

Schools Forum

5th February 2013

Schools Budget 2013/14

Introduction

1. As reported to the Forum previously, the reforms affect the whole of the school funding system, including funding for local authority maintained schools, academies, and early years providers, local authority budgets and post 16 special educational needs provision. The Government's central priority of the reforms is to simplify and standardise local school funding arrangements for 2013/14 and 2014/15, ahead of the introduction of a national funding formula from 2015/16.
2. In order to comply with Government requirements Stockton has developed a new local formula to be applied in 2013/14 to all schools in the Borough which was discussed and agreed with the Schools Forum. School budget allocations for 2013/14 will be calculated based on the settlement and the revised formula.
3. In order to provide stability the impact of changes will be limited by increases applying floors and ceilings at individual school level. However school budgets will continue to be largely determined by the number of pupils in the school and as such protection can only be applied at a per pupil level. This means that schools with falling pupil numbers may see a reduction in funding for the school overall. The impact of this may be lessened by an increase of £300 per pupil to the Pupil Premium in 2013/14.
4. The purpose of this paper is to provide information and recommendations on the local distribution of the Dedicated Schools Grant for the next financial year. This report provides an update on the education funding settlement received from the Department of Education on 19 December 2012, sets out the proposed Schools Budget for 2013/14 and confirms the final Stockton funding formula arrangements for 2013/14. 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.

Summary of Key Points

5. The paper discusses and requests decisions where appropriate, on the following for 2013/14:-

- a. Dedicated Schools Grant Allocations
- b. Schools Block spend including Formula Factors
- c. Early Years Block Spend
- d. High Needs Block Spend
- e. Projected Brought Forward School Budget Balance
- f. Proposed Schools Budget 2013/14
- g. Academies
- h. Pupil Premium

Dedicated Schools Grant (DSG) Allocations

6. The draft 2013/14 Dedicated Schools Grant (DSG) allocation for Stockton is £142.708m compared to £139.509 in 2012/13. These amounts include funding for both maintained schools and Academies. The main adjustments between the 2012/13 and 2013/14 DSG allocations are shown in the table below. It should also be noted that there is no provision for pay and price increases within the settlement.

| | £m |
|--|----------------|
| 2012/13 DSG | 139.509 |
| 2012/13 SEN Block Grant | 0.391 |
| TOTAL 2012/13 Grants | 139.900 |
| Changes for 2013/14:- | |
| Add:Growth for additional pupils in mainstream schools | 0.602 |
| Add: Early Years 2 year Olds | 2.198 |
| Less: Reduction for Hospital schools | 0.233 |
| Add: Hospital Services Spend | 0.025 |
| Less: Net Cross Boundary adjustment | 0.076 |
| Add: Post 16 SEN additional responsibilities | 0.253 |
| Add: Newly Qualified teachers | 0.039 |
| TOTAL 2013/14 Provisional DSG | 142.708 |

7. The DSG is now divided into three blocks, the Schools Block, the Early Years Block and the High Needs Block. Whilst the total DSG is ringfenced the blocks themselves are not.

8. Schools Block :-

- a. The 2013-14 per pupil Unit of Funding for Stockton is £4,486. Stockton's allocation for 2013/14 is £114.043m. This is before academy recoupment which will be taken and given to the EFA (Education Funding Agency) for all Stockton's academies from the DSG allocation. There is also funding of £39k for Newly Qualified Teacher (NQT) funding, which was formerly paid outside DSG.

- b. Within the 2013/14 DSG allocation, based on the October 2012 school census Stockton receives an additional £602,000 to reflect the increased pupil numbers in mainstream schools (outside of Specialist Resourced provision). The change by 134 pupils to 25,419 pupils in total represents an overall increase of 0.5%, with the increase within the primary sector (+3.1%) compared with a decrease of approx 3.2% in the secondary sector.

