

**SCHOOLS FORUM**  
**21 FEBRUARY 2013**  
**2013/14 SCHOOLS BUDGET**

**Purpose of the Report**

1. The purpose of this report is to present the 2013/14 Dedicated Schools Grant Settlement for Leicestershire and proposed 2013/14 Schools Budget.
2. This report builds upon a number of reports presented through the 2012/13 financial year and specifically those relating to school funding reform. The decisions vested in Schools Forums as they relate to the school funding formula were taken at the meeting on 20 September 2012 in advance of the formula being agreed by the Councils Cabinet on 16 October 2012 and the Education Funding Agency in October 2012 and February 2013.

**Recommendations**

3. That Schools Forum notes the previous decisions taken on de-delegation of funding (para, item 1)
4. That Schools Forum note the non retention of a fund for pupil number growth (Paragraph 11, item 2)
5. That Schools Forum note the position in respect of budgets for prescribed historic commitments (Paragraph 11, item 3) and the decision of Schools Forum on 20 September 20 2012 to de-delegate.
6. That Schools Forum approve the retention of budgets to meet the prescribed statutory duties of the local authority (Paragraph 11, item 4)
7. That Schools Forum note the retention of the Dedicated Schools Grant Reserve and the purposes for which it will be used (Paragraphs 31-32)
8. That Schools Forum support the provision of one-off transitional funding for schools whose loss as a result of the high needs pupil funding changes exceeds 1% of their 2013/14 budget and the approach to be taken for special needs units. (Paragraphs 43-44)
9. That Schools Forum approve the centrally retained early years funding (Paragraph Item 5 and paragraphs 62-64)

## **Background**

10. 2013/14 sees significant change in school funding both in terms of the manner in which local authorities receive Dedicated Schools Grant (DSG) and the manner in which schools receive their delegated budgets. This report sets out those changes, the decisions that have been taken prior to this point and sets out the decisions necessary in order that all financial matters relating to the 2013/14 Schools Budget are enacted.

## **Role of the Schools Forum in setting the 2013/14 Schools Budget**

11. The Schools Forum has a defined decision making role in some aspects of the 2013/14 Schools Budget which are detailed in the following table together with the implications for Leicestershire;

<b><u>Item</u></b>	<b><u>Approval For</u></b>	<b><u>Action</u></b>
1.	De-delegation from mainstream school budgets	No further action necessary, decisions were taken by Schools Forum on 20 September 2012
2.	To create a fund for significant pupil number growth in order to support the local authority's duty for place planning and agree the criteria for maintained schools and academies to access this fund.	Schools Forum considered and rejected the retention of the former Key Stage 1 class size funding as pupil growth at its meeting on 20 September 2012. This funding is contained within the agreed formula for 2013/14.  The local authority has not previously funded in year pupil growth and is making no budget provision for pupil number growth in 2013/14.
3.	Funding for prescribed historic commitments where the effect of delegating this funding would be destabilising	The budgets falling into this category within the 2013/14 budget proposals relate to primary schools only and are; <ul style="list-style-type: none"> <li>• Licences and subscriptions £14,000</li> <li>• Free school meal eligibility £12,000</li> </ul> De-delegation was approved by Schools

		Forum at its meeting on 20 September 2012. This will need to be reconsidered for 2014/15 given the academy conversion rate of primary schools
4.	Funding for the local authority In order to meet prescribed statutory duties placed upon it. Approval is required to confirm the amounts for each duty and no new commitments or increases in expenditure from 2012/13 are permitted.	<p>The budgets falling into this category are;</p> <ul style="list-style-type: none"> <li>• Servicing the Schools Forum £8,570 (2012/13 £8,750)</li> <li>• Carbon Reduction Commitment £450,000 (2012/13 £450,000)</li> <li>• Premature Retirement Costs £729,890 (2012/13 £729,890)</li> <li>• Admissions £279,615 (2012/13 £325,570)</li> <li>• Miscellaneous £248,000 (2012/13 £248,000). This is the commissioning budget for schools causing concern</li> </ul> <p>Schools Forum are asked to approve the retention of these budgets which have not increased over the 2012/13 budget provision</p>
5.	Funding for central early years expenditure, which includes funding for checking eligibility of pupils for an early years place and/or free school meals	Schools Forum are asked to approve this expenditure which arises as a result of the movement of funding from the former Early Intervention Grant to DSG
6.	Authorising a reduction in the Schools Budget in order to fund a deficit arising in central expenditure that is to be carried forward from a previous funding period	This situation does not exist within the 2013/14 budget so no decision is necessary

