

Title of meeting: Schools Forum

Date of meeting: 16 January 2019

Subject: 2019-20 School Revenue Funding Arrangements and Dedicated Schools Grant Budget

Report from: Alison Jeffery, Director of Children, Families and Education

Report by: Beverley Pennekett, Finance Manager

Wards affected: All Wards

Key decision: No

Full Council decision: No

1. Purpose of report

1.1. The purpose of this report is to:

- a. seek endorsement for the final stage submission to the Education and Funding Skills Agency (ESFA) by the 21 January, of the 2019-20 mainstream school revenue funding pro-forma for the Primary and Secondary phases.
- b. inform Schools Forum of the initial determination of the schools budget (including individual schools budgets) for 2019-20 and to seek the necessary approvals and endorsements required.

2. Recommendations

It is recommended that Schools Forum:

- a. **Approve the determination of the 2019-20 schools budget (including the individual schools budgets) shown at Appendix 1, together with the supporting explanations contained within this report and specifically agree the following budget lines:**
 - i. Admissions;
 - ii. Schools Forum;
- b. **Approve the amount of the growth fund for 2019-20 at £754,400**
- c. **Endorse the proposed changes to the mainstream schools revenue funding formula as set out in section 6.**
- d. **Endorse the school revenue funding pro-forma at Appendix 6 for submission to the ESFA on the 21 January 2019.**

- e. **Endorse the 2019-20 Special school, Inclusion Centre and Alternative Provision places as set out in Appendix 4.**
- f. **Endorse the 2019-20 Element 3 Top-up rates for Special Schools, Inclusion Centres, Alternative Provision settings and for Children with Education, Health and Care Plans (EHCPs) in mainstream schools as set out in Appendix 5.**
- g. **Endorse the proposal that any carry-forward balances from 2018-19 be used to assist with the continued introduction of the funding reform changes and fund any potential financial pressures arising during 2019-20.**
- h. **Endorse the local funding arrangements in respect of the 2, 3 and 4 year old early years provision for 2019-20 as set out in section 8 and Appendix 3.**

3. Background and Previous Decisions

- 3.1. The Dedicated Schools Grant (DSG) is a ring-fenced grant for education and can only be used for the purposes of the Schools Budget as defined in the School and Early Years Finance (England) Regulations.
- 3.2. The School and Early Years Finance (England) (no. 2) Regulations 2018, require each local authority, by no later than 28th February 2019, to:
 - a. Make an initial determination of its schools budget; and
 - b. Give notice of that determination to the governing bodies of the schools which it maintains.
- 3.3. The Cabinet Member has already agreed, and Schools Forum has endorsed, the following principles in respect of the revenue funding arrangements for mainstream schools in 2019-20, which are summarised below:-
 - a. To maintain the transitional approach towards implementing the National Funding Formula (NFF) for primary schools
 - b. To remove the reception uplift factor
 - c. To maintain the minimum funding guarantee at minus 1.5%
 - d. To amend the percentage of funding allocated to notional Special Educational Needs (SEN).
 - e. To retain the Schools Block at its given value i.e. no transfer to the High Needs Block.
 - f. To calculate initial funding allocations in accordance with unit values as shown in the tables at Appendix 3.
 - g. To keep those unit values which do not already match the National Funding Formula (NFF) rates under review and amend if necessary, following confirmation of the overall funding allocation (received on 17th December 2018).

- h. To review the criteria for allocating growth funding to mainstream schools in the spring term 2019.
 - i. To adopt the Minimum Funding Levels (MFLs) as recommended by the Department for Education (DfE).
 - j. To carry forward the final balance of the Schools Specific Contingency Fund from 2018-19 to 2019-20 to be used for the same purpose.
 - k. In addition, three disapplication requests, submitted to, and subsequently approved by, the ESFA, were agreed as being appropriate.
- 3.4. The Cabinet Member has also agreed, and Schools Forum has endorsed, a range of actions proposed by the SEND working group to manage the increasing pressures within the High Needs block from April 2019, specifically:
- a. To introduce a banding system for element 3 top-up funding for children with EHCPs in mainstream schools.
 - b. To introduce a banding system for element 3 top-up funding for children with EHCPs in inclusion centres.
 - c. Reduce the Element 3 Top-up special school bands by 1%.
 - d. To make efficiencies in the Portage Plus team in order to release £10,000 of funding.
 - e. To introduce transition plans to support children with additional needs to the next stage.
 - f. To recommission the outreach contract from September 2019 to achieve a cost reduction of 10%.

4. Financial Context

- 4.1. As in previous years, the pressures on the High Needs budget continue to grow. During this financial year, as part of the regular budget monitoring reports, growing pressures have been highlighted in a range of areas, most noticeably on out of city placements and the Element 3 top-up funding paid to mainstream schools.
- 4.2. When the 2018-19 budget was set, anticipated pressures were such that it was necessary to use the 2017-18 carry forward to balance the High Needs Block. Over the summer 2018 term, the authority worked with schools and parent representatives to develop proposals to manage the high needs block within the resources available. The proposals¹ were agreed by the Cabinet Member for Education and endorsed by Schools Forum in October 2018. The budget presented in this report includes the introduction of these proposals along with some proposed adjustments to utilise the additional funding.
- 4.3. The DfE notified the council of the indicative 2019-20 funding in July 2018, however, even after allowing for the agreed mitigating actions, outlined in paragraph 3.4, further pressures on the high needs block

¹ See paragraph 3.4

materialised which showed that the high needs block would still not be affordable within the resources available in 2019-20.