9. Early Years Block :-

- a. The 2013/14 per pupil Unit of Funding for Stockton is £3,634. Stockton's provisional allocation for 2013-14 is £7.171m. The allocation will be updated for January 2013 and January 2014 early years censuses. The Early Years block will continue to pay for free nursery places up to 15 hours in Primary schools, including academies and Private, Voluntary and Independent providers.
- b. The DfE have allocated a further £2.198m in 2013-14 for early education places for two year olds from lower income households.

10. High Needs Block :-

- a. Stockton's allocation for 2013-14 is £19.257m. The High Needs Block is based on historic spend and will fund place and top-up funding for Stockton's special schools and resource bases, support for Stockton children with high needs in mainstream schools, placements of Stockton children in independent and out-borough special schools and some central expenditure related to children with high needs.
- b. The DfE are still to make further adjustments for high needs pupils in Non Maintained Special Schools and this is expected to reduce the DSG by a further £110k

11. It is difficult to directly compare the 2012-13 DSG to 2013-14 because of the changes in the overall calculation. For instance, place funding for Stockton children in other LA areas has been removed from the High Needs Block and Stockton is receiving the equivalent funding for non Stockton children in Stockton special schools. Funding for two year old places was previously part of the national Early Intervention Grant and the number of two year olds to be offered places has been increased. There is also funding for Newly Qualified Teacher (NQT) funding, which was formerly paid outside DSG, for the costs of monitoring and quality assuring NQT induction.

Schools Block Spend

12. Formula Factors - Alongside changes to the method of allocating funding to Local Authority areas, the method of allocating resources to individual schools within the area will also be very different for 2013/14. The distribution to mainstream schools / academies will use a formula which is required to have significantly fewer factors than were allowable under the previous regulations.
13. As consulted on previously, the 2013/14 factors and associated values including the de-delegation submitted to the DfE in the January proforma are shown in the table below:-.

| Factor | Unit Value | % of Total Funding |
|---|------------|--------------------|
| AWPU - Primary | £2,565 | 35.1 |
| AWPU - Key Stage 3 | £3,285 | 17.4 |
| AWPU - Key Stage 4 | £4,787 | 17.6 |
| Free School Meals Ever 6 - Primary | £1,644 | 6.4 |
| Free School Meals Ever 6 - Secondary | £2,332 | 5.9 |
| Looked After Children | £1,295 | 0.2 |
| Low Prior Attainment - Primary | £1,037 | 2.4 |
| Low Prior Attainment - Secondary | £2,594 | 1.9 |
| English as an additional language - Primary | £601 | 0.3 |
| English as an additional language - Secondary | £2,624 | 0.2 |
| Lump Sum | £169,410 | 10.7 |
| Split Sites | £41,076 | 0.04 |
| Rates | Actual | 1.6 |
| PFI | Actual | 0.3 |
| TOTAL | | 100.0 |

NB the amounts above will be slightly reduced for maintained schools once the de-delegation is taken into account

14. The minimum funding guarantee (MFG) will continue to apply at minus 1.5% per pupil in 2013/14 and 2014/15. The Government have said it will continue beyond this but haven't yet decided at what level. In order to make the guarantee affordable a cap will be placed on gainers of 1.6% per pupil as previously discussed.
15. The increase in primary pupil numbers referred to in para 8b above for the purposes of the budget share formula is partially offset by the deduction for the increase of 64 pupils in support bases (which are funded from the High Needs block) between January and October 2012.

16. Members are reminded that the existing funding baseline incorporates additional assigned resources for up to the first £6k of support for high needs pupils, based on children as at the beginning of the autumn term in primary sector and spring term for secondary, so that it will be subject to protection in the MFG.

17. The “final” proforma has been submitted to DfE to meet their deadlines on the basis of agreement of the proposals set out in this report by the Forum. The DfE have been made aware of this proviso.

18. Using these factors with the Autumn 2012 schools census information and other relevant data results in £111.789m being required for individual school budgets including the de-delegated services.

