

**Report to:** Schools Forum

**Subject:** Schools Budget 2013/14

**Date of meeting:** 13th February 2013

**Report by:** Julian Wooster – Director for Children’s Services

**Written by:** Richard Webb - Finance Manager

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### **Purpose of report**

1. Under ‘The School and Early Years Finance (England) Regulations 2012, the local authority must not later than 15<sup>th</sup> March 2013:
  - a. Make an initial determination of their schools budget; and
  - b. Give notice of that determination to the governing bodies of the schools they maintain
2. The Department for Education (DfE) also required local authorities to submit their school funding pro-forma to them by the 22<sup>nd</sup> January 2012.
3. The purpose of this report is therefore to
  - a. provide Members with details of the Dedicated Schools Grant for 2013/14 announced by the on 19<sup>th</sup> December; and
  - b. inform Schools Forum of the initial determination of the schools budget for 2013/14 and seek their agreement to this and the other appropriate approvals required.

### **Recommendations**

4. It is recommended that the schools forum:
  - a. Note the estimated Dedicated Schools Grant funding available for 2013/14 of £129.791m (Including Academy funding).
  - b. Agree that any carry-forward balances from 2012-13 be used to assist with the continued introduction of the funding reform changes and fund any potential financial pressures arising during 2013-14.
  - c. Acknowledge the new responsibilities and potential budget pressures for 2013-14 in paragraphs 15 to 21.
  - d. Agree the schools budget as set out in Appendix 1, including the central expenditure budget.

- e. Endorse the school funding pro-forma at appendix 2 (as submitted to DfE on the 22<sup>nd</sup> January). \*
- f. Agree that there will be will be no significant changes to the formula or rates used to fund early years provision for three and four year olds in maintained nursery schools, nursery classes in maintained schools and early years providers for 2013-14. Noting the adjustment to the lump sum. \*
- g. Agree the proposed place provision for the Special Schools, Resourced Units and Alternative Provision included in the table at paragraph 37.
- h. Endorse the indicative top-up rates, included within the report for the Special Schools, Resourced Units and Alternative Provision in the tables at paragraph 27, and agree that following the internal moderation process, officers can finalise the top-up rates and circulate these to Schools Forum Members and Schools.
- i. Agree a one-off funding allocation of £220,000 in 2013-14 for Hospital Tuition, with a review of these arrangements during the year to ensure future sustainability.
- j. Note the composition of the Notional SEN Budget set out at paragraph 38.

*\* For these items only School Members (including early year's providers) are permitted to vote*

### **Dedicated Schools Grant (DSG)**

- 5. 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 2012. For 2013-14 additional conditions have been attached to the grant to reflect the changes resulting from the funding reform.
- 6. For 2013-14 the DSG will be allocated to the Council in three blocks: Schools Block, Early Years Block and High Needs Block. Although the funding is identified in the three blocks, the flexibility remains to allocate the funding as required. There is no requirement to ring-fence the funding to the relevant blocks.
- 7. The Schools Block and the Early Years Block are determined on a per pupil basis multiplied by a 'Guaranteed Unit of Funding (GUF). For 2013-14 there is a separate GUF for each block, which the DfE have confirmed as £4,595.77 and £4,175.76 respectively. There has been no increase in the GUF in 2013-14 over the 2012-13 levels.

8. The DSG funding that Portsmouth will receive in 2013-14 is shown below:

|                                       | <b>£m</b>      |
|---------------------------------------|----------------|
| Early Years Block*                    | 8.026          |
| Schools Block                         | 104.614        |
| High Needs Block*                     | 14.632         |
| <i>Additional Funding in 2013-14:</i> |                |
| 2 Year Old Funding                    | 2.484          |
| Newly Qualified Teachers              | 0.035          |
| <b>TOTAL</b>                          | <b>129.790</b> |