- 4.4. On 16 December 2018, the Secretary of State for Education announced additional funding of £250 million to support the provision of Special Educational Needs and Disabilities (SEND) in schools. Portsmouth's share of that allocation amounted to £464,668 in 2018-19 and again in 2019-20. The additional allocation has enabled the council to balance the 2019-20 budget and to provide limited additional funding to maintained and academy Special Schools in the city as set out in Appendix 3.
- 4.5. At the time of setting the 2019-20 budget, there are a number of consultations and policy decisions underway² and the results will not be known until after the statutory deadline for agreeing the 2019-20 DSG budget. The impact of these changes, should they be agreed, will be reported to a future Cabinet Member and Schools Forum meeting along with any budget revisions required.
- 4.6. Whilst the introduction of the schools national funding formula (NFF) has been delayed, the ability to manage the high needs financial pressures across the whole of the Dedicated Schools Grant has been reduced. It will therefore be necessary to ensure that the recommendations from the SEND strategic review and the future SEND provision within the city enables the high needs requirements will be affordable within the future high needs funding allocations.

5. **Dedicated Schools Grant**

- 5.1. The determination of the 2019-20 Dedicated Schools Grant and Schools budgets is set out in Appendix 1.
- 5.2. On the 17 December 2018, the ESFA announced the Dedicated Schools Grant allocation for Portsmouth for 2019-20. The allocation includes Portsmouth's element (£464,668) of the £250 million additional SEND funding announced by the Secretary of State on 16 December 2018.
- 5.3. The overall DSG allocation includes the funding for both maintained schools and Academies; therefore the amount received directly by Portsmouth City Council will be less.
- 5.4. In July 2018 the DfE released the indicative funding for 2019-20 based on the National Funding Formula and the October 2017 census data. The funding allocation has been updated for the October 2018 census and reflects the growth in pupil numbers seen both in mainstream schools and high needs settings across the city.
- 5.5. The funding allocation for Portsmouth is shown in the table below. The amount expected to be received directly by Portsmouth City Council is

² Closure of Willows Centre for Children, the expansion of Cliffdale Primary academy and the Early Years complex SEND needs

£72.2m, excluding funding for academies. The funding received directly will continue to change during the year as schools convert to Academy status, since they will receive their funding directly from the Education Funding Agency rather than from the Council. Table 1 below sets out the DSG funding allocation for 2019-20.

DSG Funding	2019-20			
	Indicative funding inc. Academies	Provisional funding inc. Academies	Academy impact	Provisional exc. Academies
	£,000	£,000	£,000	£,000
Schools Block	114,150	116,085	(75,002)	41,083
Central School Services Block	820	826	0	826
High Needs Block*	20,470	20,943	(4,785)	16,158
Early Years Block**	14,131	14,138	0	14,138
TOTAL	149,571	151,991	(79,786)	72,205

* This is a provisional allocation which will be updated later in the year.

** This is a provisional allocation which will be updated later in the year; it reflects the January 2018 census.

6. Schools Block - Mainstream School Revenue Funding Formula Changes 2019-20

- 6.1. The Cabinet Member has previously approved and Schools Forum endorsed the mainstream formula factors and proposed unit values to be used in the 2019-20 school revenue funding formula, which followed on from consultation with schools in the summer term 2018.
- 6.2. Secondary schools are already funded on NFF unit values, although primary schools are still transitioning towards them. Accordingly, it was recognised that final formula values for primary schools in 2019-20 would be subject to change, in order to maintain affordability and minimise the impact of fluctuations in funding at the school level.
- 6.3. The overall 2019-20 Schools Block allocation to the council provides sufficient funding for all schools to receive the NFF, all schools to receive at least the Minimum Funding Level (MFL) per pupil and for all schools to receive funding of at least 1% above their 2017-18 per pupil baseline. In addition, each local authority receives an allocation for growth based on historical data. This methodology has resulted in a slight increase in the funding available within the Schools Block.
- 6.4. This has provided the authority with greater flexibility to maximise the funding provided to mainstream schools in 2019-20. The final proposed funding pro-forma for 2019-20 is attached at Appendix 6. The paragraphs below set out the proposed changes to the funding formula and their impact.

Minimum funding level per pupil

- 6.5. As previously agreed, the following minimum per pupil funding has been applied to both the primary and secondary formulae. This ensures that for each pupil the school will get at least the minimum rate per pupil.

Phase	MFL 2019-20
Primary	£3,500
Secondary	£4,800
All-through	£4,091 ³
KS4 only schools	£5,100

- 6.6. Following the application of the above rates a total of 4 schools (3 primary and 1 secondary) received additional funding under the minimum per pupil funding.