19. Notional SEN Budget –

a. As at present, under the new place-plus approach to high needs funding, mainstream schools and Academies will continue to receive a clearly-identified budget for SEN. This will be their notional SEN budget. Using their notional SEN budget, mainstream schools and Academies will be expected to:

- i. meet the needs of pupils with low-cost, high-incidence SEN; and
- ii. contribute up to £6k (excluding standard teaching & learning), towards the costs of provision for pupils with high needs (including those with high-cost, low-incidence SEN)

b. The notional SEN budget is not a separate budget. It is, however, identified within a school’s delegated budget, and consists of part or the whole of several formula factors as set out in the table in para 13 above.

c. Following DfE guidelines the proposed notional SEN allocation for schools is set out below :-

| | Primary | Secondary |
|--------------------------|---------|-----------|
| Basic Entitlement - AWPU | 6% | 4% |
| Free Schools Meals | 14% | 13% |
| Low Prior Attainment | 100% | 71% |

d. In total this equates to approx £9.8m across primary and secondary school / academies and equates to approx £386 per pupil in each sector across all pupils

20. As agreed by the Forum at the last meeting £150k has been set aside for a growth fund to meet the estimated cost of an increase in primary pupil numbers.

21. The DfE has recently agreed with the Copyright Licensing Agency (CLA), and the Music Publishers Association (MPA), to purchase a single national licence for all state-funded schools in England managed by the DfE. This means that local authorities and schools will no longer need to negotiate individual licences. The Department will pay the cost, to the CLA and will provide this as a service to local authorities at a charge. The DfE are to set out the arrangements for administering the charge shortly.
22. The Schools Block will fund mainstream schools and the central items that are still allowed from 2013-14. The proposed central items are unchanged from 2012-13 levels and the Schools Forum is asked to approve as follows:-
- a. Contribution to Combined Budgets: £88,748
 - b. School Admissions: £200,720
 - c. Servicing of Schools Forums: £20,622
 - d. Capital Expenditure from Revenue: £911,794
 - e. Miscellaneous (up to 0.5% of School Budget) £66,552
 - f. Carbon Reduction Commitment Allowances £133,721
 - g. Centrally funded termination of employment costs £11,141
23. Overall, the estimated budget requirement for the Schools Block is £0.530m below the DfE allocation for that block.

Early Years Spend

24. Three and Four Year Olds:-
- a. Free early year's education for three and four year olds will continue to be funded by Local Authorities through the Early Years Single Funded Formula (EYSFF). The only change to the current formula being the use of Income Deprivation Affecting Children Index (IDACI) as a deprivation factor instead of the outdated Child Tax Credit indicator as consulted on with schools, private, voluntary and independent (PVI), as well as the Schools Forum.
 - b. Indicative Early Years budgets are estimated to be £0.906m for PVI settings, £5.811m for schools and £0.415m retained by the Council to provide central services and a £50k contingency for growth in early years numbers.
 - c. In the current year there is a pressure of approx £130k due to increase numbers in the PVI sector. At present, it is proposed to not build in this pressure as the 2013/14 DSG Early Years Block Grant is to be adjusted by DfE for January 2013 and then again for January 2014 participation numbers.

