

Title of meeting: Schools Forum

Date of meeting: 25 February 2015

Subject: 2015-16 Dedicated Schools Grant Budget

Report from: Julian Wooster, Director of Children's and Adults Services

Report by: Richard Webb, Finance Manager for Children's Services

Wards affected: All Wards

Key decision: No

Full Council decision: No

1. Purpose of report

- 1.1. Under the 'School and Early Years Finance (England) Regulations 2014, the Local Authority must not later than 27th February 2015:
- a. Make an initial determination of their school budget; and
 - b. Give notice of that determination to the governing bodies of the schools they maintain.
- 1.2. The purpose of this report is therefore to inform Schools Forum of the initial determination of the schools budget (including the individual schools budgets) for 2015-16 and to seek the necessary endorsement and approvals required.
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2. Recommendations

It is recommended that the Schools Forum:

- a. **Endorse the determination of the 2015-16 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. the amended growth fund;
 - ii. the early years central expenditure; and
 - iii. the Admissions Service and Schools Forum.
- b. **Endorse the 2015-16 Element 3 Top-up rates for the Special Schools and Resourced Units as set out in Appendix 2.**

- c. **Endorse the 2015-16 Element 3 Top-up rates for the Alternative Provision settings set out in paragraph 6.12.**
- d. **Endorse the decision that any carry-forward balances from 2014-15 be used to assist with the continued introduction of the funding reform changes and fund any potential financial pressures arising during 2015-16.**

3. Background & 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. Members have already received a number of reports and have endorsed or made a number of decisions in respect of the revenue funding arrangements for 2015-16.
- 3.3. The decisions previously made and reflected within the proposed budget at Appendix 1 are summarised below.
 - 3.3.1. The revenue funding formula for 2015-16 for all Primary and Secondary Schools, including the de-delegated budgets and the amount of the Growth Fund.
 - 3.3.2. The proposed changes to the funding arrangements for Outreach Services (also known as PSENSP).
 - 3.3.3. The cessation of the operation of the Exceptional Circumstances Fund and Falling Rolls Fund from 1st April 2015.
- 3.4. The purpose of this report is to seek the necessary approvals and endorsements in respect of the remaining areas of the budget, which have yet to be finalised.

4. Centrally Retained Budgets

- 4.1 As reported in January, the Department for Education has negotiated additional national licences for 2015-16. As a result, the amount proposed to be de-delegated from schools was reduced and the amount proposed to be centrally retained has been increased to cover the anticipated costs from the DfE. A budget provision of £120,000 had initially been set aside whilst preparing the draft budget. The DfE has now issued initial confirmation that the charge for 2015-16 will be £104,600. The initial confirmation has yet to be reviewed and following final confirmation of the charges, any adjustments proposed to the budget may be made as part of the revised budget in July 2015.

- 4.2 The other centrally retained budgets include the Admissions service and the Schools Forum. In accordance with the regulations, these budgets will remain at the 2014-15 and 2013-14 levels.

5. Early Years

3 & 4 year old provision

- 5.1 No changes are proposed to the funding formula or rates applied to the three and four year old provision.
- 5.2 As previously reported during 2014-15, an overspend has been forecast in the 3 & 4 year old provision. In order to ensure that there is a sustainable and balanced budget, the budget provision for 3 & 4 year olds has been increased by £241,000 for 2015-16 as shown in Appendix 1 to meet these pressures.

2 year old provision

- 5.3 No changes are proposed to the funding formula or rates applied to the 2 year old provision.
- 5.4 As reported in January, the government has announced that the 2 year old funding arrangements, (in terms of the funding the Council receives) will move from the current 'lump sum' allocation basis to a 'participation' funding basis in 2015-16 (i.e. based on actual number of 2 years olds in Nursery settings on a census date). As a result of this change, it is expected that the DSG may experience further financial pressure. This pressure will be as a result of a continued growth in the number of 2 years olds in Nursery settings, with a funding source initially based on the January 2015 census count.
- 5.5 The DfE has confirmed that the initial funding allocation for 2015-16 will be issued in June 2015. Therefore at this stage in the budget setting process, the actual income and expenditure for 2015-16 in respect of the 2 year old funding are unknown. It is estimated that there will be 890 pupils at the time of the January 2015 census count. The number of eligible 2 year olds in Nursery settings is expected to continue to grow towards the current target of 1200, but the timing of this is unknown. A mid-year census count will be used by the DfE to adjust funding in year to reflect any significant increases in take-up of the entitlement; although specific details about this process have not yet been announced.
- 5.6 The budget estimates included within the budget at Appendix 1, have assumed that the number of two year olds required to be funded in the summer, autumn and spring terms will be 890, 1045 and 1200 respectively. However, it has been assumed that the income received will be based on 890 pupils in the Summer Term and only 1045 in the autumn and spring terms. These assumptions may need to be revised

