



Portsmouth
CITY COUNCIL

**Reform of the
School Funding Formula**

2013-14 and 2014-15

Consultation

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1. Introduction

1.1 Background & Purpose

In March 2012, the Department for Education (DfE) issued its proposal for reform of school revenue funding¹. The consultation to this document closed on 21 May 2012. At the end of June 2012, the DfE issued the final details of the school revenue funding reform².

The school funding arrangements outlined in the documents referred to above are the first step towards the implementation of a national funding formula, which is expected to be implemented during the next spending review period (i.e. 2015-16 onwards). These interim arrangements are intended to simplify the current funding arrangements and will apply from 2013-14.

The new revenue funding formula arrangements require as many services and as much funding as possible to be delegated to schools. In addition, the number of factors that can be used in the local formulae to distribute funding is reduced significantly. Whilst the DfE have prescribed the framework that must be used, Local Authorities still have some discretion within this framework in how they allocate the funding to schools.

The purpose of this consultation document is therefore to set out how Portsmouth City Council intends to implement the new school revenue funding arrangements based on the above principles and guidance from financial year 2013-14 and to seek your views on points of local discretion within the new framework.

1.2 Working Groups

To assist with the development of a funding formula model for Portsmouth City Council, Schools Forum agreed to the creation of a working group to help inform the proposed changes. The working groups included a Head, a Finance Officer and a Governor from each phase. As the changes were quite different for each of the phases, the funding group was initially split into separate groups for mainstream and special schools. It was possible to include a representative from each special school in the early stages as there are only five in total.

The first task of the working groups was to agree a set of principles which would guide and inform the financial modelling. At the July meeting of Schools Forum these principles were agreed. Details of the working group membership are shown at appendix A.

¹ School funding reform: Next steps towards a fairer system, Department for Education, March 2012

² School funding reform: Arrangements for 2013-14, Department for Education, June 2012

DfE have confirmed that the Dedicated Schools Grant for 2013-14 will be based on the allocation available in 2012-13. Therefore, the key principles applied by the working group and reflected in the financial modelling were:

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

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

1.3 Notional Blocks

Local Authorities will continue to receive the Dedicated Schools Grant (DSG) under the new funding arrangements. However, from 2013-14, the DSG will be split into three notional blocks: Early Years, Schools Block and High Needs Block. Therefore within this document each block is dealt with separately.

1.4 Implications for Schools

The specific changes to the way funding is allocated to schools is set out in the later sections of this consultation paper. However, in summary the main implications for schools are:

- The way funding is allocated to schools will be simplified so that as much funding and as many services as possible will be delegated to schools.
- The number of factors used to allocate funding to schools will be significantly reduced, in advance of the introduction of the national funding formula in the next spending review period.
- The amount of funding primary and secondary schools are currently allocated, will continue to receive protection under the Minimum Funding Guarantee (MFG) mechanism (see paragraph 3.4). Special schools will also receive funding protection, although this is through an alternative MFG mechanism (see paragraph 4.5).

2. Early Years Block

2.1 Early Years Single Funding Formula

Portsmouth City Council introduced the Early Years Single Funding Formula (EYSFF) in 2010/11, one year in advance of statutory requirements.

Our current formula is compliant with the new requirements and therefore no changes are proposed.

3. The Schools Block

3.1 Introduction to the Schools Block

This section of document sets out the changes proposed in relation to the mainstream primary and secondary schools. As explained in the introduction to this document, the new funding arrangements require as many services and as much funding as possible to be delegated to schools. In addition, the number of factors that can be used in the local formulae to distribute funding is reduced significantly. Local Authorities still have some discretion within this framework in how they allocate the funding to schools, and the proposals for Portsmouth are detailed below. The objective of the proposals below is to minimise fluctuations in funding for schools as far as possible prior to the introduction of the national funding formula

3.2 Simplification of the Funding Formula

Under the new revenue formula funding arrangements, Portsmouth City Council will only be able to use eleven factors when deciding on how to allocate funding to mainstream schools. There is a twelfth factor, which is only available to five Local Authorities within the London fringe area. These eleven factors will replace the existing methodologies for allocating the budget share to Primary and Secondary mainstream schools.