25. Disadvantaged Two Year Olds

- a. As previously reported to members, 15 hours early years education will become a statutory entitlement for eligible two year olds from 1 September 2013, with the local authority having a duty to secure provision for 571 children in Stockton-on-Tees. This equates to around 20% of two year olds who meet the following criteria: 1) Looked after children; 2) Children who meet the Free School Meal criteria.
- b. The programme will be extended from September 2014 to include 40% of two year olds, with a current estimate of between an additional 571 – 700 places within Stockton-on-Tees. The Government recently consulted on proposed eligibility criteria for this extended entitlement. This includes children with special educational needs or a disability; and also those who have been in care and been adopted.
- c. The revenue allocations within DSG for 2013/14 are made up of two elements. The first is place based funding of £1.578m. This is an amount for statutory places which must be funded once the entitlement for 20% of two year olds comes into force from September 2013. The second is trajectory building of £0.620m. This is an amount to be used, in the main, to create non statutory places in preparation for the 2014 entitlement for 40% of two year olds.
- d. Local authorities are being strongly encouraged to fund providers based on the following:
 - i. flat hourly rate for two year old places with no additional supplements.
 - ii. To offer a formula that has sufficient flexibility to provide additional support for two year olds with additional educational needs and Special Educational Needs.
 - iii. To fund places in settings that are rated good or outstanding by Ofsted, or satisfactory where the local authority has an agreed improvement action plan in place particularly where sufficiency of places is an issue.
- e. One key role of the Local authority is raising awareness of the programme with parents and it is the government's strong intention to reward local authorities who achieve high levels of take-up by moving to participation funding. This is not possible in 2013, but they intend to do so as quickly as possible, from 2015.
- f. A Project Board has been established to develop and implement the programme, led by the Planning & Partnership Manager who

gives regular updates to the DfE on progress against Government targets.

- g. Nursery classes within schools – many schools with Stockton-on-Tees take children as soon as they reach their 3rd birthday. Providing the school meets the criteria and wishes to take part, eligible children could be funded through this programme until they move on to the 3 & 4 year old free nursery entitlement. Work is underway to look at the implications of this on an individual school basis and the current estimated additional funding to primary schools is estimated to be around £238k pa based on previous years participation.
- h. The roll out of the programme will be as follows:-
 - i. April to July 2013 – the existing 74 places funded through the pilot will continue.
 - ii. From September 2013 places will be allocated against the 571 target.
- i. This will result in some one off savings in the non-trajectory funding which can be used for DSG overspend in other areas. Implementing the 2 year old free nursery entitlement will create pressure on the current capacity within the Families Information Service (FIS) who are responsible for managing the administrative processes associated with the programme. The systems required will build on those currently in place for the free nursery entitlement for 3 & 4 year olds. It is proposed that funding of £26k is made available from the allocation to increase capacity to ensure robust systems are in place for the future.
- j. Strategic planning and development of the programme will be absorbed within existing roles and will remain the responsibility of the Planning & Partnership Manager who sits within the Education, Early Years & Complex Needs division of CESC.
- k. The hourly rate:-
 - i. It is proposed that the hourly rate is not reduced to accommodate additional children over the 571 target as it is not expected that this number will be exceeded.
 - ii. It is anticipated that the hourly rate will stand at approximately £4.77 per hour. This reflects a slight reduction in the £4.85 paid to the Local Authority as part of the Statutory Place Allocation. The reduction will be used to support the increase in capacity required within the FIS team.

- iii. However, this rate will only be guaranteed for the financial year 2013 /14. The Local Authority is waiting for additional guidance on the criteria for 2014-15 in addition to the funding levels that will be made available to support the September 2014 target.

I. Trajectory funding:-

- i. Trajectory funding of £0.62m has been made available to increase capacity within the market to meet the targets for September 2014. A significant amount of work will be required to increase the available places, in the right area and to meet the set criteria. This is going to be particularly true where SEN children are concerned.
- ii. In order to achieve this it is proposed that the Local Authority commission a partner organisation to support them in the work necessary to increase the number of places available. This will involve developing existing provision alongside supporting the creation of new places where gaps have been clearly identified.
- iii. Trajectory funding will also be used to fund a number of pilot programmes in April prior to the statutory date of September 2013. These programmes will be in a range of settings, where places are funded 'up front' in order to trial and develop new initiatives.