*\* provisional allocations for 2013-14*

9. The Early Years Block is only a provisional estimate for 2013/14 (based on January 2012 pupil numbers) as this funding will be updated; based on the January 2013 census of Early Years pupil numbers. It is anticipated that we will be advised of the updated funding allocation for this block in June 2013.
10. The final confirmation for the high needs block will not be received until March 2013, and is expected to reflect funding for growth in high needs places, which is not currently incorporated within the proposed budget.
11. Further details of the funding and expected use of the additional '2 Year Old Funding' is detailed within a separate paper to Schools Forum (agenda item 6).
12. Under the new arrangements, the Council is required to delegate the £0.035m of funding for Newly Qualified Teachers to all schools. This is intended to allow all schools to pay for the services of their preferred appropriate body to monitor and quality assure NQT induction.
13. In addition to the DSG for 2013-14, there is likely to be a carry forward balance from 2012-13. At this stage in the financial year we are unable to confirm what the final carry forward balance will be, although indications are that this could be in the region of £1m. Any carry forward balance would be a one-off funding source and should therefore be used to support one-off expenditure items rather than recurring expenditure budgets. There is also a significant amount of change and uncertainty within the schools budget for 2013-14 as detailed below.
14. In setting the budget for 2013-14, it is considered necessary to retain any carry-forward balance to assist with the continued introduction of the funding reform changes and be available to fund the financial risks and pressures detailed below in paragraphs 15 to 21.

#### **New responsibilities and potential budget pressures for 2013-14**

15. The councils' responsibilities are changing or being re-defined (including financial responsibilities) as a result of the school revenue funding reform.

Whilst a significant amount of work has been undertaken to prepare for these changes, there remains an element of uncertainty, and therefore a number of estimates have been made in preparing the budget for 2013-14. The main estimates and areas of uncertainty within the proposed budget are detailed below.

16. From 2013-14, the Local Authority is responsible for funding the high-needs support for post 16 pupils in education with special educational needs (SEN) and learning difficulties (LDD). However, in calculating the funding available the DfE have capped the number of funded places for 2013-14 in the Portsmouth area to 75, whilst the expected number of places required is 123. The Council has received £315,575 within the DSG to support the Element 3 top-up funding requirement for the 75 placements. The actual expenditure requirement for 2013-14 in relation to post 16 SEN and LDD placements is uncertain, although it is anticipated that it is likely to exceed the funding provided within the DSG.
17. As previously reported to Schools Forum, Special School places will be funded in two parts. There will be a flat £10,000 for each place purchased from the School and a top-up payment (Element 3) related to the pupil's needs. For 2013-14 there are a number of potential risks and financial pressures in relation to 'Element 3'. Firstly, the 'Element 3' rates for our pupils in other Local Authorities special schools at this stage are unknown. Additionally, under the new arrangements there is uncertainty as to the final top-up funding requirements.
18. The responsibilities in relation to Hospital Tuition and Medical Education out of school have also been updated in relation to the amount of teaching time required for these pupils. To meet these requirements, additional funding of £220,000 is included at appendix 1 within the Hospital Tuition budget on a one-off basis. These arrangements with the Harbour School will need to be reviewed during 2013-14 to ensure future sustainability.
19. In 2013-14 it is anticipated that there will be a number of Portsmouth Schools converting to academy status. When the school converts, it will receive its funding from the Education Funding Agency. The amount of funding it will receive will be based on the Funding pro-forma submitted to the DfE on the 22<sup>nd</sup> January. The Council's DSG funding will be reduced by an equivalent amount, and it will include an element in relation to the de-delegated central expenditure budgets.
20. There is therefore a potential financial risk in relation to the de-delegated budgets, where the funding is reduced due to the increase in academy conversions, but the expenditure is unable to be reduced at the same rate. This will be monitored closely during 2013-14 and Schools Forum will be updated regularly.
21. Under the new arrangements, it is possible to hold a contingency fund through a de-delegation of funding from schools for: (a) *schools in financial difficulties*; (b) *additional costs relating to new, re-organised or closing schools*; and (c) *exceptional unforeseen costs which it would be*

*unreasonable to expect governing bodies to meet.* In the rare circumstances that these events would arise and require funding, it is proposed to meet these costs in year or use the potential carry forward balance if required, rather than create a contingency fund. If any instances occur they would be reported to Schools Forum and the necessary approvals sought.

### **Centrally Retained Expenditure**

22. In determining the 'Individual Schools Budgets', the Local Authority must deduct from the schools budget, the central expenditure requirements in accordance with the regulations. Appendix 1 shows the proposed schools budget for 2013-14, analysed between the 'central expenditure' and 'individual schools budgets'.