### School Funding Reform

12. 2013/14 sets out the first stage of movement to the national funding formula which is expected to be introduced in 2015/16. This first stage of reform is charged with delivering a simpler, more consistent and transparent funding system which is delivered on three principles;
- 1) that as many services and as much funding as possible is delegated to schools
  - 2) that the number of factors that can be taken into account within a local authorities funding formula to schools is reduced
  - 3) that Schools Forums should be more transparent and decisions better reflect the views of providers.
13. The new system applies equally to maintained schools and academies. It introduces arrangements for funding and commissioning places for pupils with high needs that are consistent across all providers. Dedicated Schools Grant (DSG) is also expanded to include services for children between two and twenty five through the extended offer to early learning for two year olds and post 16 students with learning difficulties and / or disabilities.
14. The changes however do not extend to the relative funding position of local authorities, the basis for DSG continues to be set at the level of local authority expenditure with the 2013/14 settlement based upon 2012/13 expenditure. The March 2012 consultation document did recognise the need for the national funding formula to move funding between schools and areas in order for a fair national system, however the proposals for 2013/14 begins the redistribution of resources in schools within individual local authorities only.
15. It should be noted that the Department for Education (DfE) do not view the national funding formula as being one where all pupils are funded at the same rate but one where local authorities and pupils with the same characteristics receive similar funding
16. The DfE have stated their intention to undertake a detailed review of the 2013/14 funding arrangements and that if the review identifies '*unacceptable consequences*' for schools then further changes will be made for 2014/15. It is uncertain when the review will commence, the form it will take and the involvement of local authorities within it. The Education Funding Agency (EFA) have however intimated that the review will be early in the new financial year, it will be necessary to link the review of the Leicestershire formula to this.

### **Dedicated Schools Grant**

17. School Funding Reform sees significant structural changes to the DSG settlement for 2013/14 onwards. Since its inception in 2006 DSG has been funded at a flat rate per pupil for all pupils registered on the January census

and the January early years headcount. For 2013/14 the settlement moves to a three block settlement based upon different baselines. For 2013/14 the blocks are based upon 2012/13 expenditure, the school and early years blocks are uplifted for changes in pupil numbers. The settlement is a cash flat settlement with no growth.

18. Whilst DSG is governed by grant conditions the three blocks are not ringfenced and are not an assessment of expected expenditure. The settlement is provisional as the funding transfer in respect of the transfer of funding for post 16 high needs students has not been finalised and the early years block will be updated for new headcount data.
19. It is not possible to undertake a like for like funding comparison between 2012/13 and 2013/14 as a result of the transfers into DSG as the grant structure and content is significantly changed from the 2012/13 grant. Additionally the High Needs Block is no longer based on a funding rate per pupil. However, when comparing the total value of the overall DSG settlement and the pupil numbers used within it, Leicestershire remains the lowest funded education authority in England.
20. The provisional, one year, DSG settlement is £408.7m is analysed in the following table. The detail of the School and Local Authority Budgets is shown in Appendix 1.

<b>Funding block</b>	<b>Areas Funded</b>	<b>Baseline for Settlement</b>
<p>Schools Block £338.2m</p> <p>The proposed 2013/14 Schools Block Budget is £335.9m</p>	<p>Funds delegated budgets for maintained primary and secondary schools and centrally maintained budgets held with the approval of the Schools Forum or statutory functions of the local authority</p> <p>The DSG settlement includes funding for Leicestershire academies which is then recouped from the local authority and paid directly to academies by the EFA.</p>	<p>Settlement determined by a flat rate per pupil of £3,994.63 based upon numbers taken in the schools October school census.</p> <p>This places Leicestershire 3<sup>rd</sup> bottom of the funding table (out of 151 authorities) and compares to an England average of £4,550 per pupil.</p>
<p>High Needs Block £49.0m</p> <p>(provisional allocation, to be confirmed by the EFA in March</p>	<p>Funds the place-plus method of funding special schools and other specialist providers for high needs pupils and students, the pupil referral unit and other support services for high</p>	<p>The baseline for the settlement is the level of expenditure from 2012/13.</p> <p>The settlement is not made on a per pupil.</p>

<p>2013)</p> <p>The proposed 2013/14 High Needs Block Budget is £51.5m</p>	<p>needs pupils and also includes funding for top-up payments in maintained schools and academies.</p> <p>For 2013/14 this block includes funding transferred to local authorities for post 16 students with learning difficulties and disabilities previously held by the former Learning and Skills Council. The level of this funding is an indicative allocation by the EFA and will be adjusted following a data validation exercise being undertaken with local authorities which is expected to be completed in late February 2013</p>	<p>Converting the settlement to a per pupil basis using the October pupil numbers within the settlement, which is not an ideal measure given the post 16 changes, places Leicestershire 17<sup>th</sup> lowest funded at £578.71 per pupil.</p>
<p>Early Years Block £21.5m</p> <p>(Indicative allocation)</p> <p>The proposed 2013/14 Early Years Block Budget is £21.8m</p>	<p>Funds the provision of nursery education for 3 and 4 year olds plus an element of the early learning and childcare service.</p> <p>For 2013/14 this block now includes funding transferred from the early intervention grant into DSG for the extension of nursery education to 20% of disadvantaged two year olds which becomes a statutory duty from September 2013 and for 40% disadvantaged, two year olds in care and 2 year olds with special educational needs from September 2014</p>	<p>Settlement based upon the January 2012 school census to be updated by the January 2013 early years census and January 2014 census at the end of the financial year and £3,363.36 per early years pupil. This places Leicestershire 10<sup>th</sup> bottom of the funding table and compares to an England average of £4,282 per pupil.</p>
<p><b>£408.7m</b></p>	<p><b>2013/14 Provisional DSG Settlement</b></p>	

21. The Schools Budget reflects a movement of £2.5m from the Schools Block to the High Needs Block to ensure that there is capacity to address any financial pressures which may arise from a number of changes that can be expected to change the number of pupils accessing support from the High Needs Block, such as;