during the financial year as further information becomes available.

- 5.7 In 2014-15 the two year old expenditure budget also included £780,000 of trajectory funding (including carry forward funding from 2013-14) to support the expansion of two year old places in the city. In 2015-16 the Council has not received any further trajectory funding and this is the main reason for the reduction of the two year old expenditure budget of £814,000 in Appendix 1.

Central Costs

- 5.8 As highlighted in the January report, on the 9th December 2014, the Full Council agreed savings proposals amounting to £13.1m. Included within these proposals was a requirement for the DSG to fund £200,000 of eligible expenditure (in accordance with the Early Years and Schools Finance (England) Regulations 2014) currently being funded by the Council.
- 5.9 It is proposed that the following eligible expenditure will be funded by the Dedicated Schools Grant in 2015-16:
- a. Support to early years pupils with special educational needs;
 - b. Eligibility checks and support to regarding 3 and 4 year old pupil premium; and
 - c. Expenditure on the provision of childcare for a young child (such as second language support to early year's pupils and advisory teacher support in respect of language development).

6. High Needs

- 6.1 The growing financial pressures in the DSG Budget, particularly in relation to High Needs both in the current and future years, have been reported previously to Members. As a result of the identified pressures, the DSG budgets were revised during 2014-15 and £933,000 of additional funding was made available to support High Needs.
- 6.2 In setting the budget for 2015-16, it has been necessary to fund these pressures; which are continuing to grow. The table below summarises the additional funding required compared to the original 2014-15 budget.

	Additional funding required compared to 2014-15
<i>High Needs Budgets:</i>	
Additional Special School & Resourced Unit Places	260,000
Element 3 Top Funding	369,000
Medical & Individual Tuition	220,000
Out of City Placements	350,000
Post-16	185,000
TOTAL	1,384,000

- 6.3 In order to balance the budget in 2015-16, it has been necessary to redirect funding from other areas of the DSG budget, as shown in Appendix 1.
- 6.4 Further details in respect of the High Needs budgets and the financial pressures for 2015-16 are set out below.

Place Funding

- 6.5 The place funding value for Special Schools and Resourced Unit remains at £10,000 per agreed commissioned place. For Alternative Provision settings, the 2014 finance regulations require the annual place funding value to increase from £8,000 to £10,000 from 1st September 2015.
- 6.6 The table below shows the agreed commissioned places for the Special Schools in 2014-15, together with the anticipated additional places required to be funded for the 2014-15 Summer Term and the first two terms of the Academic year 2015-16.

School	Original Agreed Commissioned Places 2014-15	Additional Places Summer Term 2015*	Additional Places Academic Year 2015-16*
Cliffdale	104	-	19
Harbour	84	-	-
Mary Rose	125	7	14
Redwood Park	141	-	-
Willows	42	-	-
Total	496	7	33

* additional places required when compared to original agreed commissioned places

- 6.7 There are no proposed changes to the number Alternative Provision places commissioned at the Harbour School and Flying Bull Academy.

- 6.8 The small movement in the budget at Appendix 1 for the Resourced Units place funding, reflects the anticipated full year funding requirement for the provision at St Edmunds.

