

TO: SCHOOLS FORUM

DATE: 17 JANUARY 2013

**PROPOSALS FOR THE 2013-14 SCHOOLS BUDGET
(Director of Children, Young People and Learning)**

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to present to the Schools Forum an update on school funding and to seek comments on proposals from the Council for the 2013-14 Schools Budget. Within the overall budget setting process, there are a number of decisions that the Forum has responsibility for, and these are presented for a decision. This report builds on the previous agenda item and assumes the proposals made there are supported.
- 1.2 There is a very tight timetable to meet, with views of the Schools Forum on the proposals being sought in advance of the 22 January deadline for submitting to the Department for Education (DfE) the actual Funding Formula for Schools to be used in 2013-14 and associated units of resource.
- 1.3 The Executive Member for Children, Young People and Learning is responsible for agreeing the Schools Budget and has already agreed that due to the tight timescale, the Director of Children, Young People and Learning can make final decisions on the 2013-14 Schools Budget, after taking into account the views of the Schools Forum and the overall level of resources.

2 RECOMMENDATIONS

- 2.1 **That the forecast budget data and associated financial matters set out in the report are NOTED;**
- 2.2 **In its role of statutory decision maker, the Forum AGREES the following matters in respect of the 2013-14 Schools Budget:**
 1. **that the initial budget amounts for services to be centrally managed by the council are as set out in Annex 1;**
 2. **the criteria to be used to allocate funds in-year to schools experiencing excessive increases in pupil numbers or unavoidable costs arising from Key Stage 1 class size regulations are as set out in Annex 4;**
 3. **that the arrangements in place for provisions for statemented pupils (where not delegated) are appropriate.**

2.3 In its role as the representative body of schools and other providers of education and childcare, the Forum REQUESTS that the Executive Member AGREES the following decisions for the 2013-14 Schools Budget:

- 1. that the £0.251m of savings proposed on the Schools Block are agreed (paragraph 5.20);**
- 2. the allocation of the £1.606m additional resources is made to the budget areas set out in Annex 3;**
- 3. the unallocated budget balance at Annex 3 of £0.442m be distributed to schools by reference to pupil numbers, deprivation and low prior attainment (paragraph 5.23);**
- 4. all pupils in secondary schools are funded at the same uniform rate (paragraph 5.28);**
- 5. per pupil funding rates in the BF Funding Formula do not exceed 98% of the per pupil funding received by the Council from the DfE (paragraph 5.29);**
- 6. the £0.190m funding originally agreed for an SEN contingency for mainstream schools now be used to fund the forecast over spending on placements in out of borough special schools (paragraph 5.34);**
- 7. the costs associated with Copyright Licensing Agency and Music Publishers Association are in future funded by way of a transfer on a per pupil basis from delegated school budgets to one that is centrally managed (paragraph 5.35);**
- 8. the £0.269m budget to support in-year changes in SEN costs in mainstream schools now be used to fund the forecast over spending on out of borough special schools (paragraph 5.44);**
- 9. the new £0.894m funding to widen participation of 2 year olds in education and childcare should initially be ring fenced for this purpose (paragraph 5.50).**

2.4 NOTES that after meeting the cost of additional pupils and other unavoidable cost pressures, schools will receive around £0.256m of unallocated funds to target towards their priorities or other pressures (paragraph 5.54).

3 REASONS FOR RECOMMENDATIONS

3.1 To ensure that the 2013-14 Schools Budget is set in accordance with the new funding framework and the anticipated level of resources.

4 ALTERNATIVE OPTIONS CONSIDERED

4.1 These have been considered during the earlier stages of the budget setting process. Where relevant, new options are set out in the supporting information.

5 SUPPORTING INFORMATION

Introduction and update

- 5.1 The changes that need to be made by April 2013 arising from the DfE reforms to school funding mean that normal processes for setting the Schools Budget need to be revised. Whilst an annual financial consultation with schools has been undertaken, and the majority views of schools have been used to determine the new Bracknell Forest Funding Formula for Schools, the timetable set by the DfE for the provision of budget information means that it will no longer be possible for the Forum to consider budget proposals on two occasions – February and March – with all budget decisions relating to schools now needing to be taken early in 2013 in order for them to be confirmed to the DfE by the 22 January deadline.
- 5.2 Whilst bringing forward the budget setting timetable will be of benefit to schools who can now expect their funding level to be confirmed in February, rather than towards the end of March, it significantly compresses the time available to make relevant calculations and decisions as the DfE did not release the required budget setting data until 10 December. This is of particular concern as 2013-14 is the first year of the new Framework and there are still some aspects where the full financial implications to schools and the Council are unclear, creating uncertainty in the decision making process. This most significantly relates to high needs pupils.
- 5.3 Since the Council's June publication of the estimated financial impact from the reforms on individual schools, there have been a number of updates to our calculations which for some schools result in a significantly different budgetary impact from those originally illustrated. This was reported to the Forum in October in advance of the Council's first data submission to the DfE on the 2013-14 Funding Formula. The main changes between June and October arose from:
- The DfE providing all of the data required for making budget calculations. At the time the BF consultation document was published there were a number of gaps which were filled with local data, most notably aggregate scores from national tests, rather than the one year of data initially provided by the DfE
 - Some amendments were made to the factors used in the Funding Formula; pupil mobility is now reflected in funding primary schools, and joint use of sports facilities in secondary schools
 - There were different outcomes from the BF consultation than initially assumed and included in the financial calculations. This was most significant in relation to funding schools for deprivation.
 - A revision was made to the calculation of the Minimum Funding Guarantee to reflect updated guidance from the DfE
- 5.4 To ensure schools have the best available information for their financial planning, in November, the initial 2012-13 budget was re-calculated using the Funding Formula that will be in place in 2013-14. This exercise was based on the data submission made to the DfE in October, as agreed in outline by the Forum, and fully allocated the approved budget. It showed schools the funding that would have been received had the changes been in place this year, and ensured an up to date financial assessment had been provided. It also established the starting point for 2013-14 school budgets, using October 2011 census data.