- Raising of the participation age to 17 from September 2013
- The Wolf report which advocates changes to the curriculum offer for vocational education
- The transfer of post 16 High Needs funding to DSG where volumes and costs cannot currently be robustly identified, including any financial shortfall on transfer given the transfer is based upon 2011/12 academic year expenditure
- Any changes in the number of high needs pupils that may arise from the move to a demand led funding system
- Any financial impact arising from the introduction of Education, Health and Social Care Plans which will replace the current statutory assessment process
- Increased charges from non-maintained special schools and academies. Two national providers have already indicated price increases as a result of the changes to the funding system and the SEN Green Paper.
- Any residual cost arising from the changes to the manner in which Hospital School provision is funded

A further movement of £283,000 has been made from the Schools Block to the Early Years Block to reflect budget movements in services and the reduction in the 90% floor funding.

22. A further transfer to DSG has been made by the DfE in respect of the movement of responsibility for the induction process for Newly Qualified Teachers (NQT's) away from local authorities to schools. This adds £129,000 to the 2013/14 DSG settlement. This funding is delegated to schools through the per pupil entitlement. The LA holds a contract for the provision of this service to the end of August 2013 the cost of which is £35,000. The proposed 2013/14 budget makes no provision for this cost which is proposed to be met from the DSG reserve, from September 2013 schools will need to make their own arrangements for this service.
23. The DSG settlement previously allocated local authorities floor funding to deliver nursery education to 90% of three year olds, in 2012/13 this equated to £1.3m for Leicestershire. This floor allocation is to be removed by the DfE over a two year period, the allocation for 2013/14 has therefore been reduced by 50% to £0.665m and funding will be fully removed for 2014/15. For 2013/14 onwards funding will be received purely on the number of three and four year olds participating and the overall funding reduction has been managed within the overall DSG funding.
24. Funding reform is charged by the DfE with delivering a fairer, simpler, more transparent and efficient funding system for schools, however it does not consider the relative funding position between local authorities. Thus the underlying issues that result in Leicestershire being the lowest funded education authority remain within the new settlement. It is expected that this funding structure will remain in place for 2014/15 until the expected introduction of a national funding formula in 2015/16.

25. The structure of DSG for 2013/14 extends the remit of the grant which now provides funding for two new statutory responsibilities for local authorities through;
- the transfer of funding for extending the entitlement to nursery education for two year olds (£3.798m).
  - the transfer of funding for 16-24 year old students with high needs (£2.269m provisional)

Both of these changes increase the level of financial risk within DSG in the medium to long term as the demand led elements of DSG are greater than in previous years. It is unclear how, or if, future DSG allocations will be adjusted to take account of increased demand and / or cost.

### **Dedicated Schools Grant Reserve**

26. Schools Forum is aware that the terms and conditions of DSG require the allocation of any balance arising at the close of the financial year to be used to support future years budgets.
27. The 2012/13 budget was set below DSG by £1.3m in order to fund an anticipated overspend in special educational needs in both 2012/13 and 2013/14. As a result of stringent demand and cost management together with the delivery of invest to save schemes such as the expansion of Birchwood and the Braunstone Autism support service it has been possible to control costs in a manner not envisaged when Cabinet agreed to savings for at its meeting on 20 November 2011. Rather than the forecast overspend overall SEN budgets are forecast to underspend by £1.1m in 2012/13 which contributes significantly to the overall projected Schools Budget underspend of £1.017m.
28. The Leicestershire funding formula funds school rates at actual cost, an academy has charitable status and can claim 80% tax relief on its rates cost. As a result when the EFA recoup funding from local authorities on academy conversion they remove the amount that they need to pay them i.e. 20% of the actual cost, the remaining 80% funding is left with the local authority. It was anticipated that this reduction would cease but that hasn't been the case, this funding adjustment has also been contributing to the DSG underspend. For 2013/14 the expected adjustment is added to the funding delegated to schools and only any movement will feed into the DSG reserve.
29. Schools Forum agreed the carry forward of £1.5m from 2011/12 for any closure costs arising from the cessation of the embc contract. Recent financial information from embc suggests that costs can be met from a small overspend on the current budget and therefore this reserve can be released. The final reconciles cost for April to October is expected shortly.
30. As a result of these changes the position of the DSG reserve is much changed from that reported to the meeting of 18 June 2012. The very nature of the reserve as one off funding is that it cannot be used for recurrent expenditure and its use, under school funding reform, is very much more restricted. Where it has been possible in former years to use non recurrent funding to pump prime



activities such as school improvement, these budgets are now restricted to the same level as they were in 2012/13. Other areas are no longer able to be retained centrally, such as behaviour support service, and must be delegated.