Funding Floor/Minimum Funding Guarantee

- 6.7. In July 2018 the Secretary of State confirmed that the national funding formula would provide for at least a 1% per pupil increase in respect of each school between its 2017-18 baseline and 2019-20. An allocation was included in the schools block funding to the council for 2019-20 to accommodate this protection. The DfE did advise, however, that the use of the funding floor may not be the most appropriate methodology for allocating funding, due to data changes since 2017 and suggested that local authorities should also consider setting a positive minimum funding guarantee (MFG) of up to 0.5%.

- 6.8. Officers reviewed both the government's 1% protection and 0.5% positive MFG. Results showed that by setting a positive MFG of 0.5%, 28 schools (19 primary and 9 secondary) will receive additional funding totalling £1.503m, compared to only 24 schools if using the funding floor.

Secondary schools

- 6.9. Secondary schools continue to be funded on the NFF unit values for 2019-20. Details are shown in Appendix 2.

Primary schools

- 6.10. As stated in previous reports, the authority continues to move the primary mainstream funding formula towards the NFF. The 2019-20 primary formula has used the unit values agreed in the summer 2018 consultation where they are above the NFF rates. Where the rates were below the NFF, they have been increased to the NFF rates to maximise the funding to schools wherever possible.

³ It should be noted that this value is based on 6 primary and 5 secondary year groups, as agreed with the DfE.

- 6.11. It should be noted that where primary unit values remain higher than the NFF, these will need to be reduced to the NFF rates in future years. Appendix 2 sets out the values for 2019-20.

Rates

- 6.12. In setting schools budgets for 2019-20, it has been necessary to amend the funding values in respect of the National Non-Domestic Rates (NNDR) factor, to reflect changes in rateable value, transitional relief or school reorganisation. The annual cost of NNDR for school properties has increased for 2019-20 due to a number of properties being revalued and the reduction on transitional reliefs following the 2017-18 revaluation exercise. Schools are funded for NNDR on an actual basis and the increase in the funding requirement for 2019-20 amounts to £233,884.

Financial cap on gains

- 6.13. No financial cap on gains has been imposed, which continues to allow all gaining schools to benefit fully from the move towards the NFF.
- 6.14. By applying the minimum per pupil funding levels and implementing a positive MFG, the authority has been able to pass an additional £2.034m (an average of £81.45 per pupil) funding to maintained and academy mainstream schools in 2019-20.

Growth Fund

- 6.15. The budget set out in Appendix 1 allows for Growth Funding of £754,400. Initially, this will support 11 schools that have an agreed increase in PAN to support basic need in the City under the current criteria which were approved and endorsed in October 2018.
- 6.16. As reported above, the DfE have changed their methodology for allocating Growth Funding to local authorities. From 2019-20, growth will be funded using a formulaic approach which reflects historical growth experienced by local authorities between the October census dates; it groups schools into the middle layer super output area (MSOA) and looks at the pupil changes between the two most recent years. Funding is then allocated at an amount per "growth" pupil.
- 6.17. The funding the council has received for 2019-20 therefore includes the growth in pupils already experienced - and funded - for example, the opening of the University Technical College and the increase in primary pupils at Mayfield. As the growth in the primary sector slows and pupils transition to the secondary sector in future years, we are expecting the amount of growth funding received by the Council to reduce, although funding required locally to support (mostly) secondary schools will increase. Finance Officers will be working with the Education Information team to estimate future growth funding using the DfE methodology.
- 6.18. The authority will consult with schools over the spring term with proposals for allocating Growth Funding from September 2019.

7. Central Schools Services Block

- 7.1. The Central Schools Services Block (CSSB) has increased in line with the increase in pupil numbers.
- 7.2. The EFSA has agreed with the following agencies to continue to purchase a single national licence managed by them for all state funded schools in England:
 - Christian Copyright Licensing International (CCLI);
 - Copyright Licensing Agency (CLA);
 - Education Recording Agency (ERA);
 - Filmbank Distributions Ltd (for the PVSL);
 - Mechanical Copyright Protection Society (MCPS);
 - Motion Picture Licensing Company (MPLC);
 - Newspaper Licensing Authority (NLA);
 - Performing Rights Society (PRS);
 - Phonographic Performance Limited (PPL); and
 - Schools Printed Music Licence (SPML).
- 7.3. These licences are funded centrally and for 2019-20 the budget provision has been set at £126,100, an increase of around £11,000, which is expected to meet the central charges from the DfE for the financial year.
- 7.4. Other proposed budget increases in the CSSB are £13,000 for the Admissions Service, reflecting the increase in the cost of the salaries, and £3,000 for the Education Support Grant retained duties, reflecting the increase in the number of pupils in the City.
- 7.5. It is proposed that the Schools Forum budget will remain at the same value as in previous years.
- 7.6. The overall budgeted expenditure within the CSSB is £825,500, which matches the authority's funding allocation for 2019-20.

