the future central school services funding could move to LGFS? (Page 36)*

Question 11: Response

The central schools services block provides, both the authority and Schools Forum with a level of flexibility. It ensures that the funding provided by the DfE for the central services and statutory responsibilities is transparent and Schools Forum approves the proposed local budget. Moving this to the LGFS removes that transparency as it becomes part of a larger block of funding, which either has the potential to be top-sliced before distribution to local authorities or on receipt by local authorities moved to different priorities. Thus putting pressure on local services.

It also reduces the ability of moving funding between blocks to support pressures in areas.

The proposal to move the central copyright licences to the Schools Block, does not provide any advantages for schools or the authority so it is not clear why this is

being considered. As this funding is passed to local authorities then recouped from the DSG, rather than moving it between blocks, would it not be better to reconsider the whole process?

Question 12: *Do you agree with the proposal for a legacy grant to replace funding for unavoidable termination of employment and prudential borrowing costs? We will also invite further evidence on this at a later stage. (Page 37)*

Question 12: Response

As the funding for the on-going commitments in the CSSB is separate to the funding provided for historic commitments, the move to a legacy grant would be a logical solution. Portsmouth would support this as long as no funding was moved from the on-going commitments to support the legacy grants.

Question 13: *How strongly do you feel that we should further investigate the possibility of moving maintained schools to being funded on an academic year basis? (Page 43)*

Question 13: Response

It is difficult to respond to this proposal without more detailed information about how the funding would work. Below are a number of issues identified

- a The proposal to move all schools to an academic funding year means the funding received by the school in September relates to the cohort of pupils from the previous September. Thus, this is moving the funding timing further away from the cohort of pupils it relates to. Putting a 12-month lag in funding rather than a seven-month lag for LA maintained schools. When the NFF was introduced in April 2013, the intention was to move the funding closer to the pupils it relates to not further away.*
- b What would be the impact on growth funding? Currently maintained schools receive growth funding for the seven-month period between September and March and academies receive growth funding for the full twelve-month period. Local authorities are reimbursed for the five-month (April to August) growth funding that is paid to academies; how will this work for LA maintained schools?*
- c How would the changeover period work? Would it be 17 months (April to the following September) between the two financial year starts? If so this would mean that maintained schools would see a delay in their income that they have not planned for which could lead to lower balances or potential overspends.*
- d How would the local authority receive funding? Would the DSG allocation be split seven months and five months? Would this split just be on the schools block or would it include other blocks? If other blocks stay the same, then it would still have mean schools budgeting for income in different periods, but*

if they change, then they would be out of line with the rest of other LA budgeting.

Question 14: *Are there any advantages or drawbacks to moving maintained schools to being funded on an academic year basis that you feel we should be aware of? (Page 43)*

Question 14: Response

It is difficult to respond to this proposal without more detailed information about how the funding would work. Below are a number of issues identified

Advantages

Discussions with schools identified that a move to academic year funding would only be an advantage if the financial year were also moved to an academic year basis. Otherwise, there would be additional work created in managing the accounting, monitoring and reporting processes.

Disadvantages

- a Whilst schools may plan their budget on an academic year basis, they will still need to split their academic year plans on a five months / seven months basis and they will not be able to change the financial year as this falls in line with the local authority.*
- b Makes budget setting at school level more complicated for maintained schools. Schools already find the academic year grants messy as these are split over two financial years.*
- c Would have to do a financial yearend in the middle of an academic funding year.*
- d Twelve Months lag in funding between pupils being in school and the funding arriving, could create problems for growing schools (although helps if numbers drop?).*
- e High needs funding and rates are set on a financial year (April to March) and therefore would be uncoordinated with the schools block funding.*
- f Resource implications local authority - what additional support would be required to take schools through the process, adjust budgeting tools, manage year-end accounts and accruals?*
- g Additional resource implications at schools as budgeting and funding will not be in line e.g. need to reconcile funding to budgets, reporting to governors, yearend processes, explaining movement in balances.*
- h Makes budget monitoring more complex, additional support to schools to help understand, redesigning training courses and websites, working with schools*

to ensure balances would be able to cope with time lag, potentially put schools with low balances into deficit.