31. The following table presents the updated position on the DSG reserve and its use;

	<b>£,000</b>	<b>Narrative</b>
Unallocated Balance 2011/12	530	Unallocated balance per 2011/12 Schools Budget Outturn Report – School Forum 18 June 2012
Embc Reserve	1,500	Funding was carried forward to meet any closure costs associated with the end of the embc contract in October. Whilst the contract has now expired the final reconciliation of services has yet to be completed. The service has slightly overspend the 2012/13 budget allocation and it is now anticipated that this reserve can be released.
Maternity Reserve	61	Following comments from schools after the decision to withdraw funding for school maternity costs it was agreed that a sum of £75,000 should be made available to cover schools in certain instances where it had not been possible to secure insurance, the value was based upon the level of budgetary pressure schools were reporting as a result of the changes. However only £14,000 was claimed and as a result £61,000 of the reserve is released.
Provision for school deficits – sponsored academies	(500)	Provision was made within the DSG reserve for any school deficits accruing to the local authority upon sponsored academy conversion. Given an increase in the expected number of sponsored conversions and an appeal to the DfE from one academy who are claiming they are not responsible for their deficit it is prudent to increase this reserve to £2m
Rates adjustment on academy conversion	725	The estimated rates adjustment on academy conversion is £725,000 greater than estimated. The total value of this adjustment for 2012/13 is estimated to be £1.748m
2012/13 Schools Budget projected Outturn	1,017	Management actions and changes in provision for SEN placements are largely responsible for a forecast 2012/13 underspend on the Schools Budget at period 9
Oakfield Action plan	(192)	The action plan following the OfSTED inspection requires additional resources.

Locality Support Service	(230)	Schools Forum will be aware that it has been necessary to extend the timescale for the dis-establishment of this service to the end of August 2013. As the saving has been removed from the 2013/14 budget reserves are required to meet these on-going costs.
Allocation to 2013/14 Schools Budget	(503)	In order to maintain the High Needs de-delegation in line with the funding consultations this amount has been withdrawn from the reserve to support the 2013/14 Schools Budget
KS4 Commissioning & Personalised Programmes	(276)	Discussions have begun with the Behaviour and Attendance Partnerships on full devolution of funding for the service following the dis-establishment of the Behaviour Support Services in August 2013. The service is currently spending in excess of its budget should this service transfer a commitment has been given it will be maintain the current level of expenditure
Pupil Referral Unit	(184)	Of the 2011/12 agreed budget reductions the Schools Budget contribution to the Central Maintenance Fund was removed. The movement to a delegated budget for Oakfield requires the establishment of a delegated property budget (£50k) which was previously met from this funding. It is also necessary to provide transitional funding (£134k) in order to deliver a sustainable provision until the future nature of service provision for excluded pupils and those at risk of exclusion is defined. For 2013/14 the funding will be withdrawn from the reserve in advance of being factored into the 2014/15 budget on a sustainable basis if appropriate
NQT Induction	(35)	The LA holds an external contract for the NQT induction which is required to be delegated to schools in 2013/14. This allows the LA to meet its financial commitment without charging schools for the remainder of the 2012/13 academic year
<b>Total DSG Reserve</b>	<b>1,913</b>	<b>0.4% of 2013/14 DSG</b>

32. It is recommended that this funding is retained in reserves in order to address any unforeseen financial implications arising from school funding reform. The notable risks are the transfer of funding responsibility for students aged 16-24, the introduction of the offer of nursery education to 20% of the most deprived 2 year olds and other risks identified at paragraph 21 plus any variation in

volumes from that estimated within the budget. The reserve will be taken into account in setting the 2014/15 Schools Budget.

### **High Needs Pupils**

33. The new funding system has also required changes to the way in which schools are funded for meeting the needs of pupils with special educational needs, pupils with special educational needs are now categories as high needs pupils. The new funding system is shown in the following table and will result in all providers of specialist school places being funded in the same manner.

	<b>Mainstream School or Academy</b>	<b>Special School/ Unit and Resourced Provision in Mainstream School or Academy</b>
<b>Element 1</b>	Basic entitlement - per pupil of £4,000 within school delegated budget	Place funding £10,000 through delegated budget
<b>Element 2</b>	Additional funding through the schools delegated notional SEN budget – £6,000 of additional support per pupil	
<b>Element 3</b>	Further funding required above the £6,000 of Element 2 to meet the assessed needs of the pupil  Budget centrally retained by local authority and allocated to schools on the basis of the individual need of pupils.	Further funding required above the place element of £10,000 to meet the assessed needs of the pupil  Budget centrally retained by local authority and allocated to schools on the basis of the individual need of pupils.

34. Leicestershire had moved to a highly delegated system for funding SEN in schools whereby funding was allocated with reference to SEN proxy indicators through prior educational attainment and the Index of Multiple Deprivation. This change reinstates the former position whereby schools are funded for the individual needs of pupils. This reintroduces one of the issues that delegation sought to address i.e. to remove the resource commitment tied into the statutory assessment process and the perverse financial incentive within the statementing process.