High Needs Spend

26. The High Needs block will meet the costs of the following:-

- a. Special schools
- b. Resourced Units in mainstream schools/academies
- c. Hospital Provision
- d. Pupil referral units
- e. Funding to schools for pupils with additional needs
- f. Special educational needs (SEN) support services
- g. Independent special school fees
- h. Education out of school
- i. All post 16 SEN expenditure, including new responsibilities for 16-25 year olds in Further Education colleges and independent providers
- j. High Needs expenditure on under 5s

27. From 2013/14 there have been significant changes to the funding arrangements for special schools and specialist provision in mainstream schools. These changes include the EFA being responsible for the base funding of over 16s in Special Schools. From 2013/14 the delegated budgets are to be funded on a place-plus basis. Delegated

budgets for Pupil Referral Units will also be in place from 1st April 2013 under the new arrangements.

28. In the first year of the reforms the government has set as a condition of grant that the level of top up funding should be such that, were all the High Needs pupils in pre 16 specialist setting placed by that LA, the school's total funding for 2013/14 would not be more than 1.5% below the funding that the school received in 2012/13.
29. Significant representation has been made with regards the end of the current group funding and the impact this will have on children if it ceases at the end of March. In order to help the eight primary schools affected to secure a managed exit strategy and support the children concerned it is proposed continue the group funding until the end of the academic year at a cost of £126k. Given the expected one off underspend on the disadvantaged two year old funding this can be accommodated within that.
30. The High Needs block allocation is based on 2012/13 budget and takes no account of growth in pupil numbers. However there is a significant pressure on the current primary individual pupils budget demonstrated by an in year overspend of over £0.5m. In addition to this the agency placement budget for children with complex needs placed in independent special schools is overspending by approx £400k.
31. Post 16 - There is concern around post 16 High Needs funding for 2013/14. The speed of change to this new system of funding 16-25 education has been enormous. At present, the Council has been funded by DfE for 154 post 16 places however we have 222 known students who we will become statutorily responsible for. Using the DfE own funding allocation methodology the shortfall equates to approx £470k for the period August 2013 to March 2014. Representations will be made to the DfE and the Council will be submitting an exception request for additional funding. The deadline for such requests is 22nd February with the outcome not being known until towards the end of March. Unfortunately, this deadline is after decisions need to be taken in determining the Schools Budget. In the meantime, the advice provided by EFA is that we should plan on the funding allocations we have been given and if anything else is subsequently received it will be a "bonus".
32. The estimated budget requirement for the High Needs Block is £19.748m of which £15.560m will be delegated to schools and pupil referral units (via places and top ups) and £4.188m will be retained by the Council to meet the cost of centrally funding services. Within the sum delegated to schools/ academies & colleges a contingency of approx £0.5m will be set aside for new children (Pre and Post 16) identified in year and any reassessments. As referred to in paragraph 23 above £0.530m will be transferred from the Schools Block to High

Needs to manage pressures and try and keep band values as high as possible and meet the estimated budget requirement.

33. Final top up band values will be determined once the current pupil verification exercise is completed with schools by the SEN and Transitions team. It should also be noted that schools will only be given a 5/12's allocation for high needs pupils in Year 6 and 11. The remaining 7/12's will be allocated to the school / college the young person moves to at the start of the following academic year. In any event the top up funding is to move in real time with the high needs child.

Projected Brought Forward School Budget Balance

34. Any under / overspends in the Schools Budget are carried forwards into the next financial year. The estimated overspend balance to be brought forward from 2012/13 of £300,000 is included in the resources of the Schools Budget for 2013/14. Given the expected one off underspend on the disadvantaged two year old funding this can be accommodated within that.