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- 5.5 Schools were also provided with a means to broadly estimate funding that may be received in 2013-14. Calculations with pre-populated October 2012 head count and free school meals eligibility data were provided, with all other data as at October 2011. The October 2011 data will need to be updated to October 2012 on final 2013-14 budgets, as will the units of resource, which will change through the budget setting process.

Financial settlement

- 5.6 The October 2010 Spending Review continues to shape Education funding, with the key decisions being:
1. There will be annual real terms growth of 0.1% for 5-16 year olds;
 2. That there is an assumed £1 billion of savings to be made by schools in back office functions and procurement;
 3. That overall, there will be a 60% reduction in capital spend;
 4. That funding for the Pupil Premium, to be targeted at disadvantaged pupils, will reach £2.5 billion by 2014-15, which for an average school represents a further 6.5% on top of the Funding Formula allocation.
- 5.7 In this context, the financial settlement for the 2013-14 Schools Budget was announced on 19 December. As expected, there has been no uplift to per pupil funding rates, which remain unchanged for the third year in a row.

Proposals for the 2013-14 Schools Budget

Overview of the Schools Budget

- 5.8 The Schools Budget is funded by a 100% ring fenced government grant called the Dedicated Schools Grant (DSG). It can only be spent on the purposes prescribed by the DfE and funds delegated school budgets and a range of centrally managed pupil and school related budgets. Any under or overspending in a year must also be ring fenced and applied to a future Schools Budget. LAs can add to this grant from their own resources, but are not allowed to plan to spend at a lower amount. The strategy of the Council is to plan for the Schools Budget to be funded to the level of external funding, with the Executive Member authorised to agree the budget allocation between schools and centrally managed budgets.
- 5.9 Each school's budget is protected through the Minimum Funding Guarantee (MFG) which limits the change in per pupil funding that a school can receive each year on most, but not all budget allocations. The DfE has again set the MFG at a negative amount and schools can receive a **reduction** in per pupil funding on relevant budget allocations of no more than 1.5%. The rate is unchanged from April 2011. To help finance the additional cost of the MFG that arises from these funding reforms, the DfE now allows a cap to be applied to schools receiving a financial gain. The Forum has previously agreed to apply a cap, up to the level required to cover the cost of top up funding paid to schools below the MFG. For 2012-13, the MFG amounted to £0.061m and was funded from the overall DSG. The new capping provision to be applied to remove funds from schools receiving a financial gain means that the MFG budget required for 2012-13 becomes a saving in 2013-14.

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Elements of the DSG

- 5.10 As detailed on the previous agenda item, the DSG has been re-configured into three separate parts; the High Needs Block, the Early Years Block and the Schools Block, each of which are funded separately. Whilst there is no ring fence requiring funding from each Block to be spent on relevant items, in this first year of the new arrangements, where 2012-13 budgets have been aligned to the new Blocks, it is expected that planned spend in each Block can be managed to the amount of allocated DSG funding, although that is likely to change over time. Proposals relating to the High Needs and Early Years Blocks are detailed in separate sections below, with the following paragraphs relating to the Schools Block.

Schools Block

- 5.11 Income for each financial year from the Schools Block DSG is based on actual statutory aged pupil numbers in schools at the October prior to the start of each financial year (previously the most recent January census data was used) multiplied by the per pupil amount for each LA, as determined by the DfE. As set out on the previous agenda item, the relevant rate for the Council has been set at £4,187.
- 5.12 The data set provided by the DfE on 10 December indicates that pupil numbers to be used to determine the amount of Schools Block DSG have increased by 318 (+2.2%), from 14,292.5 (October 2011) to 14,610.5 (October 2012) and this will generate income of £61.179m, an increase of £1.330m. The breakdown in change in numbers shows 324 extra pupils in primary schools (+3.7%), and 6 less in secondary schools (-0.1%). Whilst primary schools are currently facing significant growth in pupil numbers, as the pupils move through year groups, there will be future growth in secondary school numbers with a resultant increased pressure for places.

Budgets proposed to be centrally managed by the Council

- 5.13 In terms of Schools Block items that are proposed to be centrally managed by the Council on behalf of schools, the relevant amounts must be approved by the Forum. In addition, there remains in place a mechanism to control annual increases in budget, although this is now applied differently compared to previous years, and does not apply to all budgets. Annex 1 sets out the 2012-13 budgets, together with the transfers from delegated school budgets to create a contingency to support schools in meeting the Key Stage 1 class size regulations that limit classes to no more than 30 pupils per teacher and the contingency to support new schools, both of which were agreed at the last meeting of the Forum. Annex 1 also groups together budgets where expenditure controls exists. The Forum is now requested to formally agree the starting point for centrally managed budgets in 2013-14.
- 5.14 Members of the Forum will recall that the funding reforms also require additional delegation of centrally managed services to schools, although where agreed by relevant representatives on the Forum, budgets for maintained schools – not academies - can be “de-delegated” and returned for central management. Decisions have previously been made by the Forum to “de-delegate” all relevant budgets, where this is permitted by the DfE. In total £1.338m is involved, with the October 2012 census now being used to distribute funding through the Formula, rather than October 2011 as illustrated on the June consultation document. The £0.200m funding currently centrally managed to support practical learning options for 14-16 year olds must be delegated to secondary schools, with the council proposing to offer a Service Level Agreement to schools in order to continue the collaborative work

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currently being undertaken. Annex 2 confirms amounts and provides further detail on relevant items.