The table below summarises the eleven factors available to Portsmouth City Council for allocating funding to mainstream schools from the 1 April 2013. Two of the factors are mandatory, the others are optional.

No.	Funding Formula Factors	Mandatory or Optional
1.	Basic Per Pupil Entitlement	Mandatory
2.	Deprivation	Mandatory
3.	Looked After Children	Optional
4.	Prior attainment as a proxy measure for SEN	Optional
5.	English as an additional language (EAL)	Optional
6.	Lump Sum	Optional
7.	Split Sites	Optional
8.	Rates	Optional
9.	Private Finance Initiative (PFI)	Optional
10	Post 16 funding	Optional
11	Pupil Mobility	Optional

3.3 Detailed explanation of the Formula Factors

3.3.1 Basic Per Pupil Entitlement

All Authorities will be required to allocate a basic per pupil entitlement to schools.

Primary Schools – Under the new arrangements, from financial year 2013-14, the Council will only be able to apply one per pupil entitlement rate for all primary school pupils. There will be no distinction between Key Stage 1 and 2.

Secondary Schools – Under the new arrangements, from financial year 2013-14, the Council will be able to choose whether to apply a single per pupil entitlement rate for all Secondary pupils, or apply different age-weighted pupil units for Key Stage 3 and Key Stage 4.

Based on the financial modelling and the feedback from the mainstream funding working group, the Council is proposing to apply different per pupil entitlement rates for Key Stage 3 and Key Stage 4. This will help to ensure schools are funded appropriately for additional Key Stage 4 costs, particularly where there are uneven year groups.

Q1 – Do you agree with the proposal to have separate basic per pupil entitlement rates for Key Stage 3 and Key Stage 4?

3.3.2 Deprivation

The current regulations require Local Authorities to include a deprivation factor in their formula. This requirement will continue under the new funding formula arrangements, but the only indicators that can be used to identify which pupils should be eligible for this funding are:

- Free School Meals (FSM) data (either straight FSM or Ever 6³ as with the Pupil Premium);
- Income Deprivation Affecting Children Index (IDACI)⁴; or
- A mixture of both indicators.

Local Authorities retain the ability to set the unit values for allocating funding through this factor and the unit values can vary between primary and secondary schools.

³ 'Ever 6' is a Free School Meal measure that includes those pupils who were eligible at any point in the last six years.

⁴ IDACI is a subset of IMD (Indices of Multiple Deprivation), which is a factor currently used in our existing funding model.

Based on the financial modelling and the feedback from the mainstream funding working group, the Council is proposing to use the IDACI measure for allocating funding to primary and secondary schools for deprivation. As IDACI is a subset of the IMD indicator which is already used in the existing funding formula, this measure provides the most stability in the individual schools allocations.

Q2 – Do you agree with the proposal to use only the 'Income Deprivation Affecting Children Index' (IDACI) as the indicator for allocating funding for deprivation?

3.3.3 Looked After Children

This is an optional factor available to Local Authorities for allocating revenue funding to primary and secondary schools. The new regulations require that both primary and secondary schools attract the same rate if this factor is used.

Based on the financial modelling and the feedback from the mainstream funding working group, the Council is proposing to use this factor. The unit value reflects the current arrangements within the AEN formula to support Looked After Children and therefore provides stability in the individual schools budgets.

Q3 – Do you agree with the proposal to use the Looked After Children factor for allocating funding to primary and secondary schools?

3.3.4 Prior attainment as a proxy measure for SEN

Pupils with Special Educational Needs (SEN) are likely to require additional support in order to assist them to achieve their best outcomes. Therefore additional funding can be targeted through this factor to those schools with pupils with low cost, high incidence SEN. Section 4 of this consultation paper details the arrangements for pupils with high needs.