8. Early Years

- 8.1. The DfE have confirmed that the DSG hourly funding rate for 2019-20 will remain at £4.69 for 3 and 4 year olds and £5.43 for 2 year olds.
- 8.2. As reported previously, a review of the way in which funding is allocated within the early years' formula rates for 2, 3 and 4 year olds has been undertaken, using the pupil data for the period September 2017 to August 2018. Analysis of the data suggests the total amount held in the Growth Fund for 3 and 4 years olds could be reduced, providing that any in-year increases in pupil numbers remains relatively consistent.
- 8.3. In 2017-18 the number of eligible two year olds accessing funded nursery education exceeded that year's funding allocation, requiring the release of the growth fund for two year olds in its entirety. Despite this, the two year olds' budget was overspent, although an underspend on 3 and 4 years olds' budget helped to offset this pressure.

- 8.4. Whilst this cohort of 2 year olds has now moved into the 3 and 4 year old group, the number of 2 year olds accessing child care⁴ does not show any sign of reducing. It is therefore proposed to maintain the 2 year old growth contingency at £0.13 per pupil. The growth contingency budgets will continue to be monitored and reviewed for 2020-21 if necessary.
- 8.5. The council has made efficiencies of £30,100 within the centrally held element of the budget for 2, 3 and 4 year olds to enable an increase in the hourly rate and maximise funding passed directly to settings.
- 8.6. Appendix 3 sets out the proposed allocation of the hourly funding rates for 2019-20.

9. High Needs

- 9.1. At the time of setting the budget for 2018-19, high needs pressures were forecast which exceeded the High Needs funding allocation by more than £400,000. It was agreed that the council would use DSG balances to meet the in-year pressure and balance the budget for 2018-19 whilst working with schools to develop proposals for managing the High Needs budget in 2019-20.
- 9.2. Following this work, the Cabinet Member approved and Schools Forum endorsed a set of proposals in October 2018 (paragraph 3.4 above summarises the agreed actions).
- 9.3. Despite the application of these proposals, early projections of high needs requirements for 2019-20 suggested a shortfall in the region of £352,000, for which there was no immediate solution other than to again rely on balances brought forward, which is not sustainable.
- 9.4. The Secretary of State announced additional funding to support SEND on 16 December 2018, which, when combined with the 2019-20 allocation, translated to additional funding of £473,000⁵ in Portsmouth's High Needs Block allocation for 2019-20. This has addressed the identified funding pressure and has also allowed a relaxation of the agreed measures to ensure the sustainability of the High Needs Block.
- 9.5. The 2019-20 budget shown at Appendix 1 includes the proposed changes to the agreed SEND sustainability measures. The Council shared the proposed changes with all schools on the 7 January and will further consult with schools and Schools Forum before a final decision is made. If required the approval of the element 3 top-up funding (recommendation 2.f) and the determination of the 2019-20 schools budget (recommendation 2.a) will be taken to Cabinet Member decision day on 13 February 2019 and to Schools Forum for endorsement on 27

⁴ As at summer 2018.

⁵ £464,668 additional funding from central government plus £12,225 growth in pupils attending special schools and academies

February 2019. The sections below provide further detail regarding the 2019-20 High Needs budget proposals.

Place Funding

Special School place changes

- 9.6. There are no proposed place changes at The Harbour School and Redwood Park Academy.
- 9.7. It is proposed to formalise the arrangement for commissioning additional places paid locally to Mary Rose Academy and Cliffdale Primary Academy, by increasing the commissioned places recouped and paid direct to the academies by the DfE, which, if approved by them, will be implemented from September 2019. This is purely a process change and has no impact on the authority's high needs place budget.
- 9.8. In addition to the long term growth seen at Mary Rose and Cliffdale, the budget contains funding for the full year impact of an additional 6 places at Willows Centre for Children, for pupils who joined the school in September 2018 as well as an additional 11 pupils who are due to join Cliffdale Primary Academy in September 2019.
- 9.9. Appendix 4 sets out the Special school places for 2019-20.
- 9.10. A statutory consultation process is currently underway regarding the closure of the Willows Centre for Children and the associated expansion of Cliffdale Primary Academy from September 2019. The results of the public consultation and the final decision will not be made until after the deadline for setting the DSG budget. The impact on the budget of these proposals, should they be approved, will be brought back to both the Cabinet Member and Schools Forum in July 2019.

Inclusion Centre and Alternative Provision place changes

- 9.11. The 2019-20 budget contains the full year impact of the reduction to the number of places at Northern Parade Junior, Southsea Infant and Portsdown Primary schools as well as the increases at Trafalgar School and Flying Bull Primary Academy Alternative Provision from September 2018. There are no proposals to change the number of Inclusion Centres or Alternative Provision places for 2019-20 and Appendix 4 sets out the commissioned places for 2019-20.

Element 3 Top-up Funding

Pupils with SEND in mainstream schools

- 9.12. In October 2018 the Cabinet Member approved, and Schools Forum endorsed the introduction of a banded funding system for all mainstream EHCPs to take effect from April 2019. Whilst schools generally supported the move to a banded funding system and the greater

flexibility it would provide in ensuring pupils' needs were met, they did raise concerns regarding the overall level of funding they would receive.

- 9.13. Following the Secretary of State's announcement of additional funding, it has been possible to increase the value of some funding bands, as set out in Appendix 5. Bands 2 and 3, in particular have increased significantly, which will improve the funding available for the majority of pupils with SEND in mainstream schools.
- 9.14. The increase in the banded funding rates is expected to cost approximately £84,000 and the budget has been increased accordingly.