Element 3 Top-up Funding

- 6.9 As previously reported, no changes are proposed to the current Element 3 Top-up funding rates for pupils in Special Schools or Resourced Units in 2015-16. The proposed rates for 2015-16 are shown in Appendix 2.
- 6.10 Although there have been no changes proposed to the top-up funding rates, the budget provision has been amended to reflect the changes arising from a growth in the number of places and the known and forecast effect of 'band creep'. The reduction in the Element 3 top-up funding budget shown in Appendix 1 reflects the cessation of the Exceptional Circumstances Funding which has been re-directed to support the various High Needs pressures.
- 6.11 With the introduction of the new finance regulations, the DfE are changing the annual place funding for Alternative Provision (AP) places from £8,000 per place to £10,000 with effect from 1 September 2015. The DfE have been clear that there will be no additional funding and they will expect to see a reduction in Element 3 Top- up funding to maintain affordability.
- 6.12 In order to maintain a balanced budget, it will be necessary to amend the Element 3 Top-up rates for pupils placed by the Local Authority at Flying Bull Primary and The Harbour Alternative Provision settings in 2015-16 as shown below.

	The Harbour School	Flying Bull Primary Academy
Element 3 Top up rate (Apr 15 - Aug 15)	£5,273	£6,638
Element 3 Top up rate (Sept 2015 to Aug 2016)	£2,714	£4,638

Out of City Placements

- 6.13 The cost of out of city placements is forecast to increase by £150,000 in 2015-16 to £1.55m, due to the continued number of active placements being in the region of 30. Currently there are 29 children in placements out of the city. The average cost of a placement is £52,617, although the actual cost of individual placements varies and the current maximum placement cost is circa £148,000.
- 6.14 The Inclusion Service is currently reviewing all of the out of city placements to determine whether any of the pupils are able to be

educated within Portsmouth. Additionally, the service is working to adapt or develop provision to meet pupils' more complex needs within the city in future, to reduce the need for out of city placements.

7. Dedicated Schools Grant

- 7.1 On the 17th December 2014, the DfE announced the Dedicated Schools Grant Allocations for Portsmouth for 2015-16; which amounted to £131.298m (2014-15 = £129.300m); excluding two year old funding. These allocations include the funding for both maintained schools and Academies; therefore the amount received directly by Portsmouth City Council will be less.
- 7.2 As explained earlier, due to the change in funding for two year olds moving from a 'lump sum' allocation basis to a 'participation' basis, the initial two year funding allocation will not be announced until June 2015; following completion of the January 2015 census count. Additionally, the Early Years Block initial funding allocation will be updated by the DfE following the January census count.
- 7.3 The funding allocation for Portsmouth is shown in the table below. The amount expected to be received directly by Portsmouth City Council is £95.891m. The funding received directly will continue to change during the year as schools convert to Academy status and receive their funding directly from the Education Funding Agency rather than through the Council.

DSG Funding	2015-16 £m
Schools Block	71,859
Early Years Block*	8,347
High Needs Block	12,999
2 Year Old Funding**	2,878
TOTAL	96,083

* This is a Provisional Allocation and will be updated later in the year.

** This allocation will not be confirmed until June 2015 and has been estimated.

8. 2015-16 Mainstream Funding Formula

- 8.1 Following submission of the revenue funding formula for all Primary and Secondary schools and Academies, the Department for Education completed its national review process of the funding proformas submitted by Local Authorities. As a result of that review, together with the correction to the underlying data provided by the DfE, it has been necessary to amend the proforma. As a consequence of these changes the overall funding requirement has reduced by circa £165,000. It is

proposed that this funding continues to be set aside for all mainstream schools and Academies in Portsmouth and that therefore the value of Growth Fund is increased by £165,000 to £365,000.

- 8.2 The mainstream funding proforma has been adjusted and resubmitted to the DfE and they have confirmed that it is now compliant with the regulations. The final budget shares and the supporting guidance for schools and Academies will be issued as soon as possible.

9. Carry Forward Balances

- 9.1 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 £1.8m. Any carry-forward balance would be a one-off funding source and therefore should be used to support one-off expenditure items rather than recurring expenditure budgets.
- 9.1 In setting the budget for 2015-16, it is considered necessary to retain any carry forward balance to assist with the continued introduction of the National Fair Funding Formula arrangements and be available to support the financial risks and pressures arising in 2015-16. As in 2014-15 it is expected that there will be continuing pressures in respect of High Needs and Early Years, as well as the new 2 year old funding arrangements.