23. As previously reported to Schools Forum, there have been a number of changes to the regulations relating to the central expenditure items. In particular:

- a. School Admission, Schools Forum and Carbon Reduction Commitment budgets are capped at the 2012/13 levels.
- b. A number of items of central expenditure must now be delegated to schools, although in October Members agreed to de-delegate the majority of these items from the primary and secondary schools.
- c. Certain items of expenditure can now only be included where there is a previous commitment approved by the Schools Forum.

24. In addition to the traditional central expenditure budgets, under the new funding arrangements, the following items are now classified as central expenditure and will be held centrally for schools:

- a. Growth fund for schools
- b. Element 3 funding for Special Schools and Resourced Units
- c. Element 3 funding for Alternative Provision where the local authority is the commissioner (e.g. in cases of permanent exclusion)
- d. Post 16 pupils with SEN and LDD
- e. Hospital education

25. The central expenditure budgets de-delegated from schools, (as approved by schools forum in October) are shown in Appendix 1. For Early Years, these budgets will continue to be held centrally, and for Special Schools Service Level Agreements will be available to enable them to continue benefit from central management.

26. As detailed earlier within the report, it is not possible to de-delegate funding from Academy schools. It is intended that from April 2013, arrangements will be in place to enable Academies to purchase the following services from the Council:

- a. Free School Meal Eligibility
- b. Museums

- c. Behaviour Support (from the Harbour School)
- d. EMAS

27. Details of the latest indicative Element 3 Top Up rates for the Special Schools, Resourced Units and Alternative Provision are shown in the tables below. The final rates will be issued to School Forum Members and schools, once the internal moderation has been completed and the rates have been updated. The special school rates have been updated to reflect:

- a. Finalisation of the amounts of the delegated central expenditure budgets.
- b. Delegation of the new NQT Induction funding of £743 for the Special Schools share.
- c. Delegation of £105,400 for their share of the CERA (Capital Expenditure funded from Revenue Account) budget.

**Indicative top-up ‘Element 3’ rates for Special Schools, Resourced Units and Alternative Provision places**

*Special Schools*

|        | <b>Cliffdale</b> | <b>Harbour</b> | <b>Mary Rose</b> | <b>Redwood</b> | <b>Willows</b> |
|--------|------------------|----------------|------------------|----------------|----------------|
|        | <b>£</b>         | <b>£</b>       | <b>£</b>         | <b>£</b>       | <b>£</b>       |
| Band A | 18,953           | 18,673         | 19,966           | 18,490         | 21,107         |
| Band B | 10,593           | 10,312         | 11,606           | 10,130         | 13,112         |
| Band C | 8,948            | 8,668          | 9,961            | 8,485          | 11,539         |
| Band D | 7,593            | 7,313          | 8,606            | 7,130          | 10,243         |
| Band E | 5,901            | 5,621          | 6,914            | 5,438          | 8,625          |
| Band F | 3,571            | 3,290          | 4,583            | 3,107          | 6,397          |
| Band G | 2,757            | 2,477          | 3,770            | 2,294          | 5,619          |
| Band H | 1,283            | 1,003          | 2,296            | 820            | 4,209          |

*Note: the top-up rate for places in Stamshaw is £28,771*

*Resourced Units & Alternative Provision*

| <b>Unit</b>            | <b>£</b> |
|------------------------|----------|
| Devonshire Infant      | 0        |
| Flying Bull            | 6,638    |
| Harbour                | 5,273    |
| Milton Park            | 8,476    |
| Northern Parade Junior | 0        |
| Penhale Infant         | 101      |
| Portsmouth             | 0        |
| Southsea Infant        | 2,731    |
| Victory                | 1,934    |