35. In order to establish the significant administrative function necessary to implement and maintain this system it has been necessary to introduce new roles within the SEN assessment service. It has been necessary to extend a 0.6FTE contact to a full time basis and to recruit to an enhanced business support post that is currently a vacancy, this is funded from the high needs block. A provisional budget of £21,000 has been allocated which may need to be revised when the job description for the business support officer role has been finalised and subjected to job evaluation.
36. In order to move from the current delegated system to the new national structure it has been necessary to remove funding previously allocated to schools in their delegated budget, this funding is retained within the High Needs Block to be paid to schools as 'top-up' funding. The 2012/13 SEN allocation in the Individual Schools Budget was £15m, £3m of this funding has been removed from delegation. Future school budget exercises will need to consider whether more or less funding will need to be subject to future transfers, in a flat cash funding settlement position should top up funding exceed that available, school delegated budgets may need to be further adjusted by either removing more or less funding from delegation. This new system is in line with the report of the Scrutiny Review Panel on Special Educational Needs received by this Committee on 26 March 2012.
37. The revised SEN criteria and the moderation process, which agrees the level of need of pupils within specialist school settings, will ensure a consistent local authority approach and that effective processes are in place that do not allow providers to seek to increase individual levels of need for financial gain.
38. In funding these changes authorities are funded for the pupils for which it commissions provision for which removes the current system for inter-authority recoupment other than for looked after children. Leicestershire will pay top up funding only for Leicestershire children and where appropriate children in care in Leicestershire schools. For pupils from other authorities if top-up funding is payable schools will need to enter into discussions with that local authority.
39. Funding reform has required the total restructuring of budgets for special schools, mainstream schools with special needs units and the pupil referral unit. Work is complete for special schools and MLD units. For other units discussions are on-going and top up rates are to be confirmed prior to go live in April 2013. Whilst all providers are funded on the same basis the rates of funding reflect the differential cost base of providers such as satellite provision at special schools and the additional costs incurred by schools with SEN units. For post 16 students at special schools the £10,000 place funding will be provided by the EFA to academies and the local authority for maintained schools. The local authority will pay top up funding for all schools. Appendix 2 details top up rates for special schools and SEN units.
40. Two changes are relevant for pupil referral units. The first is that from April 2013 they should have a delegated budget, the second is a movement to the

place funding and top up arrangements as for other specialist providers, it is necessary to provide some funding to support the transition during the 2013/14 financial year. The 2013/14 budget proposals therefore maintain current financial commitments at the level of the 2012/13 budget, this will allow for the current commissioning and funding arrangements for fixed term exclusions and dual registrations to continue over the short term as an interim arrangement for the short term. The longer term position will need to reflect the commissioning arrangements required by funding reform and any changes in the local authority's future model for provision for excluded children and those at risk of exclusion.

41. The high needs changes cannot be moderated by the Minimum Funding Guarantee. Local authorities have the flexibility to target additional funding where the number of high needs pupils on roll cannot be adequately reflected through the funding formula, additionally the DfE recognises that local authorities may need to phase in the high needs changes. The position in relation to the DSG reserve permits the use of some funding for schools most affected by these changes on a one year only basis and could be used to ease the transition into the new system.
42. Three elements combine to create the overall impact;
  1. A reduction in delegation
  2. The removal of funding for enhanced packages
  3. The receipt of top up funding

A number of schools receive less funding overall when these elements are combined. This reduction is in addition to any reduction in funding through the MFG, or indeed any additional funding as a result of the ceiling mechanism.

43. A comparison has been undertaken on the value of the changes as a percentage of schools overall budgets. Using the latest snap shot of data the school with the greatest impact from these changes sees a reduction in their budget of 3.21% of their 2013/14 budget. Headteacher and Governor briefings have both identified that the high needs changes are the most difficult to plan for and the element of school funding reform where schools are showing the most concern. It is proposed one off financial support for 2013/14 is paid to those schools whose budget reduction as a result of the changes exceeds 1% of their overall budget. This payment will be based on the snapshot of the autumn term data and will not be adjusted in the financial year and will cost £207,000. The first call for this funding will be the high needs block, should there be insufficient capacity within the budgets then funding will be withdrawn from the DSG reserve.

44. Conversations are also taking place with schools with SEN units which are identifying particular issues such as the financial impact of under capacity, instances where numbers are distorted through either a bulge class within the units or where provision is expanding. In all these instances there are cost implications arising from the inability to realign staff in sufficient time to respond to the changes. Whilst it is not possible to protect funding levels from a fall in the number of places some short term transitional funding may need to be provided in exceptional circumstances. It is proposed that this will be undertaken on an individual business case basis.
45. Local authorities currently fund hospital school provision wherever that provision is made, the 2013/14 changes result in funding being removed from authorities with no direct provision to those that have. Leicestershire therefore has no funding for hospital school education in 2013/14, should costs arise as a result of non acceptance of a referral or where provision has to be made that cannot be provided by external provision, it will be necessary to fund this from budget flexibility within the high needs block

### **School Budgets**

46. Schools Forum have been fully briefed on the changes to the school formula in previous meetings and endorsed the formula to the Councils Cabinet who agreed the proposals at its meeting on 16 October 2012.
47. The structure of the formula is unchanged from the position reported to Schools Forum on 4 December 2012 and reflects the comments of the EFA following the submission of the draft formula in October. The final formula was submitted to the EFA in line with their deadline of 22 January, confirmation was received on 1 February that '*.....the authority's adherence to the finance regulations and proforma appear to meet the required criteria*'. The unit values within the formula are shown in the pro-forma required by the EFA as Appendix 3
48. Two elements of the schools settlement are brought to the attention of Schools Forum and required adjustments to the formula and are outside the consultation process undertaken on the proposals;
- 1) Copyright Charges – The DSG settlement included changes to the funding mechanism for the cost of cost of the Copyright Licencing Agency and the Music Publishers' Association where the DfE have negotiated a contract on behalf of all schools and academies. Schools will need to continue to fund some licences, schools will be advised of the implications of this where they have been clarified with the DfE.