Proposed Schools Budget 2013/14

35. The Schools' Budget is a ring-fenced account within the authority's books and this report sets out the proposed budget and funding formula for 2013/14. The Schools Budget has been prepared in accordance with the new national funding arrangements effective from 2013/14.
36. The Authority is required by regulations to determine the total of its Schools Budget and the split of the Schools Budget between the Individual Schools Budget (ISB – this is the amount to be distributed to schools, Academies and private, voluntary and independent (PVI) providers) and central expenditure.
37. Based on the information earlier in this paper the proposed 2013/14 Schools budget for each funding block is set out in the enclosed Appendix. It shows the DfE Block allocation against the spending plans for each area.
38. In line with the Councils MTFP plan and strategy (item 6 on today's agenda), it is proposed that the Local Authority reviews the centrally managed services within the Schools Budget with a view to developing proposals for potential savings and / or service reductions in view of the pressures, particularly across the High Needs block.
39. Further information on the final individual school budgets and the updated allocation of the Dedicated Schools Grant will be reported to

the next Schools Forum. Final school budgets are expected to be issued to schools later this month or early March at the latest.

Academies

40. The figures included in the enclosed Appendix do not take account of academy recoupment. The authority is responsible for determining budget shares using the local funding formula for academies as well as maintained schools. Any allocation due to Academies will be recouped from Stockton's DSG by the EFA, although the actual distribution to Academies by the EFA will be determined by the EFA. As Academies are funded on an academic year basis the agreed funding with each Academy will not immediately match the recouped amounts in the financial year.
41. As an aside, the LA element of Local Authority Central Spend Equivalent Grant (LACSEG) is to be replaced by a new Education Services Grant (ESG). The value of this is to be £150 per pupil in 2013/14 reducing to £140 per pupil in 2014/15. There is also to be transitional protection for existing academies which will be removed over time.
42. Currently, central specialist SEN services are included in the DSG LACSEG calculation for academies. From 2013/14 academic year, academies will no longer receive a separate payment for specialist SEN support services. Local authorities will be required to provide specialist central SEN support services to Academies and Free Schools on the same basis as maintained schools.

Pupil Premium

43. The Pupil Premium is advanced to the authority for maintained schools as a specific grant and distributed to schools according to the national formula. The rates of Pupil Premium are as follows:-

| | Initial 2012/13 | Revised 2012/13 | Announced 2013/14 |
|--------------------|----------------------------|----------------------------|------------------------------|
| | £ | £ | £ |
| Free School Meals | 600 | 623 | 900 |
| Looked After Child | 600 | 623 | 900 |
| Service Child | 250 | 250 | 300 |

44. In 2012/13 the Government decided that eligibility for the Pupil Premium would be extended to pupils who have been eligible for Free School Meals (FSM) at any point in the last 6 years and this methodology will continue for 2013/14. The total amount receivable by schools and academies in the Borough in 2013/14 is estimated to be around £3.9m.

Recommendations

45. To note:-
- a. The 2013/14 Dedicated Schools Grant settlement
 - b. The Early Years Block DSG will not be finalised until confirmation is received from the DfE in 2014
 - c. The High Needs Block allocation will not be finalised until DfE have confirmed the Post 16 and non maintained special school allocation adjustments.
 - d. Significant risk with the High Needs budget for 2013/14 particularly relating to the shortfall and risk with post 16 SEN funding
46. Support the funding formula as set out in para 13 to 19
47. Support the financial position and planned action as out in the enclosed Appendix.
48. That the Schools Forum approve the planned central spend in 2013/14 as set out in the attached Appendix (para's 21 & 35)
49. In respect of Disadvantaged two year olds to support the following:-
- a. The suggested hourly rate of £4.77 for 2013-14.
 - b. The proposal to 'top slice' the Statutory Place Allocation to support the necessary increase in capacity within FIS at a cost of £26k.
 - c. The decision to commission a partner organisation to support the Local Authority in increasing capacity within the early years & childcare market to meet the demand for eligible 2 year old places.
 - d. The proposal to fund a number of pilot programmes from the Trajectory funding.
50. Support the continuation of the SEN group funding until the end of the academic year at a cost of £126k
51. That the Schools Forum approve the carry forward of the projected overspend to next financial year to be met from the Schools Budget as set out in para 32

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