The DfE have specified 'prior attainment' as the proxy indicator for identifying pupils with low cost, high incidence SEN. Under these arrangements, Local Authorities will be able to target funding on the following basis:

Primary Schools – either all pupils who do not achieve 78 points or all pupils who do not achieve 73 points or more in the Early Years Foundation Stage Profile (EYFSP). *(note: DfE have highlighted that this is a temporary measure until the review of EYFSP has been completed)*

Secondary Schools – all pupils who fail to achieve Level 4 or above in both English & Maths at Key Stage 2.

Based on the financial modelling and the feedback from the mainstream funding working group, the Council is proposing to use 73 points in the EYFSP as the proxy measure for allocating funding to Primary schools for SEN.

Q4 – Do you agree with the proposal to set the proxy indicator for SEN at the Early Years Foundation Stage Profile threshold of 73 points rather than 78 points?

3.3.5 English as an additional language

It is understood that pupils with English as an additional language often require additional support. The DfE have decided that 3 years of additional funding - from the point that the pupil enters compulsory education in England – is sufficient.

Therefore, the DfE have included the optional factor 'English as an additional language' within the new funding arrangements. The DfE have also acknowledged the additional cost of supporting pupils who start school in England at an older age and therefore have allowed different rates for pupils in primary and secondary schools.

Based on the financial modelling and the feedback from the mainstream funding working group, the Council is proposing to allocate revenue funding on the basis of a higher rate for secondary school pupils to reflect the increased support required at this level.

Q5 – Do you agree with the proposal to have a higher rate of funding in secondary schools for English as an additional language?

3.3.6 Lump sum

Within the new funding formula arrangements, Local Authorities are allowed to make a lump sum allocation to primary and secondary schools in the area. The lump sum amount has to be the same for all schools in the area.

Within the first year of the funding reform, the DfE is allowing Local Authorities to allocate up to £200,000 as a lump sum; which is higher than the £150,000 that was originally proposed. However, over the first year of operation, the DfE will review these arrangements and may use a different cap for the 2014-15 allocations.

Extensive modelling of the potential lump sum has identified that using the maximum rate of £200,000 produces abnormal results, with some schools receiving an undue increase in funding which is unaffordable. The Council and the mainstream funding working group propose, based on the financial modelling, to allocate £140,000 as a lump sum to primary and secondary schools within the funding formula for 2013-14.

Q6 – Do you agree with the proposal to use the optional 'lump sum' factor (of £140,000) within the funding formula for schools?

3.3.7 Split sites

Within Portsmouth's current budget model, the definition of split site school "is a school on two sites where 20% or more of the pupils, are for the majority of the school week, on a site separated from the main school site by a public highway".

As there are no mainstream schools in this position, the Council and the mainstream funding working group have proposed not to use this factor. If the factor is subsequently required, consultation will take place to agree an appropriate method of funding.

3.3.8 Rates

The DfE have continued to allow National Non-Domestic Rates (rates) to be funded as an actual cost incurred by schools. This is because rates can vary significantly from school to school and schools have no control over how much they pay. Also, voluntary-aided schools, foundation schools and Academies have charitable status and can qualify for a discount of 80% in rates.

Therefore, in line with the existing arrangements, the Council will continue to fund rates at their actual cost.

3.3.9 Private Finance Initiative

Under the existing funding arrangements, since April 2006, PFI schools have received an allocation equal to the sinking fund payment, as an estimation of the affordability gap, to allow for repairs and maintenance.

Therefore, in line with the existing arrangements, the Council will continue to fund schools for the estimated affordability gap, though the optional PFI factor.

Q7 – Do you agree with the proposal for PFI schools to continue to receive an allocation equal to the estimated affordability gap, through the optional PFI factor within the funding formula for schools?

3.3.10 Post 16 and Pupil Mobility

Post 16

As there are no mainstream schools or Academies with post 16 pupils, the Council and the mainstream funding working group are not able to use this optional factor.