Inclusion Centres

- 9.15. In October 2018 the Cabinet Member approved and Schools Forum endorsed a similar move to a banded funding system for Inclusion Centres. It is proposed that the consulted rates will be increased to mirror the new proposals for pupils with an EHCP in mainstream schools as set out in Appendix 5.
- 9.16. In the first instance, pupils attending an Inclusion Centre will move to the new banding rate which most closely mirrors the 2018-19 element 3 Top-up rates for that Inclusion Centre. Over time, as new pupils are assessed and join the unit, or pupils attending the unit undergo the annual assessment process, it is expected that pupils will be allocated a band which reflects their individual level of need. Appendix 5 details the new bands allocated to each Inclusion Centre.

Special Schools

- 9.17. In October 2018, the Cabinet Member approved and Schools Forum endorsed a proposal to reduce the element 3 top-up rates paid to special schools by 1%.
- 9.18. Following the additional SEND funding announced by the Secretary of State it is now proposed to defer the agreed 1% reduction in Element 3 Top-up funding rates for one year, to be reviewed for 2020-21. These rates are set out in Appendix 5.

Alternative Provision

- 9.19. The Flying Bull Primary Academy provides an Alternative Provision (AP) unit for primary pupils with social emotional and mental health (SEMH) needs. Primarily, pupils are placed in the AP unit by other schools who pay the school element 3 top-up for the period of time the pupil attends the unit.
- 9.20. Flying Bull has recently highlighted the increasing needs of the pupils attending the unit, many more of whom have Education Health and Care Plans (EHCP) requiring the school to provide additional support and therefore incurring additional costs.

- 9.21. The school has been in discussions with the Council regarding affordability over the autumn term and an increase to the element 3 top-up to £6,000 per annum (currently £4,638) has been agreed from September 2019.
- 9.22. This has minimal impact on the DSG budget requirement as the budgeted number of pupils placed at Flying Bull AP unit by the Council has been reduced to better reflect the actual number of pupils placed by the local authority. However this change will impact on the amount paid by individual schools placing pupils at the Flying Bull AP unit.
- 9.23. There are no proposed changes to the Element 3 Top-up for pupils placed at The Harbour School. Appendix 5 sets out the proposed Alternative Provision top up rates for 2019-20

Out of City Placements

- 9.24. The expenditure on out of city placements continues to increase and the 2018-19 forecast position suggests an overspend in the region of £124,000⁶. On the basis that the current placements will continue into 2019-20, the budget provision for out of city pupils has been increased by £216,200, or 10%, to £2.365m.
- 9.25. The overall number of children and young people placed out of city remains relatively low (37) however the average cost per placement has increased significantly during the year from £53,010 to £60,454 due to a small number of high cost placements.
- 9.26. Actions are being taken to address the continuing growth in this area, including the remodelling of special school provision within the city. It is expected that the remodelling of the accommodation at Clifdale Primary Academy and Redwood Park Academy, plus the introduction of the proposed special free school for children with autism and associated challenging behaviour will reduce the need to place children out of the city in the future.
- 9.27. The out of city budget also includes anticipated costs relating to the pupils placed by Child and Adolescent Mental Health Services (CAMHS) for 9 pupils at an average cost of £3,916 per placement.

Post 16 Element 3 top-up and place funding

- 9.28. The 2018-19 academic year has seen an increase in the number of students with SEND attending post-16 colleges - 119 pupils compared to 105 for the 2017-18 academic year. In addition to the increased numbers, the Element 3 top-up costs have increased from £789,100 to £904,600 (average cost of £7,600 compared to £7,515 in 2017-18). This increase is reflected in the 2019-20 budget provision of £909,000.

⁶ Underlying pressure as at November 2018 following the removal of prior year accruals

- 9.29. In October it was reported to Cabinet Member and Schools Forum that further work with the post-16 settings would be undertaken with the objective of better managing high needs funding. Since this meeting a South East regional working group has been set up to look at post-16 funding across the region with a view to reporting the recommendations in February 2019.
- 9.30. The authority has not submitted an increase in places at the two colleges in the city for the academic year 2019-20, however the place funding budget includes the full year impact of the increase in places agreed in 2018-19, which will be recouped from the authority and paid directly to the colleges.

Import/export adjustment

- 9.31. The national funding formula for allocating local authorities' high needs block funding, includes an adjustment for the number of high needs pupils that are imported to Portsmouth Schools or exported to other local authority schools. The adjustment is based on the pupils recorded on the January school census and the individual learner records for Post 16 pupils and uses the following data to identify any changes in the import/export calculation:
- Pupils with top-up funding in mainstream schools and academies
 - Pupils in special schools and academies
 - Pupils in non-maintained special schools
 - Students in Special Post 16 Institutions (SPI)
 - Students with Top-up funding in further education institutions.
- 9.32. A reduction of £87,000 was made to the high needs block during 2018-19, to reflect the shift in census data between January 2017 and January 2018, showing that Portsmouth moved from being a net importer to a net exporter of high needs places.
- 9.33. The December high needs allocation for 2019-20 continues to reflect the net export of High Needs places, and accordingly shows a reduction against the initial allocation of £33,000. This allocation will be further updated in July 2019. It is not currently possible to predict the level of change in 2019-20 funding, so any variance will need to be managed through the use of DSG balances. Work is underway to develop a robust methodology for estimating this adjustment in future.