Savings and pressures proposals

- 5.15 The Council believes that the new Funding Framework requires a change to the way that the budget is set, with a more simplistic, high level approach needing to be adopted. This mainly arises from the tight financial settlements being made by the government and the restricted number of allowable factors which limits the ability to selectively target resources only to those schools facing cost pressures. Therefore, the following key principles, listed in priority order, have been used as a guide in making budget proposals:
- A. It has been included in the financial settlement from the DfE and it is consistent with local funding priorities;
 - B. It relates to a new or amended statutory responsibility / DfE Regulation;
 - C. There is sufficient income to fully fund changes in pupil characteristics, i.e: changes in pupil deprivation, low prior attainment, number of looked after children, English as an additional language and mobility;
 - D. The pressure relates to a key local priority;
 - E. Any remaining funds should be allocated using per pupil, high deprivation and low prior attainment, in the same proportion as the distribution of funds at the start of the financial year (around 93.6%/3.1%/3.3% in primary and 90.7%/4.6%/4.7% in secondary). If sufficient funding remains for this principle, schools would then be free to deploy the resources to their key priorities and any school specific pressures.
- 5.16 The financial consultation with schools sought views on potential budget developments, should additional funding be available, and the following items were highlighted.
1. Building maintenance;
 2. Rising cost of utilities;
 3. Funds to update ICT equipment;
 4. Full funding for 4 year olds;
 5. Impact from industrial action;
 6. In-year arrivals of pupils with SEN;
 7. Capacity of borough to assist schools in real emergency situations (floods, roof collapse, heating failure);
 8. Early Years Foundation Stage: compliance to the new framework.

Using the budget setting principles above, the Council does not consider the new Funding Framework suitable for making budget decisions at this level of detail and that schools should make their own decisions on where to apply any additional funds, which should be allocated on a consistent basis to all schools.

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- 5.17 As well as the pressures identified by schools, some of which are specific to individual, or small groups of schools, there are other cost increases that generally speaking, all schools will face next year including:
1. 1% assumed public sector pay award (estimated at £0.541m);
 2. Contractual increments due to staff (no estimate available);
 3. Cost increase on the Local Government pension scheme where contributions to the repayment of the accumulated deficit are expected to increase by 15% (estimated at £0.040m);
 4. Business rates, where the national rate in the pound charged on properties will be increased by 2.6% (estimated at £0.033m);
 5. Induction of Newly Qualified Teachers (NQTs) (estimated at £0.022m);
 6. General inflation on non pay at around 2.6% (September RPI rate) (estimated at £0.222m).

Using the budget strategy set out in paragraph 5.15, whilst these items are real cost pressures, they have not been reflected in the financial settlement from the DfE and are not therefore proposed to be funded. The exceptions to this being item 4. the increase in business rates, which the Council is obliged to fund in school budgets by DfE Regulation and which meets principle B of the budget strategy, and item 5. induction of NQTs, which meets principle A of the budget strategy.

- 5.18 The other specific pressures that are considered to meet the criteria being used to make budget proposals are:
1. Increase in pupil numbers (principle A);
 2. Increased cost of business rates arising from school expansions as new classes are built, which DfE Funding Regulations require schools to be funded on the basis of estimated actual costs (principle B);
 3. Changes in pupil characteristics e.g. eligibility to FSM (principle C).
- 5.19 In respect of the increase in pupil numbers as recorded on the October 2012 census, current forecasts indicate that numbers will continue to rise during the year, further increasing cost pressures at the start of the 2013-14 academic year. The DfE recognises the need to provide schools with sufficient funding to meet increases in intake, and therefore allows funding to be held in the schools' contingency, with the latest forecast indicating the need for additional resources next year of £0.163m.
- 5.20 There are four areas of savings for schools that can also be taken into account in setting next year's budget. Criminal Records Bureau (CRB) checks have costed around £0.030m less than the funding allocated to schools; top up funding to the new Jennett's Park Primary School that is required to reflect the special circumstances arising from a rapid increase in roll that cannot adequately be reflected through the Funding Formula can be reduced by £0.070m to £0.100m, although the final amount may need to be changed in the light of discussions with the school; the new school meals catering contract for primary schools will result in a subsidy payment being received, rather than having to fund net aggregate costs of £0.090m; and the MFG will in future be a net nil cost, with schools gaining from the reforms financing the cost of those facing budget reductions, saving £0.061m. Overall, £0.251m of relatively straightforward savings are proposed.

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- 5.21 With additional DSG income of £1.330m, savings of £0.251m, and as detailed on the previous agenda paper, £0.003m unallocated from the restated base budget and a £0.022m addition for induction of NQTs, there is £1.606m of unallocated funding available in the Schools Budget next year.
- 5.22 Members of the Forum will be aware from previous budget setting exercises that a net financial gain accrues at times of increasing pupil numbers, with the converse applying when pupil numbers fall. This is because the DSG per pupil funding amounts to £4,187 and the average change in per pupil funding allocated to schools through the Funding Formula was £2,746. This results in £1,441 surplus income per new pupil compared to the baseline from the previous year. The net gain from 327 additional pupils, equates to an increase in income of £0.471m. Note there are minor differences in pupil numbers used to calculate DSG compared to those in the local Funding Formula which is mainly due to different treatment of pupils in SEN Resource Units.
- 5.23 Taking account of the pressures set out above in paragraphs 5.16 to 5.19, and the key budget setting principles adopted at paragraph 5.15, the Council proposes that the net increase in funds is allocated as set out below in Table 1, which the Schools Forum is invited to endorse. Further details of each item are provided at Annex 3.

Table 1: Proposed allocation of addition £1.606m Schools Block income

| Ref | Item | Amount £000 |
|-----|---|----------------|
| | <u>A. Included in the funding settlement:</u> | |
| 1 | Financial impact of change in pupil numbers | |
| | Primary Schools | £914 |
| | Secondary Schools | -£16 |
| 2 | Estimated in-year increase in pupil numbers* | £163 |
| 3 | 'Appropriate body' role for Newly Qualified Teachers | £22 |
| | <u>B. Required by DfE Funding Regulation</u> | |
| 4 | Change in business rates | |
| | Inflationary pressure | £33 |
| | Increase from school expansions | £46 |
| | <u>C. Changes in pupil characteristics:</u> | |
| 5 | Financial impact from change in pupil characteristics | |
| | Deprivation – FSM | £65 |
| | Deprivation – IDACI | £18 |
| | Low prior attainment | -£83 |
| | Looked After Children | £1 |
| | English as an Additional Language | £3 |
| | Pupil Mobility | -£2 |
| | Sub total | £1,164 |
| | <u>E. Remaining balance:</u> | |
| 6 | For general allocation to all schools ** | £442 |
| | Total available | £1,606 |

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* £0.163m funding proposed for in-year increases in pupil numbers must be retained centrally for allocation to schools in-year. All other proposed uses of the £1.606m relate only to delegated school budgets.