Pupil Mobility

Nationally, some schools experience high levels of pupil mobility throughout the school year and greater costs as a result. We have undertaken a review of the pupil mobility rates across the schools and this did not show any significant or abnormal levels of mobility. Based on these findings, financial modelling and the feedback from the mainstream funding working group, the Council is not proposing to use this factor.

Q8 – Do you agree with the proposal not to use the optional pupil mobility factor within the funding formula for schools?

3.4 Minimum Funding Guarantee

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

In calculating the MFG the following items will be excluded:

- a. **The lump sum.** The lump sum allocated in 2013-14, will be the amount excluded from the 2012-13 baseline.
- b. **Allocations made through the early years single funding formula.** The amount of funding relating to the 'Early Years Single Funding Formula' will be excluded from the MFG calculation for primary schools with nursery classes.
- c. **Rates.** As this is based on actual cost, which could vary year to year, rates will be excluded from the MFG calculation to avoid distortion.
- d. **Allocations from the High Needs Block; including those for named pupils with SEN.**
- e. **Post 16 funding.**

To ensure the continued affordability of the MFG protection under the new arrangements, and to minimise fluctuations in funding for schools as far as possible prior to the introduction of the national funding formula, it is proposed that a financial cap be implemented to protect against significant increases in schools funding.

It is proposed, based on extensive financial modelling, that any gains should be capped at 1.5%, in order meet the objectives above. Additionally, capping any gains at 1.5% mirrors the MFG for schools whose funding is reducing.

Q9 – Do you agree with the proposal to implement a financial cap of 1.5% to restrict funding gains, to those schools which would experience an increase in funding under the new funding arrangements?

3.5 Central services

As previously indicated, as many services and as much funding as possible should be delegated to schools in future. The details of these new arrangements are explained in section 5 'Central Expenditure for Schools'.

3.6 The Notional SEN Budget

The new arrangements in relation to the mainstream schools and Academies Notional SEN budget are explained within section 4.2.1 'Mainstream Settings' of this paper, together with an explanation of the additional funding to be allocated schools.

3.7 Budget Share Financial Modelling

In order to allow schools to understand the implications of the above proposals for their individual schools, we have prepared a 'budget share' spreadsheet which is available on Intralink. This spreadsheet only shows how the 2012-13 budget shares would have changed under the new proposals. We will issue new 'budget share' spreadsheets for 2013-14. It should be noted that the spreadsheet excludes:

- a. any delegation of central budgets;
- b. any additional funding for schools for SEN;
- c. funding for special units; and
- d. funding for early year nursery provision.

4. High Needs Block

4.1 Definition of High Needs

For the purposes of considering funding for pupils and students requiring high levels of specialist provision, the new funding mechanism refers to this group as high needs pupils and students. There is no specific definition of 'high needs', however for the purposes of funding, pupils and students with high needs, are those young people who need educational provision that costs more in total, (including the basic provision given to all pupils and students) than £10,000 per year.

This applies to all pupils and students with high needs from birth to 19 with high level Specialist Educational Needs (SEN) and pupils of compulsory school age in alternative provision (AP).

4.2 Overview of the funding mechanism

The aim of the place-plus funding approach is to provide equivalence across specialist settings and mainstream settings, as well as to provide some stability of funding. The funding will comprise three elements as illustrated in the table below⁵:

Element 1 – Core education funding

Element 2 – Additional Support Funding

Element 3 – Top Up Funding.