## **Individual Schools Budget Shares**

### **Primary and Secondary Schools Funding Formula**

28. At the Schools Forum meeting on the 24<sup>th</sup> October 2012, Members agreed the mainstream formula factors, together with the choices that the Council had made in implementing these factors locally. A further amendment was agreed at the meeting in December in relation to the formula factors used to delegate the behaviour support funding to schools, prior to the central de-delegation.
29. The final funding formula was submitted to the DfE/EFA on the 22<sup>nd</sup> January 2013. A copy of the final pro-forma is attached at Appendix 2.
30. In preparing the final pro-forma for submission to DfE, no changes were made to the underlying unit values presented in October to Members. The only changes made to the unit values were to include the additional delegations listed below.
- a. Finalisation of the amounts of the delegated central expenditure budgets.
  - b. Delegation of the new NQT Induction funding of £34,257 for the Primary and Secondary Schools share.
  - c. Delegation of £234,600 to schools for their share of the CERA (Capital Expenditure funded from Revenue Account) budget.
  - d. Delegation of £369,000 to schools for the mainstream SEN budget – as agreed by Members at the December 2012 meeting.
31. Schools Forum also previously agreed to the implementation of a financial cap of 1.5% to protect against significant increases in schools funding. As noted previously within the report, the DfE have maintained the GUF for the schools block at the 2012-13 levels and the increase in funding for Portsmouth is linked only to the growth in pupil numbers. Therefore in order to set a balanced budget for 2013-14, we are not proposing to change the level of the previously agreed cap.
32. The overall level of funding allocated to the primary and secondary schools (including Academies) has increased by £1.6m after excluding the de-delegated budgets for central expenditure.

### **Early Years Provision**

33. Portsmouth City Council Introduced the Early Years Single Funding Formula (EYSFF) in 2010/11, one year in advance of the statutory requirements for three and four year old provision.

34. There are no significant changes proposed to the funding formula or rates applied to the three and four year old provision for the following:
- a. Maintained nursery schools
  - b. Nursery classes in maintained schools
  - c. Early Years providers
35. Maintained nursery schools currently receive the mainstreamed grants as a lump sum. In order to comply with the new regulations, the lump sum rate must be allocated as an equal amount. Therefore it is intended to reallocate the current lump sum funding equally to each of the maintained nursery schools.
36. The arrangements for the new 2 year old provision are detailed within the separate report to Schools Forum at agenda item 6.

*Special Schools, Resourced Units and Alternative Provision*

37. For 2013-14, the funding for Special Schools, Resourced Units and Alternative Provision is comprised of place funding and top-up funding. The top-up element of the funding is included within the 'central expenditure' budgets detailed above. Only the place element of the funding is now treated as the 'Individual School Budget'. Set out below are details of the proposed places to be funded and the total proposed budget for 2013-14.

| <b>School</b>                       | <b>13/14 Place No's</b> | <b>13/14 Place Funding £</b> |
|-------------------------------------|-------------------------|------------------------------|
| <b><i>Special Schools</i></b>       |                         |                              |
| Cliffdale                           | 104                     | 1,040,000                    |
| Harbour                             | 84                      | 840,000                      |
| Mary Rose                           | 125                     | 1,250,000                    |
| Redwood                             | 141                     | 1,410,000                    |
| Willows                             | 42                      | 420,000                      |
| <b><i>Resourced Units</i></b>       |                         |                              |
| Devonshire Infant                   | 12                      | 120,000                      |
| Milton Park                         | 14                      | 140,000                      |
| Northern Parade Junior              | 6                       | 60,000                       |
| Penhale Infant                      | 3                       | 30,000                       |
| Portsmouth                          | 10                      | 100,000                      |
| Southsea Infant                     | 8                       | 80,000                       |
| Victory                             | 23                      | 230,000                      |
| <b><i>Alternative Provision</i></b> |                         |                              |
| Flying Bull                         | 12                      | 96,000                       |
| Harbour                             | 151                     | 1,208,000                    |



### Notional SEN Budget

38. At the time of submitting the school funding to the DfE on the 22<sup>nd</sup> January, it was also necessary to confirm the elements of the funding formula that comprise the Notional SEN budget. The final submission was as follows:

- 6% - Basic Per Pupil Entitlement
- 20% - Deprivation (IDACI)
- 50% - Looked After Children
- 100% - Prior Attainment as a proxy for SEN

### Next Steps

39. The next steps in implementing the new funding arrangements are detailed below.
- a. Once confirmation has been received from the DfE that the submitted pro-forma is compliant, we will then be able to advise schools of their budget shares for 2013-14, together with the supporting guidance notes.
  - b. New procedures will be developed and implemented to support the operation of the new funding arrangements.
  - c. The 'Element 3' top-up rates for the Special Schools, Resourced Units and Alternative provision will be finalised and issued.

### Conclusion

40. This report provides Schools Forum members with details of: (a) the estimated DSG funding available in 2013-14, (b) the proposals for allocating the funding to meet the expenditure requirements in the year, and (c) highlights the areas of uncertainty and potential financial pressure in 2013-14. It is recommended that Schools Forum approves the recommendations within the report.