- i Impact on balances:*
- Balances could be lower due to covering costs due to gap in funding (first five months)*
 - May have to treat financial yearend balances differently (would higher proportion be committed?)*
- j When a school converts to academy, they are able to make an informed decision regarding the impact of the date of the academy conversion on their funding. Maintained schools would potentially be forced to have a reduction in funding, as they would not receive the higher per pupil funding as set out in ISB for a 12-month period rather than seven months.*
- k Local authorities would need to pay a further five months growth funding to maintained schools for the period April to August, which would normally be covered in the budget share received in April. Therefore, it would be expected that local authority funding allocations would be increased accordingly to cover the additional cost.*
- l Would be a lot of work for no material gain.*

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Agenda Item 4



Portsmouth
CITY COUNCIL

Title of meeting: Cabinet Member for Children, Families and Education

Date of meeting: 14 October 2021

Subject: Dedicated Schools Grant 2021-22 Quarter 1 Budget
Monitoring and Revised Budget

Report by: Chris Ward Director of Finance

Wards affected: All

Key decision: Yes/No

Full Council decision: Yes/No

1 Purpose of report

1.1 The purpose of this report is to inform The Cabinet Member of the projected revenue expenditure of the Dedicated Schools Grant (DSG) for the current financial year 2021-22 as at the end of June 2021, along with proposed budget revisions.

2 Recommendations

2.1 It is recommended that The Cabinet Member:

2.1.1 Notes the forecast year end budget position for the Dedicated Schools Grant as at 30 June 2021, together with the associated explanations contained within this report.

2.1.2 Delegates to the Section 151 Officer or their delegated representative, the responsibility to adjust the Early Years block budget in line with the DSG allocation adjustments in November 2021 and January 2022.

2.1.3 Approves the revisions to the 2021-22 budget as set out in Appendix 1 and section 8.

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 In February 2021, the Cabinet Member for Children, Families and Education approved, and Schools Forum endorsed, the Original DSG budget for the 2021-22 financial year. There have been subsequent revisions in line with Schools Forum endorsement and Cabinet Member approval in relation to academy conversions and the carry forward of the 2020-21 balance on the Growth Fund for the use in the 2021-22 Growth Fund¹. This report provides the Cabinet Member with the latest forecast estimate of the year-end outturn as at 30 June 2021 as set out in the Table below.

Table 1 - Dedicated Schools Grant			
	Original (SF) Budget 2021-22 £000's	Projected outturn 2021-22 £000's	Projected over / (under) spend £000's
Income			
DSG Brought forward 2020-21	(5,498)	(5,498)	0
DSG and other specific grants	<u>(77,486)</u>	<u>(77,486)</u>	<u>0</u>
Total Income	(82,984)	(82,984)	0
Expenditure			
Schools block			
Primary ISB	27,554	27,554	0
Secondary ISB	13,699	13,699	0
De-delegated and growth fund	<u>1,660</u>	<u>1,660</u>	<u>0</u>
Total Schools block	42,912	42,912	0
Central School Service	760	760	0
Early Years block			
Nursery ISB	11,587	11,587	0
Other Early Years	2,702	2,702	0
High Needs block			
High Needs ISB	967	967	0
Other High Needs cost	19,068	18,343	(725)
Total Expenditure	77,996	77,271	(725)
DSG Carried forward	4,988	5,713	725

3.3 Overall, the budget is forecast to underspend by £725,000, the details of which are set out in the sections below.

¹ Schools Forum 6 December 2020 and Cabinet Member for Children, Families and Education 16 December 2020.



4 Academy Conversions

- 4.1 As at the 30 June 2021, there has been one academy conversion. Corpus Christie Catholic Primary School converted to academy on 1 April 2021. The budget includes the associated adjustments to the Primary ISB and the DSG allocation.

5 Early Years Block

- 5.1 At the end of the first quarter, the Early Years Block is forecast to be on budget. As in previous years, the Authority will not receive the confirmed pupil numbers until the end of the summer term, following the receipt of this data an updated expenditure forecast will be provided as part of the quarter two monitoring.
- 5.2 Unlike previous years' the Authority will not know the adjustments to the Early Years Block funding until late autumn 2021. This follows a change to the process and timetable by the Department for Education due to the national lockdowns. Therefore, there will be a greater level of uncertainty regarding the Early Years forecasts for the 2021-22 financial year.

6 High Needs Block

- 6.1 As per previous years', the deadline for the class lists for Special Schools, Inclusion Centres and Alternative Provision settings was after the end of the quarter. These budgets are therefore forecast on budget.
- 6.2 Additionally, the final costs for September placements across the high needs budgets have yet to be finalised, which provides some uncertainty in the forecast position, therefore the forecast could change as the year progresses.
- 6.3 As at 30 June 2021 the high needs block is forecast to underspend by £725,000 due to Mainstream Schools Education Health and Care Plans (EHCP) and Out of City Placements budgets.

Mainstream schools EHCP

- 6.4 When setting the 2021-22 budget, pupil numbers at the start of April 2021 were expected to grow throughout the year in line with the percentage growth in 2020-21. Actual pupil numbers at the end of June 2021 were 549, a reduction of 74 pupils to budget. This has led to a forecast underspend of £427,500.
- 6.5 The national lockdowns in 2020-21 may have affected the budgeted forecast growth in the first quarter. Children's Families and Education Finance Team are working with the Service to get a better understanding of the underlying data, which may lead to an increase in the projected expenditure.