	Pre-16 SEN and AP		Post-16 SEN and LDD
	Mainstream settings	Specialist settings	All settings
Element 1: Core education funding	Mainstream per-pupil funding (AWPU)	Base funding of £10,000 for SEN and £8,000 for AP placements, which is roughly equivalent to the level up to which a mainstream provider would have contributed to the additional support provision of a high needs pupil. Base funding is provided on the basis of planned places.	Mainstream per-student funding (as calculated by the national 16-19 funding system)
Element 2: Additional support funding	Contribution of £6,000 to additional support required by a pupil with high needs, from the notional SEN budget		Contribution of £6,000 to additional support required by a student with high needs
Element 3: Top-up funding	"Top-up" funding from the commissioner to meet the needs of each pupil or student placed in the institution		

⁵ Source: School funding reform: Next steps towards a fairer system, Department for Education, March 2012

4.2.1 Mainstream Settings

Pre -16

From 1 April 2013 mainstream schools and Academies will receive funding based on a new funding formula (as described in chapter 3). Within the funding allocated to mainstream schools and Academies will be additional funding (up to £1m) that was previously held centrally by Portsmouth City Council. This additional funding will form part of the Notional SEN budget and will be allocated on a per pupil basis within the 'Basic Per Pupil Entitlement' element of the mainstream funding formula. From the Notional SEN budget mainstream schools and Academies will be required to provide a 'local offer' of teaching and learning for all pupils including those with high need. Mainstream schools and Academies will be required to contribute the first £6,000 of the additional support costs of high needs pupils.

Portsmouth City Council proposes to use the additional flexibilities available in order to target additional funding, in exceptional circumstances, to schools and Academies, whose funding based on the formula described in section 3, does not adequately reflect the number of pupils with SEN in the school. Consultation with the funding working groups will take place to agree appropriate criteria and amounts of funding to be allocated and the proposals will be presented to Schools Forum for agreement prior to 1 April 2013.

In terms of the additional support, this is the support required to enable the pupil to access the mainstream school or academy 'local offer' of teaching and learning. Funding above this level may be agreed through the 'Statement of Special Need' with Portsmouth City Council as the commissioning Local Authority and if required paid in the form of a top-up.

Post 16

Funding for mainstream post-16 settings will operate in a similar way. Providers will receive per-student funding through the national 16-19 funding formula. They will also receive an allocation of £6,000 per high needs student on the roll. Above this level, top up funding will be provided by the commissioning authority.

4.2.2 Specialist SEN Settings

Under the place-plus approach, specialist settings include special schools, special units and resourced provision in mainstream schools and academies that are set aside specifically to provide services to pupils with high needs.

Pre 16

Specialist SEN settings will receive base funding of £10,000 per agreed place. The place element of the funding will be passed on directly to maintained providers by Portsmouth City Council. Academies and other non-maintained providers will receive the place funding from the Education Funding Agency.

Top-up funding above this level, will be paid by Portsmouth City Council as the commissioning authority on a per-pupil basis.

Special Schools

To maintain stability in the level of funding for Special Schools and in order to maintain the recognition of the higher level of support required for those pupils with the high level of needs, the Council is proposing to adapt the traditional 'A – H' banding mechanism to allocate the necessary top-up funding for pupils in Special Schools, for the financial year 2013-14. The amounts payable at each band have been updated in order to reflect the introduction of the 'place' funding mechanism and in order to maintain the stability of funding for each school, each school will have its own band values. The proposal is based on extensive financial modelling and the feedback from the special funding working group.

The proposal above is intended to enable allocation of funding to the special schools in the same proportions as in 2012-13, in order to maintain stability in the first year of transition to the new arrangements. This will operate with the minimum funding guarantee mechanism referred to below for special schools.

This mechanism will be reviewed during 2013-14 and an alternative top-up funding mechanism may be proposed for 2014-15 following the review. Consultation will take place to agree an appropriate method of top-up funding.

In light of the changes to the funding mechanism and in order to maintain stability in the level of funding to the Special Schools, it is proposed that the autumn banding moderation will not be undertaken.

Q10 – Do you agree the proposal to adapt the traditional 'A – H' banding mechanism to allocate the necessary top-up funding for pupils in Special Schools for the financial year 2013-14?