The DfE do not intend that this funding (£172,000) should be delegated and then de-delegated but retained centrally for both maintained schools and academies under a general dispensation granted by the DfE to the School and Early Years Finance (England) Regulations 2012. The proposed budget makes provision for this change.

- 2) Impact of DSG Settlement – Schools Forum agreed at the meeting of December of the process for any changes to the formula arising from the DSG settlement. The final proposals submitted to the EFA included an increase in the per pupil entitlement of 1% and an increase in the per pupil ceiling, or maximum increase, from 1.5% to 4%. The financial position of the 2012/13 Schools Budget, through the rate adjustment on academy conversion, also contributes to this additional funding allocation.
49. Further briefings on the changes have been delivered through the spring term Chairs of Governors meeting and LPH. Additionally the spring term Bursar Roadshows will focus upon the changes and provide support for school budget planning.
50. Data on high needs pupils is being finalised, the format for the information to be provided to schools has been considered and agreed by the SEN Operational Group consisting of school business managers, bursars, officers and a Schools Forum representative. This information will be released shortly, its release has been held up by further information on funding special schools and academies from the EFA on 6 February.
51. Budgets for special schools and SEN units attached to primary and secondary schools have been constructed using the new system for funding high needs pupils, schools have been engaged with the modelling throughout. Budgets largely replicate 2012/13 resources, as advocated by the EFA, and are protected through MFG and the ceiling on gains on the place led funding only as for primary and secondary schools but does not relate to the cash implications of any unoccupied places.
52. Work continues on some issues at SEN units where there are specific and unique circumstances, some of which may give rise to the need for some financial support where staffing levels cannot be aligned to the same timescales as the significant financial changes to these providers. The local authority is working with schools to identify solutions and Schools Forum will be advised of all instances where transitional funding has been necessary and the reason it has been made available.

### **School Level Protection**

53. The extent of the changes required to respond to school funding reform would generate significant turbulence at school level if un-moderated. There are therefore a number of levels of protection for schools which are detailed in the following table;

<b>Minimum Funding Guarantee (MFG) –</b>	MFG remains in place for 2013/14 and 2014/15 and has been confirmed at minus 1.5% per pupil and is set nationally by the DfE.  The DfE have also confirmed that MFG will remain
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	<p>in 2015/16 but have not stated at what level this will be. It can be assumed that the speed at which the DfE wish to move to the expected national formula will influence its future level.</p> <p>As in previous years the MFG is a per pupil protection, schools with falling rolls may therefore see their overall level of budget decrease by more than minus 1.5%</p>
<p><b>Impact of SEN delegation reduction</b></p>	<p>Turbulence at school level is generated as a result of removing a universal distribution from schools who are then allocated specific, targeted top-up funding dependent upon the needs of individual pupils, schools with no high needs pupils receive no top-up funding.</p> <p>Local variations to MFG are only permissible by the DfE if they affect less than 5% of schools, this change impacts upon all schools and is therefore unable to be protected by MFG.</p>
<p><b>Maximum Per Pupil Increase</b></p>	<p>School funding reform has been required to be delivered within a cash flat settlement therefore local authorities were given flexibility by the DfE to limit the per pupil increase in budgets in order to meet any additional costs arising from the MFG.</p> <p>The maximum per pupil increase for Leicestershire schools has been raised from the 1.5% level within the funding formula consultation to 4% per pupil. No commitment has been given for 2014/15 which will need to be revisited in the light of the 2014/15 DSG settlement and any further changes to the Leicestershire formula.</p>
<p><b>Impact of High Needs Changes</b></p>	<p>Local changes to the operation of MFG are only permissible by the DfE if they cover no more than 5% of schools, as the high needs changes affect all schools the impact of the changes can't be moderated by this mechanism.</p> <p>It is proposed that a one off payment to primary and secondary schools for 2013/14 only is made to limit the reduction in budget to a maximum of minus 1%. This will be made on the autumn term snapshot of data and will not be adjusted in year if pupil needs change.</p> <p>Any funding protection for schools with SEN units will be considered on an individual business case basis. Any such funding will only be paid for any costs arising from the transition from a fixed budget</p>



	to the participation led model within funding reform
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### **Pupil Premium**

54. Nationally the funding through the Pupil Premium increases for 2013/14 by 50%. Pupil Premium is paid for all pupils who have been eligible for Free School Meals in the last six years (£900), children who have been continuously in care for more than six months (£900) and for pupils of service families (£300). This funding is additional to the school formula budget.
55. An indicative Leicestershire allocation of £12.579m has been published by the DfE which includes funding for both maintained schools and academies. This allocation will be updated for data extracted from the January school census and is unlikely to be confirmed until June 2013. Maintained schools receive their funding via the local authority and Academies directly from the EFA.
56. The DfE recently released details of the 2012/13 pupil premium for year 7 literacy and numeracy catch-up. Schools received £500 for each pupil in the year 7 cohort who did not achieve level 4 reading and/or maths. Funding for maintained schools totalled £121,500 and for academies £598,500. The DfE have stated that this funding will continue to 2015 but has not provided any further details of what the allocations may be.
57. For all elements of the pupil premium schools are required to report how the funding is being used and the guidance states that schools will be '*held to account*' through performance tables, the OfSTED framework and online reports to parents. Specifically in relation to the year 7 catch-up element there is an expectation that schools will inform parents that their child is receiving additional support and how the funding is being used.