Other High Needs Budgets

Should the closure of Willows Centre for Children and the expansion of Cliffdale Primary Academy be approved, a saving in the cost of Element 3 top-up is expected for those early years pupils (2, 3 and 4 year olds) with complex needs, largely due to economies of scale. A separate report on this agenda sets out the proposed changes to ensure that those early years pupils with complex needs continue to receive the support they require to access education.

9.34. The budget shown at Appendix 1 does not include the expected savings, since the closure of Willows Centre for Children has not been formally approved. The Budget will be revised in July to include the impact of these changes if and when they are approved.

10. Dedicated Schools Grant Balances

10.1. Current modelling suggests that the final carry forward balance from 2018-19 will be in the region of £2.0m. This includes the schools specific contingency of £141,800 which Schools Forum agreed⁷ should be carried forward, to be used for the same purpose.

10.2. Any residual balance carried forward would be a one-off funding source and therefore should be used to support one-off expenditure items rather than recurrent expenditure.

10.3. In addition to the potential pressures outlined above, it is anticipated that the Willows Centre for Children may have deficit of between £60,000 and £100,000 when it closes on 31 August 2019. There is no obvious source of funding to support this other than to seek approval to use DSG balances. A further update on the predicted final balance will be brought to a future meeting.

10.4. The impact of the above proposals on the brought forward balance is set out in Table 3 below.

Table 3 - Estimated 2018-19 brought forward	£m
Estimated brought forward from 2018-19	2.000
Schools specific contingency (earmarked reserve)	(0.142)
Willows Centre for Children	(0.100)
Estimated DSG reserves	1.758

10.5. It is prudent to retain a healthy carry forward balance to assist with the continued introduction of the National Fair Funding Formula arrangements and to support the potential financial risks and pressures arising in 2019-20. The potential balance will be around 1.2% of the total DSG funding for 2019-20, placing the authority potentially at risk of being unable to cover any unexpected cost pressures during 2019-20. The amended measures agreed in October 2018 and implemented in the 2019-20 budget, together with the additional funding allocation, should help to improve the on-going sustainability of the high needs elements of the budget and this will be closely monitored and reported during 2019-20.

11. Reasons for recommendations

11.1. The recommendations within this report seek to allocate DSG resources appropriately and fairly, to provide the best possible outcomes for pupils in the City. They are consistent with the requirements contained within

⁷ Meeting on 28 November 2018

the School and Early Years Finance (England) (no. 2) Regulations 2018. Local Authorities are required to make an initial determination of their schools' budget no later than the 28th February 2019.

12. Equality impact assessment (EIA)

12.1. 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) (no. 2) Regulations 2018.

12.2. The DfE has conducted a full Equality Impact Assessment which can be found on their website⁸. 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 comments

13.1. The School and Early Years Finance (England) (No. 2) Regulations 2018 require local authorities to make an initial determination of their Schools Budget by the 28th February 2019. The recommendations in this report have regard to the requirements of those regulations and in particular identify elements of the proposals in respect of which Schools Forum's specific approval or endorsement is required.

14. Head of Finance comments

14.1. Financial comments have been included within the body of this report.

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

Appendices:

Appendix 1 - Dedicated Schools Grant Budget 2019-20

Appendix 2 - Funding formula factor rates 2019-20

Appendix 3 - Early Years Funding formula values 2019-20

Appendix 4 - Special School, Inclusion Centre and Alternative Provision places 2019-20

Appendix 5 - Special School, Inclusion Centre and Alternative Provision Element 3 Top-Up Rates 2019-20

Appendix 6 - School funding pro forma 2019-20

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

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

⁸ <https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs-equalities-impact-assessment>

Title of document	Location
School revenue funding 2019 to 2020 - operational guide (updated December 2018)	Pre-16 schools funding: guidance for 2019 to 2020 - GOV.UK
High Needs funding 2019 to 2020 operational guide (updated December 2018)	High needs funding arrangements: 2019 to 2020 - GOV.UK

Title of document	Location
The School and Early Years Finance (England) Regulations	www.legislation.gov.uk
School revenue funding working papers	Children, Families and Education Finance Team

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

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Signed by:

Appendix 1 - Dedicated Schools Grant Original Budget 2019-20

	Approved 2018-19 Budget July 2018 (Inc. Academies)	Proposed Budget Revisions	2018-19 Schools Budget Jan 2019 (Inc. Academies)	2018-19 Schools Budget Jan 2019 (Exc. Academies)
	£000	£000	£000	£000
Schools Block				
Individual Schools Budgets (ISB)				
Primary	64,694	1,284	65,978	28,753
Secondary	47,622	1,832	49,453	11,680
Total ISB	112,316	3,115	115,432	40,433
De-Delegated and Central Budgets				
Growth Fund	343	412	754	754
De-delegated Budgets	333	(333)	0	0
Academy Conversions	59	(59)	0	0
Other Schools Block Sub Total	735	20	754	754
Total Schools Block	113,051	3,135	116,186	41,187
Central School Services Block				
Schools Forum	16	0	16	16
Admissions	294	13	307	307
Licences (negotiated by DfE)	115	11	126	126
ESG retained duties	374	3	377	377
Central School Services Block Total	799	27	826	826
Early Years Block				
3 & 4 Year Old Provision ¹	11,590	(88)	11,502	11,502
2 Year Old Provision	1,942	51	1,994	1,994
Central Expenditure on under 5's	672	(30)	642	642
Early Years Block Total	14,204	(67)	14,138	14,138
High Needs Block				
Individual Schools Budgets				
Special School Place Funding	5,361	158	5,519	1,578
Resource Unit Place Funding	553	(31)	522	302
Alternative Provision Place Funding	1,202	8	1,210	1,090
Total ISB	7,115	135	7,251	2,970
Element 3 Top-up funding	8,732	530	9,261	9,261
Out of City Placements	2,149	216	2,365	2,365
SEN Support Service	675	(10)	665	665
Medical Education	660	0	660	660
Outreach Services	187	(9)	178	178
Fair Access Protocol	60	0	60	60
Post-16 high needs places	410	94	504	0
Other high needs block sub total	12,872	821	13,693	13,189
Total High Needs block	19,988	956	20,944	16,158

	Approved 2018-19 Budget July 2018 (Inc. Academies)	Proposed Budget Revisions	2018-19 Schools Budget Jan 2019 (Inc. Academies)	2018-19 Schools Budget Jan 2019 (Exc. Academies)
	£000	£000	£000	£000
Total Expenditure	148,042	4,050	152,092	72,309
Income				
Schools Block	(112,918)	(3,268)	(116,186)	(41,187)
Central Schools Services Block	(799)	(27)	(826)	(826)
Early Years Block	(14,204)	67	(14,138)	(14,138)
High Needs Block	(19,569)	(1,374)	(20,943)	(16,158)
DSG Income ^{2,3}	(147,490)	(4,602)	(152,092)	(72,309)
One-off use of Carry Forward	(551)	551	0	0
Total Income	(148,042)	(4,050)	(152,092)	(72,309)

¹Includes early years pupil premium

²2019-20 per ESFA allocations 17th December 2018

³ Includes reimbursement of Growth funding for Academy schools

Appendix 2 - Formula Factor Funding rates 2019-20
Table A - Primary Factor funding rates

	PCC 2018/19 Rate	19/20 NFF Rate	PCC Consultation Proposed 19/20 Rate	PCC Final proposed 2019-20 funding factor rates
Factor	Primary	Primary	Primary	Primary
Reception Uplift	Y	N	N	N
AWPU (Primary)	£2,800	£2,747	£2,782	£2,782
Free School Meals (FSM)	£151.50	£440	£313	£440
Free School Meals - Ever 6	£388.50	£540	£470	£540
IDACI Band F	£22	£200	£105	£200
IDACI Band E	£153.50	£240	£190	£240
IDACI Band D	£460	£360	£390	£390
IDACI Band C	£785	£390	£560	£560
IDACI Band B	£1,100	£420	£715	£715
IDACI Band A	£1,415	£575	£950	£950
EAL	£515	£515	£515	£515
Prior Attainment	£1,050	£1,022	£1,050	£1,050
Lump Sum	£112,500	£110,000	£110,000	£110,000

Table B - Secondary Factor funding rates

	PCC 2018/19 Rate	19/20 NFF Rate	PCC Final proposed 2019-20 funding factor rates
Factor	Secondary	Secondary	Secondary
AWPU KS3	£3,863	£3,863	£3,863
AWPU KS4	£4,386	£4,386	£4,386
Free School Meals (FSM)	£440	£440	£440
Free School Meals - Ever 6	£785	£785	£785
IDACI Band F	£290	£290	£290
IDACI Band E	£390	£390	£390
IDACI Band D	£515	£515	£515
IDACI Band C	£560	£560	£560
IDACI Band B	£600	£600	£600
IDACI Band A	£810	£810	£810
EAL	£1,385	£1,385	£1,385
Prior Attainment	£1,550	£1,550	£1,550
Lump Sum	£110,000	£110,000	£110,000

Appendix 3 - Early Years funding formula values 2019-20

2018-19 allocation of the funded hourly rate for 2, 3 and 4 year olds				
	3 and 4 year olds		2 year olds	
	£	%	£	%
Basic hourly rate per pupil	4.09	87.21	5.03	92.63
Deprivation average hourly rate	0.20	4.26	-	-
SEN Inclusion fund	0.04	0.85	0.04	0.74
Growth fund	0.13	2.77	0.13	2.39
Total funding passed to settings	4.46	95.10	5.20	95.76
Central retained funding	0.23	4.90	0.23	4.24
Total	4.69	100.00	5.43	100.00

2019-20 allocation of the funded hourly rate for 2, 3 and 4 year olds				
	3 and 4 year olds		2 year olds	
	£	%	£	%
Basic hourly rate per pupil	4.17	88.91	5.04	92.82
Deprivation average hourly rate	0.20	4.26	-	-
SEN Inclusion fund	0.04	0.85	0.04	0.74
Growth fund	0.06	1.28	0.13	2.39
Total funding passed to settings	4.47	95.31	5.21	95.95
Central retained funding	0.22	4.69	0.22	4.05
Total	4.69	100.00	5.43	100.00