10. Reasons for recommendations

Members are recommended to endorse the proposals contained within this report. Under the 'School and Early Years Finance (England) Regulations 2014, Local Authorities must not later than the 27th February 2015 make an initial determination of their school budget.

11. Equality impact assessment (EIA)

This report does not require an Equality Impact Assessment as the proposal does not have any impact upon a particular equalities group.

12. Legal comments

The School and Early Years Finance (England) Regulations 2014 require local authorities to make an initial determination of their schools budget by the 27th February 2015. 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 the Schools Forum's specific endorsement is required.

13. Head of Finance comments

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

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Signed by: Julian Wooster, Director of Children's & Adults' Services

Appendices:

Appendix 1 - Dedicated Schools Grant Budget 2015-16

Appendix 2 - Element 3 Top-Up Rates 2015-16

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

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

Title of document	Location
2015-16 Revenue Funding Arrangements: Operational Information for Local Authorities	DfE Website
The School and Early Years Finance (England) Regulations 2014	www.legislation.gov.uk
School revenue funding working papers	Education Finance

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

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Signed by:

Appendix 1 - Dedicated Schools Grant Budget 2015-16

	Revised 2014-15 Budget (including Academies)	Estimated Budget Revisions	2015-16 Schools Budget (including Academies)	2015-16 Schools Budget (excluding Academies)
	£000	£000	£000	£000
<i>Individual School Budgets (ISB)</i>				
Primary	58,837	1,870	60,707	47,792
Secondary	43,666	(33)	43,633	21,144
Special School Place Funding	5,094	94	5,188	2,898
Resourced Unit Place Funding	870	32	902	612
Alternative Provision Place Funding	1,304	190	1,494	1,384
	109,771	2,153	111,924	73,830
<i>De-delegated and central budgets</i>				
Growth Fund	300	65	365	365
Falling Rolls Fund	109	(109)	0	0
De-delegated budgets	1,485	(923)	562	562
Licences	64	56	120	120
Schools Forum	15	-	15	15
Admissions	252	-	252	252
	2,225	(911)	1,314	1,314
<i>Early Years</i>				
3 & 4 Year Old Provision	7,559	241	7,800	7,800
2 Year Old Provision	3,692	(814)	2,878	2,878
Central Expenditure on under 5	398	201	599	599
	11,649	(372)	11,277	11,277
<i>High Needs</i>				
Element 3 Top-up funding	6,952	(347)	6,605	6,605
Out of City Placements	1,400	150	1,550	1,550
SEN Support Services	687	-	687	687
Medical Education	573	-	573	573
Outreach Services	232	(45)	187	187
Fair Access Protocol	60	-	60	60
	9,904	(242)	9,662	9,662
Total Expenditure	133,549	628	134,177	96,083
DSG Income¹	(129,300)	(1,999)	(131,299)	(93,205)
DSG Income (2 Year Old Funding)²	(3,349)	471	(2,878)	(2,878)
One-off use of Carry Forward	(900)	900	0	0
Total Income	(133,549)	628	(134,177)	(96,083)

¹ Per DfE allocations 17th December including provisional Early Years funding

² Estimated funding. Initial allocation will be announced by DfE in June 2015



Special Schools

	Cliffdale	Harbour	Mary Rose	Redwood	Willows
	2015-16	2015-16	2015-16	2015-16	2015-16
	£	£	£	£	£
Band A	18,834	18,011	19,461	21,283	20,182
Band B	10,486	9,859	11,246	11,898	12,462
Band C	8,844	8,255	9,629	10,051	10,943
Band D	7,491	6,933	8,299	8,529	9,692
Band E	5,802	5,284	6,636	6,630	8,130
Band F	3,475	3,012	4,346	4,014	5,978
Band G	2,663	2,219	3,547	3,101	5,227
Band H	1,191	781	2,098	1,446	3,866

Note: the top-up rate for places in Stamshaw is £28,190

Resourced Units

	2015-16
	£
Devonshire Infant	0
Milton Park	8,476
Northern Parade Junior	0
Penhale Infant	101
Portsdown	0
Southsea Infant	2,731
Victory	1,934
Craneswater Annex	25,448
St Edmunds	0