### **Early Intervention Grant**

58. The Early Intervention Grant (EIG) funds the Councils Children's Centres and Early Learning and Childcare service as well as other early intervention services including short breaks for disabled children and careers information and guidance for 16-19 year olds. This funding has either been transferred into the local government finance settlement or DSG and is no longer a specific grant for 2013/14.
59. Prior to transfer nationally £150m was top sliced by the DfE to be used for early intervention services nationally, the DfE have recently announced that this funding will be used to fund changes within the adoption process in 2013/14, a further £525m was transferred to DSG for early learning for disadvantaged two year olds. At a local level this means funding has been reduced by £5.2m from £20m to £14.8m. To a large extent this can be offset next year as;
  - £2.3m of uncommitted EIG resources have been released

- £3.8m of resources have been transferred from EIG to DSG. As a result £2.1m of early learning expenditure has also been transferred to DSG.

Overall the reduction in funding for 2013/14 is £0.8m.

60. In 2014/15 the forecast shortfall increases significantly as there is expected to be a further £1m transfer to DSG and there is not expected to be the opportunity to charge existing expenditure to DSG as both the offer of free education is expanded to include 40% of disadvantaged two year olds, two year olds in care and those with special needs and overall take up rates are expected to increase. The overall shortfall in funding could increase to c£4m.
61. The Councils Medium Term Financial Strategy makes good the £0.8m shortfall in 2013/14 using local authority budget resources. In 2014/15 further earmarked reserves of £3.2m are used to balance the budget.

### **Early Learning and Childcare**

62. Local authorities are required to maintain an Early Years Single Funding Formula to fund all providers offering the Free Early Education Entitlement (FEEE) and Schools Forum are asked to approve changes to the formula in a further report on today agenda.
63. Schools Forum are also required to agree the central retention of any early years funding. Prior to 2013/14 early learning and childcare was largely funded from EIG, however the expenditure transfer from EIG to DSG and the introduction of the entitlement to disadvantaged two year olds means that the budget proposals now contain centrally managed funding early years expenditure.
64. The significant element of the 2013/14 centrally retained early years expenditure largely relates to the expenditure movement between EIG and DSG and for 2013/14 is £2,199,605 (£470,960 2012/13). It is anticipated that this expenditure will be displaced from DSG as the two year old offer is expanded.

### **Academies**

65. Under the current funding system local authorities receive funding through the local government finance settlement for services that authorities are required to provide to all schools and for services it provides to the schools it maintains. At the point of academy conversion academies receive the Local Authority Central Spend Equivalent Grant (LACSEG) for the services local authorities are no longer required to provide to them. This has been funded by the DfE from a topslice from the local government finance settlement based upon the number of pupils within academies.
66. The DfE consulted in July 2012 on a replacement for LACSEG and has now confirmed that LA LACSEG will be replaced by the Education Services Grant from 2013/14. The grant is payable to academies for those functions that are no longer provided by the local authority and to local authorities for statutory functions and for services provided to maintained schools.

67. The Education Services Grant is funded through a transfer of funding from the local government funding settlement to the DfE, nationally the grant for 2013/14 is £1.04bn which decreases to £1.02bn in 2014/15. For Leicestershire the grant for 2013/14 is estimated at c£5.6m based on the expectation that 70% of pupils will be in academies by March 2013. In 2014/15 when 80% of pupils are expected to be educated in academies, the grant is estimated to reduce to c£3.0m. The exact level of grant is dependent upon the academy conversion rate and level of funding.
68. The amount removed from local authorities is based upon the 2012/13 national average budgeted expenditure of £131 per pupil, however Leicestershire's expenditure for 2012/13 expenditure was £90 per pupil. The impact of this is a reduction in overall Council funding of £3.8m as the grant transfers, this methodology severely penalises low funded authorities such as Leicestershire.
69. The structure of the grant and the purposes for which it is received is shown in the following table;

	Grant Receivable per Pupil	2012/13 LCC Cost per Pupil	
Mainstream schools	£116	£62	Received for each pupil within a maintain school for services provided only to maintained schools, adjusted pro-rata in year taken from the date that a school converts to academy status for items such as ICT infrastructure, property maintenance
LA Statutory duties	£15	£28	Received for each pupil within both maintained schools and academies to reflect the responsibility for statutory services local authorities are required to provide to all schools. Services include strategic planning of education services, finance & HR functions for services that do not transfer to academies, maintenance and development of the local authority funding formula, strategic capital planning

<b>Total</b>	<b>£131</b>	<b>£90</b>
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Academies will receive £150 per pupil for 2013/14 and £140 for 2014/15 academic years with the rate for local authorities and academies being brought together over a limited period of time.

70. Schools will no longer receive LACSEG funding for services previously funded through DSG as school funding reform has required those budgets to be delegated to schools.

### **The Local Authority Budget**

71. The Councils Cabinet considered the budget proposals on 6 January and 16 January and by the Children and Young Peoples Overview and Scrutiny Committee on 21 January.