** To be allocated to schools as per budget principle E at paragraph 5.15, using per pupil, high deprivation and low prior attainment measures, in the same proportion as the existing distribution of funds (around 93.6%/3.1%/3.3% in primary and 90.7%/4.6%/4.7% in secondary). The allocation of funds between primary and secondary phases would be in proportion to total funds allocated through these three key factors.

- 5.24 As expected, allocations for relative high deprivation have increased as more families become eligible for benefits that trigger FSM eligibility, although there is a lower increased allocation on the IDACI deprivation measure. The continued improvement in end of Key Stage test results reduces the funding allocated to support low attainment.
- 5.25 Assuming all of the budget proposals made in this report are accepted, there would be 11 schools below the MFG; 10 in the primary sector and 1 in secondary. The total cost increases from £0.061m to £0.357m. As set out above in paragraph 5.9, the cost of MFG will be met by capping increases at schools experiencing a financial gain so the increased cost has no overall impact on the budget requirement. 17 schools will have their gains limited; 14 in the primary sector and 3 in secondary.
- 5.26 Under the current economic conditions, there is an on-going recognition that schools face financial difficulties, which for those with the greatest loss in funds are protected through the MFG. The funding framework makes targeting resources to specific pressures difficult to achieve which means in most instances, additional funds will need to be distributed through reference to per pupil, high deprivation and low prior attainment measures. Schools are then free to deploy additional resources to their key priorities and any school specific pressures.

Other matters relating to the Schools Block and delegated school budgets

Change proposed to the per pupil funding rate for Secondary Schools

- 5.27 The Council's June financial consultation with schools proposed that there should be differential per pupil funding rates for Key Stage 3 and Key Stage 4 pupils in secondary schools. This recognises the different cost of providing education by Key Stage. Now that the DfE has confirmed how the DSG will be re-configured, an unexpected outcome has arisen. The £4,187 per pupil DSG funding in the Schools Block compares to the October data return to the DfE which included provisional allocations through the BF Formula of £2,854 for primary aged pupils, £3,774 for those in Key Stage 3 and £4,500 in Key Stage 4. Clearly, in the context of the Schools Block DSG per pupil funding of £4,187, the intended funding level at Key Stage 4 is not affordable and needs to be adjusted.
- 5.28 Views have been gathered from all secondary head teachers on options to amend the funding rate, with agreement reached that all secondary aged pupils should be funded at the same rate irrespective of Key Stage, which at the starting point of the 2013-14 budget setting process equated to £4,058.
- 5.29 As an additional measure, it is proposed to cap the per pupil funding rate used in the BF Funding Formula at no more than 98% of the per pupil rate allocated to the

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Council by the DfE. This proportion is above the current 96.9% to allow for limited growth. Should the cap need to be applied, it is proposed that additional resources are allocated through deprivation and low prior attainment in proportion to existing funding allocations. Even with this change there remains the risk that the per pupil funding rate in the local Funding Formula will remain so close the Schools Block DSG per pupil funding rate, that there may still be future difficulties in setting the overall Schools Budget. The most likely scenario when this would happen is if there is a significant increase in secondary aged pupils, a significant decrease in primary aged pupils, or a combination of both.

Contingency for funding schools for in-year increases in pupil numbers

- 5.30 To provide additional, in-year financial support to schools experiencing significant increases in pupil numbers, LAs are permitted, subject to agreement of their Schools Forum, to retain funding in a contingency for allocation once qualifying criteria is met. The Forum has previously supported setting up such a fund, for allocation where there is an increase of at least 20 pupils between the census point used for funding school budgets, and the actual intake at the start of the next academic year. Some minor changes are now proposed to the text to reflect the use of the October census for funding purposes, which is attached at Annex 4, which the Forum is recommended to agreed. The Forum must now be consulted before any money is allocated to schools from such a fund.

Contingency for funding schools to meet Key Stage 1 class size regulations

- 5.31 In a similar way to which funds can be retained for allocation in year to schools experiencing significant increases in pupil numbers, LAs are also permitted to create a contingency to allocate funds in-year to support schools facing additional costs to ensure Key Stage 1 class size regulations to limit classes to no more than 30 pupils per teacher are not breached. Response to the consultation with schools supported the creation of a such a fund and the criteria proposed to be adopted is now also attached at Annex 4, which the Forum is recommended to agreed. The Schools Forum must be consulted before any money is allocated to schools from such a fund.

SEN specific contingency

- 5.32 In the light of further work on school budgets, the Council has reconsidered the need for the SEN contingency which the Schools Forum agreed should be established in the High Needs Block from a transfer of £0.190m from delegated school budgets. This was originally proposed to protect funding levels at three schools which on initial modelling were facing large funding reductions as a result of allocating £1.221m of the budget that previously supported statemented pupils, on a named basis, to the formulaic approach now required by the DfE.
- 5.33 It was originally expected that any top up to a school from the SEN contingency would be taken into account before the MFG was applied. This would mean that relevant schools would receive sufficient funding for SEN without the need for a general top up from the MFG. However, the DfE Regulations require that as the SEN contingency would be funded from the High Needs Block, it must be added after any MFG top up, which only applies to Schools Block funding. Therefore, the three schools losing money from this element of the reforms receive the same level of funding protection as would be applied to any other reductions that arise from the normal operation of the Funding Formula. It is therefore considered inappropriate to apply SEN contingency funding top ups when the national funding protection

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mechanism has already been applied. All other funding reductions are protected through the 1.5% limit applied through the MFG, and for consistency, the Council believes that the same approach should be taken with SEN funding. Should any school experience funding difficulties due to the number and needs of SEN pupils below the high needs threshold, a request for additional funding can be made to the Forum for consideration.

- 5.34 Members of the Forum will be aware that there is a cost pressure arising from out of borough SEN placement costs. This was reported in September 2012 as a forecast year end over spending of £0.436m, with “it seems highly likely that a significant budget pressure will arise for 2013-14 at a time of flat funding settlements”. The most recent budget information indicates a year end over spending of £0.540m, with a full year effect pressure of £0.505m in 2013-14. It is therefore proposed that the £0.190m SEN contingency set up for mainstream schools is used to part fund the forecast pressure on external SEN placements.