Special Units and Resourced Provision

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

Example:

Had the funding in 2012-13 per place been £12,000 including AWPUP*, the new funding would be allocated as follows in 2013-14, under the new mechanism:

Place Funding	£10,000
Top up Funding	<u>£2,000</u>
Total Funding	<u>£12,000</u>

** note: the unit will no longer be in receipt of AWPUP in 2013-14, therefore this has been included within the place and top up funding elements.*

This top-up mechanism will be also reviewed during 2013-14 and an alternative may be proposed for 2014-15 following the review. Consultation will take place to agree an appropriate method of top-up funding.

Q11 – Do you agree with the proposal to use the 2012-13 per pupil funding values as the basis for calculating the appropriate rates for the Resourced Units in 2012-13?

Post 16

Post 16 specialist SEN and LDD settings will be funded in the same way as mainstream post-16 settings: a per pupil allocation calculated by the national 16-19 funding formula and an allocation of £6,000 per high needs pupil or student. Above this level, top up funding will be provided by the commissioning authority.

4.2.3 Alternative provision settings

Place funding

The place-plus approach to Alternative Provision (AP) Settings is similar to that for specialist SEN settings. There will be a base level of funding for each agreed AP place of £8,000.

Above this £8,000 place funding, top-up funding will be provided by the commissioner on a per pupil basis. In the cases of early intervention, placements to avoid permanent exclusion or fixed term exclusion, the commissioner will be the mainstream school or Academy, whereas in other instances it will generally be the Local Authority.

Funding in cases of exclusions

In instances of fixed term exclusions, early intervention or off-site direction, the mainstream school or Academy will pay top-up funding from its Notional SEN budget to AP settings and will retain their AWP (age weighted pupil unit) for that pupil. In cases of permanent exclusion, mainstream schools and Academies will repay the AWP to the Local Authority.

However, in keeping with local arrangements, it is proposed in cases of permanent exclusion, mainstream schools and Academies will be required to pay the top-up element of the funding to the provider for the rest of the financial year in addition to the AWP. Where the exclusion occurs after the October pupil census, mainstream schools and Academies will be required to pay the top-up element of the funding to the provider for the rest of the financial year and the following financial year in addition to the AWP. If this proposal is not accepted, then the Council would need to retain additional funding centrally within the high needs block, in order to be able to fund the additional provision required for these pupils.

Q12 – Do you agree with the proposal, in keeping with the local arrangements, to require mainstream schools and Academies to pay the top-up element of the funding as well as the AWP for the rest of the financial year and the following financial year, where the exclusion occurs after the October pupil census, in cases of permanent exclusion?

Top-up Funding

Top-up funding will be provided by commissioners on a per pupil basis. This funding will be based on the provision required in order to meet the statutory requirement for that pupil, as agreed between commissioner and provider. The funding will be provided in or close to the real-time movement of a pupil. The traditional recoupment basis will no longer apply.

The level of top funding expected from mainstream schools and Academies within the Portsmouth City Council area for Alternative Provision will be set at the value of the 'local offer' of £6,000 and will include elements for educational support and additional transport costs.

4.3 Hospital Education

From April 2013 there will be a new approach to funding Hospital Education.

Funding for Hospital Education will be removed from the national DSG funding formula. In future the funding for the Hospital setting will be calculated by the DfE and 'passported' through the Local Authority direct to the Hospital Education setting. This is intended to ensure that hospital schools are funded in a way that does not require the inter-authority recoupment system.

4.4 Other provision

Behaviour Support

Funding for Behaviour support services are detailed within the new delegation arrangements for central expenditure for schools within section 5 of this paper.

Outreach services

Funding for Outreach services will continue to be allocated to the Special Schools as additional funding during 2013-14, however these arrangements will be reviewed in advance of 2014-15 and alternative arrangements may be put in place. Consultation will take place prior to any changes being implemented.

4.5 Minimum Funding Guarantee

The methodology for funding for special schools, special units and resourced provision in mainstream schools has changed. As such, the principle protection for these settings is the agreed number of places being funding at £10,000 per place.