Out of City Placements

- 6.6 As at the end of the first quarter the Out of City budget is forecasting an underspend of £297,300. The total budget consists of placements in Independent and Specialist providers and those at Child and Adolescent Mental Health Service (CAMHS).
- 6.7 The table below provides a breakdown of the forecast position. It should be noted that there are a number of new placements within the forecast (based on average cost) where the funding has not been finalised, therefore the forecast position may change as the placements are finalised.

Table 2 - Out of City Placements						
	Budget		Forecast position		Variance	
	£'000	Pupils	£'000	Pupils	£'000	Pupils
Independent & Specialist providers	2,992	47	2,692	40	(300)	(7)
CAMHS	43	7	45	2	2	(5)
Total	3,035	54	2,737	42	(297)	(12)

7 DSG Grant funding and carry forward balances

- 7.1 Following the end of the first quarter, the Authority is expecting to receive an adjustment to the 2021-22 DSG allocation in July 2021, which are included in Section 8.
- 7.2 As at the end of June 2021, the carry forward balance is projected to be £5.7m, but there are a lot of changes that could happen in September due to the new term. The table below provides a breakdown of the movement on the carry forward balance from 1 April and future commitments against the balance.



Table 3 - forecast carry forward balance	
	£,000
Brought forward balance as at 1 April 2021	5, 498
Schools specific contingency	(141)
Growth fund	(369)
Carry forward balance	4,988
Projected 2021/22 underspend as at 30 June 2021	725
Potential reduction in Early Years Block funding ²	(2,133)
Forecast carry forward	3,580
Future commitments 2022-23	
Wymering places and Element 3 Top-up September 2022 (7 months)	(943)
Growth Fund budgeted carry forward to 2022-23	(221)
Turnaround project	(42)
Full year effect of revised budget high needs place changes	(688)
Uncommitted DSG carry forward	1,686

- 7.3 In July, the Authority normally receives an adjustment to the Early Years Block to reflect the pupil numbers in the previous January census. Due to the impact on Covid-19 on the census data, in particular the national lockdown in the spring term, there are changes to the calculation and timing of the funding adjustments in the financial year 2021-22.
- 7.4 As the DfE will now use data from four census and make allocation adjustments in November 2021 and January 2022, this provides a measure of uncertainty on the funding the Authority will receive for the Early Years block in 2021-22. As a minimum, the Authority will receive funding based on 85% of the January 2020 census data that could reduce the Early Years block funding by £2.1m.
- 7.5 Due to the timing of the Early Years Block allocation adjustments and the formal meeting cycle, it will not be possible to bring the required budget adjustments to Schools Forum and Cabinet Member for endorsement and approval before February 2022. It is therefore proposed that the Section 151 Officer or their representative is given delegated responsibility to adjust the budget in line with the Early Years Block allocation adjustments in November 2021 and January 2022.

8 Budget Revision 2021-22

- 8.1 In July 2021, the Authority received an adjustment to the DSG Allocation, which is summarised in the table below.

² Reflects 85% of the January 2020 pupil numbers as advised by the DfE as the funding authorities will receive if their pupil numbers are lower than the January 2020 census.

Table 4 DSG Funding Blocks	March 2021 allocation (excluding academies)	July 2021 allocation (excluding academies)	Revised DSG allocation (excluding academies)
	£,000	£,000	£,000
Schools Block	43,658	42,357	(1,300)
Central School Services Block	964	964	0
Early Years Block	14,289	14,289	0
High Needs Block	20,022	20,187	165
Total DSG	78,933	77,797	1,135

- 8.2 The movement in the School's Block relates to the academy conversion of Corpus Christie Catholic Primary school and the budget has been adjusted under delegated powers. The High Needs Block variance relates to the net impact of the import/export adjustment providing an increase in funding of £165,000, the equivalent of 27.5 pupils.
- 8.3 Since setting the budget in February 2021, the places required from September 2021 at a number of High Needs settings have been adjusted. The proposed budget revisions are set out in Appendix 1, relate to changes from September 2021, and are set out below:
- Clarification of the number of places (8) and associated Element 3 top-up funding relating to a new Inclusion Centre at Penhale Infant School,
 - Increase in the number of places at Devonshire Inclusion Centre (from 8 to 9)
 - Increase of 8 places and associated Element 3 Top-up at the Harbour School split equally between the SEND and Alternative Provision places
 - Confirmation of the Element 3 Top-up funding for the Pre Wymering class at The Harbour School.
 - Increase in the number of locally agreed places at Redwood Park Academy from September 2021.
 - Decrease in the number of locally agreed places at Cliffdale Primary Academy and Mary Rose Academy from September 2021.
- 8.4 The revised budget has been changed to reflect the agreed project funding from September 2021 of the new 'Turnaround' project.
- 8.5 Additionally, the Early Years Complex Needs inclusion budget is seeing pressures as at the end of the summer term with pupil numbers already meeting the full year budgeted number of 98. July forecasting has indicated that this budget will overspend should the level of growth continue through the autumn and spring terms. It is proposed to increase the funding to support a further 26 pupils (net growth) at a cost of £74,600.