New arrangements for the Copyright Licensing Agency (CLA) and Music Publishers Association (MPA)

- 5.35 The DfE has agreed with the CLA and MPA to purchase a single national licence managed by the DfE for all state-funded schools in England. This means that local authorities and schools will no longer need to negotiate individual licences. As a result, there will be savings both in administration and in the overall cost of the licence which will apply to both maintained schools and academies. To facilitate this change, the DfE will allow local authorities to hold money centrally rather than include it in school budgets. This means that the funding currently included in delegated school budgets to fund this obligation will need to be de-delegated. The amount involved is £0.030m and is proposed to be removed on a per pupil basis, which is how the funding was originally allocated to schools for this purpose.

Pupil Premium

- 5.36 Whilst there is no increase in funding rates for schools through the DSG, a 50% uplift has been confirmed for the unit rates paid through the Pupil Premium, which is mostly targeted to schools based on the number of pupils on roll that have been eligible to a FSM at any point in the last 6 years - the ‘Ever 6’ method. Overall, funding is forecast to increase by £0.617m, from £1.423m to £2.044m, with FSM and looked after children being funded at £900 (was £600) and children from service families at £300 (was £250).

Update on Job Evaluation Project

- 5.37 The Forum has asked to be kept up to date on the Council’s Job Evaluation Project. This is still under review with all jobs within the Council, including school support staff roles, having been ranked under the revised job evaluation scheme. This has then led to financial modelling to assess the affordability and fairness of the scheme. This will then be taken forward for further discussion with the trade unions.
- 5.38 The current stage of the project is to discuss the financial models with the trade unions and consider options for the introduction of the scheme. This includes consideration for phasing the implementation over a period of time, for example 4 years, to spread the costs of implementation. Although there is no definitive date when the new scheme could be implemented due to the required time scales to

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introduce such a scheme, it is likely that this will not be implemented until the 2014/15 financial year at the earliest.

- 5.39 Once implementation is confirmed a complete set of template job profiles will be available for all school based support staff roles. These will be available for schools to adopt. The HR Team will then work with headteachers to identify which of the job profiles match the actual roles being undertaken at the school. These will then be sent to the staff concerned who will be given the opportunity to agree to the match or, where appropriate, challenge the decision made. This will be done via an appeals process. This will provide schools with an opportunity to review their support staff structures. The Forum has previously agreed that £0.285m of the 2011-12 Schools Budget under spend should be put aside in an earmarked reserve to help finance the cost of this project, should it be required.

Impact from proposals on the per pupil funding rate

- 5.40 Assuming all the proposals in this report are implemented there would be a per pupil funding rate for primary schools of £2,849 and for secondary schools £4,080. These are both within 98% of the DSG, which caps 2013-14 per pupil funding at £4,103.

High Needs Block

- 5.41 The High Needs Block will cover funding for education provision for high needs pupils and students from birth to 25. This is in line with the proposals set out in the Green Paper on SEN and disability. High Needs Pupils are defined by the DfE as those requiring more than £10,000 of support each year. Costs below this threshold are to be met from general funds in budgets delegated to schools and allocated from the Schools Block.
- 5.42 As set out on the previous agenda item, the DfE has yet to confirm all the funding adjustments required to the High Needs Block. However, it is clear from rolling forward current commitments in non-BF special schools that there is a significant budget pressure, currently estimated at £0.505m. This is before inflation, and the Council is currently negotiating with providers to maintain charges at 2012-13 prices. If this is not successful, then the pressure will increase further.
- 5.43 The main reason for the cost increase is the need to accommodate an extra 9.5 full time equivalent pupils in out of borough non-LEA special schools where the average cost of a placement is £0.049m. A number of factors have contributed to the additional numbers including the growth in population, medical advances resulting in a number of children who would have not survived child birth or into their teenage years surviving and a lack of specialist local provisions. Placements are made in non-LEA special schools only after exploring every alternative, and they are all discussed at SEN Panel where there are representatives from schools, the Education Psychologist Service, health professionals and others. The cost forecast includes £0.2m for potential placements that based on past experience may arise as a result of placement breakdowns, but which at this stage are not certain in numbers or costs. This pressure is considered unavoidable and therefore needs to be funded.
- 5.44 As set out above in paragraph 5.34, the Council is proposing that the £0.190m SEN contingency for mainstream schools is transferred to part fund this pressure, which would then reduce to £0.315m. It is proposed to meet a further £0.269m of additional costs from the budget for in-year allocations to schools to support SEN pupils, where costs will be greatly reduced in future as lower level support costs are to be funded

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from within original delegated school budgets. The remaining forecast shortfall of £0.046m will need to be managed in-year against centrally managed budgets, or from accumulated reserves.

Early Years Block

- 5.45 The Early Years Block will initially cover 3 and 4 year olds receiving the entitlement to 15 hours a week free education and childcare that is paid to providers – maintained schools and private, voluntary and independent (PVI) sectors – through the Early Years Single Funding Formula (EYSFF). It also covers the early years contingency, central expenditure on under 5s and high needs pupil funding where this is not included in the High Needs Block. There are no changes proposed to this part of the budget as the re-configured DSG funding is considered sufficient to cover costs, and will be subject to recalculation based on actual take up of the free entitlement, so will increase or decrease in response to changing demand.
- 5.46 As no inflation has been included in the DfE funding allocation, no changes are proposed to the per pupil funding rates paid to providers through the EYSFF. This is in accordance with principle A of the budget setting process detailed in paragraph 5.15.
- 5.47 From September 2013, the free entitlement will be widened to cover the least advantaged 2 year olds, and a update paper on this was presented to the Forum in September. The DfE have confirmed revenue funding of £0.894m to fund providers taking 2 year olds and the associated support services, and a capital grant of £0.170m for developing sufficient places.
- 5.48 The revenue allocation is split into place funding of £0.642m and trajectory funding of £0.252m. The place funding will be used to purchase around 200 free early education places from April 2013 for 2 year olds of 15 hours per week and will also provide further support for those 2 year olds with additional educational needs. The trajectory funding is allocated to support building capacity in the PVI sector and will be used to create non-statutory places in preparation for the 2014 entitlement which rises to an average of 40% of 2 year olds, although different percentages will apply to LAs dependant on their relative levels of deprivation.
- 5.49 In respect of the £0.170m capital funding, this will be used to support capacity building and it is anticipated that this fund will be heavily targeted in areas identified as requiring completely new provision due to existing lack of childcare.
- 5.50 A further report on the intended provision for 2 year olds will be presented to the 14 March Forum meeting, and at this stage it is proposed that the allocated funding is initially ring fenced for the intended purpose. The March Forum meeting will also need to agree the amount of funding to be centrally retained by the Council for early years activities and the hourly rate to be paid to providers.