In addition, in the first year of funding, Local Authorities are required to ensure that the level of top-up funding provided to:

- special schools maintained by the local authority;
- special units and specially resourced provision in mainstream schools maintained by the Local Authority;
- special Academies that were formerly maintain by the Local Authority; and
- special units and specially resourced provision in mainstream Academies that were formerly maintained by the Local Authority

is such, that were all the high needs pupils in that setting placed by that Local Authority, the school's total funding for 2013-14 would not be more that 1.5% below the funding that the school had received in 2012-13.

4.6 Funding Arrangements

Prior to the beginning of the financial year the local authority will agree with specialist settings the number of planned places to be provided. The place funding amount will be advised to schools at the same time as the school budget shares are announced.

Top-up rates will be agreed by April 2013. It is currently anticipated that top up funding will be calculated on a weekly basis and funding transferred to and from schools in the month following the movement of the pupil.

The final arrangements are still being finalised and we will issue details of these as soon as possible.

5. Central Expenditure for Schools

5.1 Introduction to Central Expenditure

One of the main principles under-pinning the DfE's reform of school revenue funding, is that as many services and as much funding as possible should be delegated to schools, so that school leaders have greater choice over how to spend their budgets.

There are some exceptions to this principle, where funding and services can be returned to, or retained by the Council. These exceptions are:

- a. Where maintained schools agree that a service should be provided centrally
- b. The services relate to the statutory functions of the local authority.
- c. Historic Commitments.

This section of the consultation sets out the proposals in relation to the above

5.2 Services where maintained schools can agree that the service is provided centrally

The new funding arrangements require the funding for the services listed below to be allocated within the funding formula to schools initially. However Schools Forum can decide by phase to de-delegate one or more these items. If Schools Forum does decide to de-delegate one or more of these items, then the funding will be returned to the Council to control centrally.

- Contingencies
- Administration of free school meals eligibility
- Insurance
- Licences or subscriptions
- Staff costs or supply cover
- Support for minority ethnic pupils or underachieving pupils
- Behaviour support services
- Library and museum services

The table below sets out the Council's proposals to Schools Forum for the treatment of these central expenditure items:

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

No.	Central Expenditure Item	Recommended Treatment	Service Level Agreement Required
1.	Contingencies	<p>The current level of contingency is £500,000. It is recommended that a contingency is retained for the following remaining eligible purposes where required:</p> <ul style="list-style-type: none"> • Schools in financial difficulties • Additional costs relating to new, reorganised or closing schools • Exceptional unforeseen costs which it would be unreasonable to expect governing bodies to meet. <p>The parameters and amount for any contingency required in respect of the above purposes will be agreed by Schools Forum separately each year.</p>	No
2.	Administration of free school meals eligibility	This total cost of this service including overheads is approximately £33,000. It is recommended that this is allocated on a per pupil basis (using AWPUP) and de-delegated back to central control.	No
3.	Insurance	This is already delegated to schools, therefore no action required.	N/A
4.	Licences or subscriptions	The cost of this service is approximately £50,000. It is recommended that this is allocated on a per pupil basis (using AWPUP) and de-delegated back to central control, together with an overhead element for the administration costs.	No
5.	Staff costs or supply cover (incl: Long Term Sickness, Maternity, Union Duties, Suspension, Jury Service,	Sickness costs are already delegated and a Service Level Agreement is already in place.	Yes