72. Growth and savings have been categorised in the following tables under the following classification;

- \* item unchanged from previous MTFS
- \*\* item included in the previous MTFS, but amendments have been made
- No stars - new item

73. The local authority budget proposes growth in the following areas;

<b>Ref</b>		<b>2013/14 £,000</b>
*G1	<b><u>Increased Numbers of Children in Care</u></b> – This growth was approved through the 2012/13 MTFS. This growth funded an increase in internal capacity to respond to increased levels of case work and responsibilities, this increase for 2013/14 relates to the full year effect of appointments and incremental salary drift..	100
G2	<b><u>Unaccompanied Asylum Seeking Children</u></b> -The Home Office provides each Local Authority with a grant, paid in arrears, for the costs arising from caring for unaccompanied asylum seeking children. The grant is variable and dependent upon the number and age of children and young people being supported.  The grant is no longer payable for the management and administration of the service or the first twenty-five 18 year olds and makes no allowance for any individual need. Leicestershire currently supports 67 children and young people, 49 of which are over 18.	300
G3	<b><u>Home to School Transport</u></b> - Budget provision for home to	280

	school transport for pupils attending the Pupil Referral Unit has previously been supported by Dedicated Schools Grant, it is no longer possible to do so.	
G4	<p><b><u>Children in Care – Residential Placements</u></b> - This growth request is necessary as the cost of residential placement budgets continues to increase and the capacity to manage increased expenditure within the overall CYPS budget is no longer available. Whilst number of children and young people in residential placements is relatively stable the cost of these placements has risen from £10.2m to £12m (17.6%) over a five year period.</p> <p>An amount of £80k is included here to address the volume of case work related to children in care completed by the Legal Services department which is required to increase staffing levels and capacity.</p>	1,580
G5	<p><b><u>School Based Redundancies</u></b> -Under the Education Act 2002 the local authority remains responsible for funding school based redundancies for maintained schools unless there is good reason to charge them to individual schools. Since 2006 these costs have been able to be charged to Dedicated Schools Grant, school funding reform to be implemented in 2013/14 does not permit any new commitments to be met from DSG and therefore growth is requested.</p> <p>A revised redundancy policy was introduced in 2012 which limited the funding available and also requires schools to submit a business case in order for schools to access a fixed amount of funding.</p>	250

74. Further growth of £350,000 was included in the budget proposals presented to Cabinet on 6 Feb to meet the cost of supporting the Educational Excellence Board and support for schools to improve educational performance.

75. The budget also makes provision for the following savings;

Ref		2013/14 £,000
*S1	<b><u>Service Reviews</u></b> – The final phase of the departments administration review is on schedule to be delivered in 2013/14	-80
S2	<b><u>Information, Advice and Guidance</u></b> – The responsibility for the provision of careers advice, information and guidance for 14-16 year olds transferred from local authorities to schools in September 2012. As a result a revised contract was procured which generates savings in both 2012/13 and 2013/14.	-1,030
**S3	<b><u>Terms and Conditions Review</u></b> – This saving reflects the Departments share of a range of changes to employee	-435

	terms and conditions were agreed, with trade unions, to deliver financial savings including stopping the essential car user allowance, reducing the rate of pay progression, reducing overtime rates and reducing pay protection.	
**S4	Whilst the 2013/14 MTFs consists of no unidentified savings the service has a shortfall in its savings target for the final three years of the budget which will need to be addressed through reshaping the service both in terms of structure and the services it delivers. Options will be developed over the short to medium term, the final solution may include some element of service reduction.	2014/15 -1,440 2015/16 -2,740 2016/17 -3,340

### **Conclusions**

76. The 2013/14 school funding changes have been significant and challenging for both the authorities and schools, the precise financial implications of some of these changes cannot be precisely quantified at this point. The budget therefore carries some flexibility to address any unexpected financial implications arising from the transfer of additional responsibilities to the local authority, it may be possible to take a less prudent approach in future years as cost and demand patterns are established.
77. For 2013/14 the DSG reserve will be maintained to deal with any unexpected consequences on school funding reform that are unable to be met from the 2013/14 Schools Budget and be factored into the 2014/15 Schools Budget if unused.
78. It is not possible to give schools any certainty on future school funding given the anticipated formula review in 2013/14, which will affect budgets for 2014/15, and the national funding formula in 2015/16. Schools have been given planning assumptions to assist financial planning which takes on more importance in these uncertain times. It should also be noted that it is unlikely that there will be any change in Leicestershire's funding position in the short or medium term. Whilst the movement to objective funding allocations for authorities is to be welcomed, the DfE's objective for funding reform is not to provide all authorities with equal funding but to provide that for where pupils have the same characteristics they should be funded in the same manner.

### **Appendices**

- Appendix 1 Proposed 2013/14 Children and Young People's Service Budget
- Appendix 2 Top-up Funding Rates – Special Schools and MLD Units
- Appendix 3 School formula pro-forma

**Background Papers**

School Forum Reports;

Schools Funding Reform	4 December 2012
2013/14 School Funding Formula	20 September 2012
School Funding Reform Update	7 September 2012
2011/12 Schools Budget Outturn	15 June 2012

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