Appendix 4 - Special School, Inclusion Centre and Alternative Provision places 2019-20

Special School Place 2019-20		
	Places 2019-20	
Special School	Apr 19 to Aug 19	Sept 19 to Mar 20
Mary Rose Academy	138	145
Cliffdale Primary Academy	104	116
Redwood Park Academy	141	141
The Harbour School	95	95
The Willows Centre for Children	42	42
Total Special School Places	520	539
Additional places agreed and paid locally		
Mary Rose Academy	7	0
Cliffdale Primary Academy	12	11
The Willows Centre for Children	7	6
Total additional places	26	17
Total Special school places	546	556

Inclusion Centre and Alternative Provision Places 2019-20		
	Places 2019-20	
Inclusion Centre	Apr 19 to Aug 19	Sept 19 to Mar 20
Devonshire Infant	8	8
Milton Park Primary	14	14
Portsdown Primary	9	9
Southsea Infant	7	7
Victory Primary	23	23
Northern Parade Junior	5	5
Trafalgar	8	8
St Edmunds	9	9
Total Inclusion Centre Places	83	83
Alternative Provision		
The Harbour School	105	105
Flying Bull Primary Academy	12	12
Flying Bull Primary Academy (Emergency Places)	4	4
Total Alternative Provision Places	121	121

Appendix 5 - Element 3 Top-Up Rates 2019-20

Special Schools

	Cliffdale		Harbour		Mary Rose		Redwood		Willows	
	Original 1% reduction 2019-20	Element 3 Top up rates 2019-20	Original 1% reduction 2019-20	Element 3 Top up rates 2019-20	Original 1% reduction 2019-20	Element 3 Top up rates 2019-20	Original 1% reduction 2019-20	Element 3 Top up rates 2019-20	Original 1% reduction 2019-20	Element 3 Top up rates 2019-20
	£	£	£	£	£	£	£	£	£	£
Band A	18,646	18,834	21,070	21,283	19,266	19,461	21,070	21,283	19,980	20,182
Band B	10,381	10,486	11,779	11,898	11,134	11,246	11,779	11,898	12,337	12,462
Band C	8,756	8,844	9,950	10,051	9,533	9,629	9,950	10,051	10,834	10,943
Band D	7,416	7,491	8,444	8,529	8,216	8,299	8,444	8,529	9,595	9,692
Band E	5,744	5,802	6,564	6,630	6,570	6,636	6,564	6,630	8,050	8,130
Band F	3,440	3,475	3,974	4,014	4,303	4,346	3,974	4,014	5,918	5,978
Band G	2,636	2,663	3,070	3,101	3,512	3,547	3,070	3,101	5,175	5,227
Band H	1,179	1,191	1,432	1,446	2,077	2,098	1,432	1,446	3,827	3,866
Core	5,445	5,500	8,415	8,500	8,415	8,500	3,762	3,800	9,504	9,600
Enhanced	9,603	9,700	11,088	11,200	11,088	11,200	8,910	9,000	12,276	12,400
Exceptional	18,612	18,800	20,988	21,200	19,206	19,400	18,612	18,800	19,899	20,100
Highly Exceptional	-	-	27,908	28,190	-	-	-	-	-	-
Highly Exceptional - 3+	-	-	-	-	29,700	30,000 ⁹	-	-	-	-
Highly Exceptional - 1/2	-	-	-	-	44,550	45,000 ¹⁰	-	-	-	-

Alternative Provision

	2018-19 £	2019-20 £
Flying Bull	4,638	6,000
Harbour	8,000	8,000

⁹ Element 3 Top-up paid for any subsequent pupils (3+) attending the highly exceptional class (where agreed by the local authority)

¹⁰ Element 3 Top-up paid for the first two pupils attending the highly exceptional class (where agreed by the local authority)

Appendix 5 - Element 3 Top-Up Rates 2019-20 contd.
Inclusion Centres

	2018-19 £
Devonshire Infant	1,934
Milton Park	8,476
Northern Parade Junior	0
Portsdown	1,934
Southsea Infant	2,731
Victory	1,934
St Edmunds	0
Trafalgar	0

Inclusion Centre bands

2019-20 Bands	Consulted band values £	2019-20 band values £
School Funded	0	0
Core	750	800
Enhanced	2,000	2,300
Exceptional	3,500	3,800
Highly Exceptional	7,600	7,600

Initial band allocation 2019-20

2019-20 band allocation	2019-20 £
Devonshire Infant	2,300
Milton Park	7,600
Northern Parade Junior	800
Portsdown	2,300
Southsea Infant	2,300
Victory	2,300
St Edmunds	800
Trafalgar	800

Mainstream Schools

Funding for children with EHCPs		
Band	Consulted band values £	2019-20 band values £
School Funded	0	0
Core	750	800
Enhanced	2,000	2,300
Exceptional	3,500	3,800
Highly Exceptional	7,600	7,600