No.	Central Expenditure Item	Recommended Treatment	Service Level Agreement Required
	etc.	<p>Maternity costs are approximately £540,000. It is recommended that this is allocated on a per pupil basis, (using AWPU) but with appropriate allocation between the school phases. An SLA would be offered and a small administration charge would be applied.</p> <p>Special staff costs (Union Duties, Suspension, Jury Service, etc) cost approximately £250,000, it is recommended that this is allocated on a per pupil basis (using AWPU) and de-delegated to central control.</p>	<p>Yes</p> <p>No</p>
6.	Support for minority ethnic pupils or underachieving pupils	The cost of this service is approximately £460,000. It is recommended that is allocated on a per pupil basis (using EAL) and de-delegated back to central control as a full service. Agreement would be required for each phase.	<p>No</p> <p>Any additional services would require an SLA.</p>
7.	Behaviour Support Services	<p>Estimated value of this service is £1m, which is currently provided through Harbour School. It is recommended that this is allocated on using 'prior attainment as a proxy for SEN'. A phased approach as set out below is recommended.</p> <p>For year 1 (2013-14) – De-delegate back to central control and continue to provide through Harbour school. In preparation for year 2 (2014-15), schools give early preference to model of provision.</p>	Yes, between PCC and Harbour School in year 1.
8.	Library and Museum Services	The cost of this service is approximately £16,000. It is recommended that this is allocated on a per pupil basis (using AWPU) to primary schools and de-delegated back to central control.	No

Q13 – Do you agree with the proposed treatment of the central expenditure items as detailed within table 2?

5.3 Other Central Expenditure Items

In addition to the central expenditure items listed above in section 5.2, the Local Authority is permitted, with Schools Forum approval, to retain some central expenditure items before allocating the funding to schools through the funding formula. Under the new arrangements, no new commitments or increases in expenditure from 2012-13 levels are allowed. The items of expenditure within this category are shown in the table below, together with the proposed treatment from 2013-14; in order comply with the new requirements.

Table 3 – Centrally retained expenditure items

No.	Central Expenditure Item	Recommended Treatment
1.	Admissions	Continue to retain centrally, with Schools Forum approval.
2.	Servicing of School Forum	Continue to retain centrally, with Schools Forum approval.
3.	Carbon Reduction Commitment	Continue to retain centrally, with Schools Forum approval.
4.	Capital Expenditure Funded from Revenue	As the expenditure funded from this budget relates to one-off items of expenditure each year, any further expenditure would be deemed to be a new commitment, which is not permitted. It is proposed to delegate this budget (approximately £340,000) to the schools and allocate it on a per pupil basis using AWPU.
5.	Schools budget centrally funded termination of employment costs	As the expenditure funded from this budget relates to one-off items of expenditure each year, any further expenditure would be deemed to be a new commitment, which is not permitted. It is proposed to delegate this budget (approximately £87,000) to the schools and allocate it on a per pupil basis using AWPU.
6.	Contribution to combined budgets	Portsmouth City Council does not currently have expenditure of this nature and therefore will not be able to use this item.
7.	Schools budget funded prudential borrowing costs	Portsmouth City Council does not currently have expenditure of this nature and therefore will not be able to use this item.

5.4 Funding for significant pre-16 pupil growth

Funding for significant pupil growth can be now be retained centrally before the school funding formula is calculated. However, the requirements below must be complied with⁶.

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

In determining the funding for 2013-14, the Council will consider the need for a growth fund and will consult with Schools Forum on any proposed criteria for allocating the funding as well as the amount of the fund.

⁶ Source: 2013-14 Revenue Funding Arrangements Operational Guidance For Local Authorities, Department for Education, June 2012

6. Responding to the Consultation

A consultation response form will be available for download from Intralink.

Please send your completed response forms to:

Email: cflfinance@portsmouthcc.gov.uk

CFL Finance
Portsmouth City Council
Floor 4
Civic Offices
Guildhall Square
Portsmouth
PO1 2EA

The consultation will be open until the 11th October 2012.

The above proposals will be presented to Schools Forum for their agreement at the end of the October together with a summary of the feedback from the consultation period.

7. Appendices

7.1 Appendix A – Working Group Membership

	Primary		Secondary		Special *	
Finance	Kathy Blaker	Cottage Grove	Lee Miller	CPGS	Sharon Payne Richard McCormack Lorraine Swanson	Willows Harbour Mary Rose
Governors	Peter Justice	Gatcombe Park	Peter Bunn	KRS	Jo Green	Cliffdale
Heads	Simon Cattermole	Stamshaw Jr	Mike Smith	CPB	Tony Cox	Redwood

* There is only one Finance representative for the combined working group