Use of accumulated balances

- 5.51 The latest forecast for the year end balance on the centrally managed Schools Budget items is for a £0.202m surplus. As set out above, any year end balance must be applied to the Schools Budget and not added to the Council's general reserves. Due to the relatively small amount involved, together with the possibility of further changes to the forecast before the end of the financial year, it is not proposed to include any potential carry forward surplus in the 2013-14 funding envelope. This

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proposal also takes into account the additional risks associated with the new Funding Framework and providing a funding source for any in-year cost increases, for example around high needs pupils, or in-year increases in pupil numbers.

Other decisions required from the Schools Forum

- 5.52 The content of this report complies with requirements of the School and Early Years Finance (England) Regulations 2012. In addition to this, in setting the 2013-14 Schools Budget, there is also a requirement from the Schools Forum (England) Regulations that needs to be complied with. This relates to the Forum commenting on arrangements that the Council plans to make available in relation to provisions for statemented pupils (where not delegated). Any changes in provisions have been made to comply with the new funding framework, or relate to budget changes, as set above in the supporting information. The Forum is therefore requested to agree the proposed arrangements.
- 5.53 The Schools Forum Regulations also require the council to seek comments on arrangements for pupil referral units and other education out of school and early years provisions. Members will recall that there are significant changes to operational and funding arrangements in alternative education provision and early years arrangements need to change to reflect the new entitlements for 2 year olds, and a full update on these matters is proposed to be presented to the Forum on 14 March.

Conclusion

- 5.54 Despite the flat funding settlement, through implementing a range of relatively straightforward savings and making use of the financial gain arising from a net increase in pupil numbers, £0.442m of new resources have been allocated through the Funding Formula. This is after fully funding schools for increases in pupil numbers and changes in pupil characteristics. In addition to this, an extra £0.617m is forecast to be received by schools from the Pupil Premium making a total increase in funding of £1.059m. These additional resources are sufficient to finance the unfunded cost of the assumed 1% pay award and 2.6% general inflation on other items of £0.803m, with £0.256m remaining to meet other cost pressures, or for schools to develop their local priorities.

Next steps

- 5.55 The views of, and decisions taken by the Schools Forum will be considered by the Director of Children, Young People and Learning in making final decisions for the 2013-14 Schools Budget, in consultation with the Executive Member. This will be in advance of the 22 January deadline for submission to the DfE of the 2013-14 Funding Formula for Schools. Budgets can then be confirmed to individual schools, which is expected to be some time in February.
- 5.56 Further work is on-going relating to the High Needs Block items, where decisions are awaited from the DfE to confirm the level of funding to be received next year. At this stage, proposals have been made against an estimated amount. There is also work outstanding on formulating plans for the use of the new funding made available to support the expansion of provision for 2 year olds. Further details on this will be presented to the 14 March meeting of the Forum.
- 5.57 The 14 March meeting of the forum will also receive an update report on funding Kennel Land Special School and College Hall PRU. This will include proposals for

additional delegated budgets, in accordance with the new Funding Framework and will incorporate the findings of the separate working groups reviewing future arrangements.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The relevant legal provisions (including consultation) are addressed within the main body of the report.

Borough Treasurer

- 6.2 The financial implications arising from this report are set out in the supporting information. The proposals meet the requirements of the appropriate funding regulations and are considered affordable based on current information.

Equalities Impact Assessment

- 6.3 The budget proposals ensure funding is targeted towards vulnerable groups and an EIA is not required.

Strategic Risk Management Issues

- 6.4 The funding reforms and tight financial settlement present a number of strategic risks, most significantly:
1. Known SEN cost pressures and other volatile, demand led budgets. The current proposals allow for £0.459m of the £0.505m anticipated SEN pressure being funded, but costs could continue to increase during the year. This would need to be contained by managing savings on other centrally retained budgets, or drawing down from the £0.202m surplus expected to be carried forward from 2012-13.
 2. Managing the new commissioning model of SEN services, with many providers recalculating charges in light of the new funding arrangements may lead to higher cost increases than would otherwise be expected.
 3. Providers could experience financial difficulty, placing at risk the availability of sufficient provisions to meet the needs of BF children.

7 CONSULTATION

Principal Groups Consulted

- 7.1 Not applicable.

Method of Consultation

- 7.2 Not applicable.

Representations Received

- 7.3 Not applicable.