9 Reasons for recommendations

- 9.1 It is recommended that The Cabinet Member notes the contents of the report in respect of the financial forecast for 2021-22 as at the end of the first quarter, approves the proposed budget delegation as set out in paragraph 7.4 and

approves the amendments to the budget for 2021-22 for the reasons set out in section 8.

10 Integrated impact assessment

10.1 An integrated impact assessment is not required as the recommendations do not have a positive or negative impact on communities and safety, regeneration and culture, environment and public space or equality and diversity.

11 Legal implications

11.1 There are no legal implications arising directly from the recommendations in this report.

12 Director of Finance's comments

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

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Signed by: Chris Ward, Director of Finance and Resources

Appendices:

Appendix 1: Dedicated Schools Grant Revised Budget 2021-22

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:

Title of document	Location
School and Early Years Finance (England) Regulations 2021	The School and Early Years Finance (England) Regulations 2021

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

.....
Signed by:

Appendix 1

	Approved 2021-22 Budget - Feb 2021 (including Academies)	Proposed Budget Revisions	2021-22 Schools Budget July 2021 (Including Academies)	2021-22 Schools Budget July 2021 (Excluding Academies)
	£000	£000	£000	£000
Schools Block				
Individual Schools Budgets (ISB)				
Primary	72,120	(4)	72,115	27,554
Secondary	60,160	0	60,160	13,699
Total ISB	132,280	(4)	132,276	41,252
De-Delegated and Central Budgets				
Growth Fund	1,249	220	1,469	1,469
De-delegated Budgets	142	0	142	142
Academy Conversions	0	4	4	(7)
Other Schools Block Sub Total	1,390	224	1,615	1,603
Total Schools Block	133,670	220	133,890	42,856
Central School Services Block				
Schools Forum	16	0	16	16
Admissions	333	0	333	333
Licences (negotiated by DfE)	154	0	154	154
ESG retained duties	411	0	411	411
Central Teachers Pay /pensions grant	49	0	49	49
Central School Services Block Total	964	0	964	964
Early Years Block				
3 & 4 Year Old Provision ¹	11,909	0	11,909	11,909
2 Year Old Provision	1,751	0	1,751	1,751
Central Expenditure on under 5's	630	0	630	630
Early Years Block Total	14,289	0	14,289	14,289
High Needs Block				
Individual Schools Budgets				
Special School Place Funding	6,128	29	6,158	533
Resource Unit Place Funding	646	(7)	638	411
Alternative Provision Place Funding	1,210	23	1,233	63
Total ISB	7,984	45	8,029	1,006
Element 3 Top-up funding	13,373	(13)	13,360	13,360
Out of City Placements	3,035	0	3,035	3,035
SEN Support Service	906	0	906	906
Medical Education	675	0	675	675
Outreach Services	192	0	192	192
Turnaround Project	0	58	58	58
Fair Access Protocol	60	0	60	60
Early Years Complex Needs Inclusion fund	282	75	356	356
Post-16 high needs places	836	0	836	0
Teachers Pay/Pension grants High Needs	546	0	546	546
Other High Needs block sub total	19,904	120	20,024	19,188



	Approved 2021-22 Budget - Feb 2021 (including Academies)	Proposed Budget Revisions	2021-22 Schools Budget July 2021 (Including Academies)	2021-22 Schools Budget July 2021 (Excluding Academies)
	£000	£000	£000	£000
Total High Needs block	27,888	165	28,053	20,194
Total Expenditure	176,811	385	177,196	78,302
Income				
Schools Block	(133,381)	0	(133,381)	(42,346)
Central Schools Services Block	(964)	0	(964)	(964)
Early Years Block	(14,289)	0	(14,289)	(14,289)
High Needs Block	(27,888)	(165)	(28,053)	(20,194)
DSG Income ^{2,3}	(176,521)	(165)	(176,686)	(77,792)
One-off use of Carry Forward	(290)	(220)	(510)	(510)
Total Income	(176,811)	(385)	(177,196)	(78,302)

¹Includes early years pupil premium

²2021-22 per ESFA allocations July 2021

³ Includes reimbursement of Growth funding for Academy schools

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