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Background Papers

None

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Initial 2013-14 Schools Block budgets to be centrally managed by the Council

| Budget item | Schools Budget Centrally Managed | | |
|--|----------------------------------|-------------------------|-------------------|
| | Allocations to schools £ | Centrally retained £ | Total £ |
| <u>Part 1: Spending limited to amount agreed in the previous financial year</u> | | | |
| Combined Services Budgets*: | | | |
| Family Intervention Project | £0 | £100,000 | £100,000 |
| Educational Attainment for Looked After Children | £0 | £133,590 | £133,590 |
| School Transport for Looked After Children | £0 | £42,890 | £42,890 |
| Young People in Sport | £0 | £18,050 | £18,050 |
| Common Assessment Framework Co-ordinator | £0 | £42,470 | £42,470 |
| Domestic Abuse | £0 | £6,000 | £6,000 |
| Education Health Partnerships | £0 | £30,000 | £30,000 |
| SEN Contract Monitoring | £0 | £32,680 | £32,680 |
| Miscellaneous (up to 0.1% of Schools Budget): | | | |
| Forestcare out of hours support service | £0 | £4,846 | £4,846 |
| Borough wide Initiatives | £0 | £25,264 | £25,264 |
| Support to Schools Recruitment & Retention | £0 | £7,464 | £7,464 |
| School Admissions | £0 | £175,967 | £175,967 |
| Schools Forum | £0 | £21,440 | £21,440 |
| Termination of employment costs | £0 | £52,003 | £52,003 |
| Sub total Part 1 items | £0 | £692,664 | £692,662 |
| <u>Part 2: No restriction on annual increases</u> | | | |
| Schools Contingency: | | | |
| Unforeseen, significant expenditure | £10,000 | £0 | £10,000 |
| Excessive in-year growth in pupil numbers | £169,458 | £0 | £169,458 |
| New school in year growth ** | £170,000 | £0 | £170,000 |
| Key Stage 1 class sizes ** | £111,392 | £0 | £111,392 |
| Boarding Placements for Vulnerable Children | £0 | £25,877 | £25,877 |
| Carbon Reduction Commitment | £0 | £80,000 | £80,000 |
| Sub total Part 2 items | £460,850 | £105,877 | £566,727 |
| Total Part 1 and Part 2 items | £460,850 | £798,541 | £1,259,391 |

* Combined Service Budgets funded by the DSG generally support vulnerable children and link to other programmes funded by the Council which together result in better, more effective use of resources with improved outcomes for children than if provided independently.

** Budget amounts agreed in October as part of the review of the Funding Formula.

Items subject to additional delegation / de-delegation

| Budget item | Schools Budget Centrally Managed | | |
|--|----------------------------------|---------------------------------|-------------------|
| | Budgets to be delegated £ | Budgets to be de-delegated £ | Total £ |
| <u>Part 5: Items that can be de-delegated from a maintained school's budget</u> | | | |
| Behaviour Support Services *: | | | |
| Local CMCD Programme – offers training to all teachers in 3 secondary schools, equipping them with classroom management skills. | £0 | £31,870 | £31,870 |
| Behaviour Support Team – provides support to young people, children and their families in the home environment and schools to manage behaviour. | £0 | £367,350 | £367,350 |
| Anti-bullying co-ordinator – assists schools in their capacity to address bullying issues. | £0 | £25,027 | £25,027 |
| Social & Emotional Aspects of Learning (SEAL) – a whole school approach to promoting the social and emotional skills that underpin effective learning, positive behaviour, regular attendance, staff effectiveness and the emotional health and wellbeing of all who learn and work in schools. | £0 | £71,190 | £71,190 |
| Schools in Financial Difficulty – additional support where a school is in, or likely to fall into one of the Ofsted categories of causing concern. | £0 | £280,000 | £280,000 |
| English as an Additional Language – to support under performing EAL pupils. | £0 | £127,065 | £127,065 |
| SIMS and other licences – purchase of the licence required by the software that performs most finance and administration tasks in schools. | £0 | £90,453 | £90,453 |
| Official staff absence e.g. maternity leave, union or magistrates duty, jury service, council membership, staff suspension. | £0 | £345,420 | £345,420 |
| Practical Learning Options for 14-16 year olds – supports the development and provision of opportunities for learners at KS4 which better meets the needs of some learners than the traditional curriculum. | £200,360 | £0 | £200,360 |
| Total Schools Budget | £200,360 | £1,338,375 | £1,538,735 |

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* to be delegated from April 2014, with SLA available for schools to purchase a service where required.

Note, the different Parts referred to in Annexes 1 and 2 are as defined in the School and Early Years Finance (England) Regulations 2012.

Of the Parts not detailed in these Annexes:

- Part 3 relates to central early years expenditure, with budget proposals on these matters to be brought to the March 14 meeting of the Forum.
- Part 4 defines funding that may be retained centrally for high needs pupils. There are no conditions or limits attached to this Part, and the proposals in the report are in accordance with the Regulations.

**Proposed budget developments for the 2013-14 Schools Block
Element of the DSG**

| Description | 2013/14 £'000 |
|---|--------------------------|
| <p>1. Change in pupil numbers</p> <p>Pupil numbers have increased by 318 (+2.2%), from 14,292.5 (October 2011) to 14,610.5 (October 2012) and this will generate income of £61.179m, an increase of £1.330m. The breakdown in change in numbers shows 324 extra pupils in primary schools (+3.7%), and 6 less in secondary schools (-0.1%). There is a cost pressure of £0.914m in primary schools and a saving of £0.016m in secondary schools.</p> | 898 |
| <p>2. Estimated in-year increase in pupil numbers</p> <p>The Forum has previously agreed to allocate additional funds to schools that experience exceptional increases in pupil numbers at the start of an academic year, with the funding threshold set at an increase of 20 pupils, with qualifying schools then receiving a budget addition to fund the cost of a teacher from September to March. Rolling forward current pupil numbers by one year group indicates the need to fund 13 more classes at the start of academic year 2013-14. Allowing for 2 further classes from growth in other year groups indicates a need for 15 extra classes. The current budget is sufficient for 8 classes, so requires growth for 7 more. The budget requirement is reassessed each year.</p> | 163 |
| <p>3. Induction for Newly Qualified Teachers (NQTs)</p> <p>The induction regulations have changed so that teaching schools can act as the 'appropriate body' for the induction of newly qualified teachers in maintained schools. Before these changes were made, only local authorities could act as the appropriate body for maintained schools for which a charge for carrying out this role could not be made. The DfE has made a funding transfer between the LA Formula Grant and DSG for this change, which amounts to £0.022m. This funding must be delegated to schools, with LAs now able to charge where schools commission them to carry out the role. It is proposed to allocate the funds to primary and secondary phases in proportion to the average number of NQTs recruited over the last 3 years, which is 33.8 and 34 respectively, at a fixed amount per pupil, by phase. The estimated per pupil rate under this proposal would be £1.22 and £1.97 respectively.</p> | 22 |

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| Description | 2013/14 £'000 |
|--|---------------------|
| <p>4. Change in business rates</p> <p>There are two areas of budget pressure on business rates; firstly a 2.6% increase in the national rate levied, costing £0.033m; and secondly, increases in school floor areas following expansions to accommodate more pupils are estimated to result in cost increases of £0.046m. DfE funding regulations require LAs to provide in school budgets the estimate actual cost of business rates.</p> | <p>79</p> |
| <p>5. Change in pupil characteristics</p> <p>The October pupil census provides an update on the pupil characteristics that are used for funding purposes. This relates to changes in pupil deprivation, both FSM eligibility and IDACI scores, low prior attainment, number of looked after children, English as an additional language and mobility. Overall, there is a small net increase in budget allocations between October 2011 and 2012.</p> | <p>2</p> |
| <p>6. Remaining balance of funds</p> <p>After applying the budget principles set out in the body of the report, there is an unallocated budget balance of £0.442m. It is proposed to be allocated to schools as per budget principle E at paragraph 5.15, using per pupil, high deprivation and low prior attainment measures, in the same proportion as the existing distribution of funds (around 93.6%/3.1%/3.3% in primary and 90.7%/4.6%/4.7% in secondary). The allocation of funds between primary and secondary phases would be in proportion to total funds allocated through these three key factors.</p> | <p>442</p> |
| <p>Total Available</p> | <p>1,606</p> |

Proposed criteria for making allocations from the Schools Contingency

1. Criteria for in-year budget allocations to schools experiencing significant growth in pupil numbers

The School Specific Contingency shall include funding for an allocation to those schools that experience exceptional increases in pupil numbers between the October census used for funding original budgets and actual pupil numbers on roll on the following October census

To assist schools in meeting the additional costs arising in such circumstances, an in-year budget addition will be made where the whole school number on roll from Reception up to Year 11 increases up to the point that a new teacher needs to be appointed. An increase of 20 pupils has been established as the relevant threshold point at which additional funding would be allocated. A second allocation would be made should numbers increase by 40 and so on, with further funding allocations for each additional increase above the 20 threshold.

The amount of additional funding is calculated from the cost of appointing a teacher on Mainscale Point 6 – salary and employer on-costs - for the period September to March.

There is one exception to this general rule. When a school is funded on the basis of estimated actual costs, which is ordinarily a new school or one that opens additional forms of entry during a financial year, it will not be entitled to any in-year growth allowances, provided funds for the additional costs that will arise from a planned significant in year increase in pupil numbers are allocated from an alternative source.

The allocated funding may need to be scaled if demand significantly exceeds the budget allocation, with final decisions to be determined each year by the Schools Forum.

2. Criteria for in-year budget allocations to schools to meet unavoidable costs arising from the Key Stage 1 class size regulations that limit classes to no more than 30 pupils per teacher

The School Specific Contingency shall include funding for an allocation to those schools that experience unavoidable costs arising from the Key Stage 1 class size regulations that are not resourced through the Funding Formula.

Numbers in reception, Year 1 and Year 2 will be collected termly from the relevant school census to determine the total number of pupils in each school affected by the relevant Regulations. Where the aggregate number of pupils does not equate to a multiple of 30, additional resources will be added at the amount required to cover the cost of appointing a teacher on Mainscale Point 6 – salary and employer on-costs - for the relevant period, after taking account of the funding delivered through the Funding Formula. Funding will be added on a “missing pupil” basis.

There is one exception to this general rule. When a school is funded on the basis of estimated actual costs, which is ordinarily a new school or one that opens additional forms of entry during a financial year, it will not be entitled to any top up funding from the Key Stage 1 class size contingency, provided funds for the additional costs that will arise are allocated from an alternative source.

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The allocated funding may need to be scaled if demand significantly exceeds the budget allocation, with final decisions to be determined each year by the Schools Forum.

An illustration of the funding calculation is as follows which would need to be updated each year to reflect budget decisions and the cost of employing a teacher (all units of resource are illustrative and not actual):

- a. The per pupil funding rate is assumed to be £2,850 (A)
- b. The cost of a teacher on Mainscale Point 6 – salary and employer on-costs - is £38,800 (B)
- c. To have sufficient income from the Funding Formula to employ a teacher, a school needs $\text{£38,800 (B) / £2,850 (A) = 13.61}$ pupils (C)
- d. The Funding Formula therefore provides sufficient funding to appoint a teacher provided there are 14 pupils (C)
- e. Therefore where the number on roll exceeds a multiple of 30 by 13 or less, the school would be entitled to top up funding
- f. Funding will be added, pro rata for part year, for each missing pupil, plus a one-off £1,750 for the 0.61 unfunded pupil as per c. above.
E.g. a school with 13 pupils above the multiple of 30, in a full year would receive through the Funding Formula $13 \times \text{£2,850}$, which totals £37,050, and would therefore be entitled to £1,750 top up funding, which makes total funding of £38,800, sufficient to employ a teacher
A school with 8 pupils above the multiple of 30, in a full year would receive through the Funding Formula $8 \times \text{£2,850}$, which totals £22,800, and would therefore be entitled to top up funding of £16,000 ($\text{£38,800} - \text{£22,800}$) i.e. 5 “missing pupils” at £2,850 plus £1,750. This would be sufficient to cover the £38,800 cost of employing a teacher.

Children admitted **in-year** as an “excepted pupil” in accordance with The School Admissions (Infant Class Sizes) (England) Regulations 2012, or other relevant legislative requirement will not be included in the calculation for top up funding as they will not impact on the need to recruit a teacher. The exclusion will apply for the full period the child is on roll at the school to the end of Key Stage 1.

“Excepted pupils” currently include those that are admitted to the school outside a normal admission round:

- as a result of the local authority specifying the school in the child’s statement;
- are looked after;
- were in error initially refused admission;
- are from a service family.

“Excepted pupils” on the roll of a school at the October census will generate per pupil funding for a school in the next budget. These funds will be taken into account in any top up funding calculations.

Separate calculations will be made each term, based on data obtained from the relevant census.