

DECISION PAPER

SUBJECT: School Funding Reform

DATE: 20th June 2012

RECIPIENT: Schools Forum

SUMMARY

This paper details the progress made on the development of the new School Funding Formula.

RECOMMENDATION

It is recommended that the Forum:

- i. Notes progress made to date on modelling of Southampton's new School Funding Formula (paragraphs 4 - 7) and that a further paper will be brought to the Forum in the autumn seeking permission to continue with services funded from the central expenditure of the Schools Block (paragraph 16). Members are asked to discuss the issues with their representative groups/conferences
- ii. Supports the authority's proposal to fund the PFI affordability gap from the Schools Budget (paragraph 8).
- iii. Decides on any newly delegated budgets that they wish the authority to manage on their behalf (paragraph 12).

REASONS FOR REPORT RECOMMENDATIONS

1. The Department for Education has introduced new regulations to introduce school funding reform from April 2013. These require local authorities to delegate funding to schools that had previously been held centrally.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. There is no alternative option – as the use of DSG is defined in statute.

BACKGROUND and BRIEFING DETAILS:

3. Dedicated Schools Grant (DSG) Blocks

From April next year the DSG will be divided into three blocks:

- Schools Block
- High Needs Block
- Early Years Block

For information, appendix A shows the make up of the three blocks.

4. New Funding Formula – Schools Block

The School Funding Reform Working Group has now met twice since the last Forum. The initial modelling on the Primary and Secondary formula is being worked on right up until the date of the Forum and will be tabled at the meeting.

5. New Funding Formula – High Needs Block

The working group for High Needs pupils (special schools, special units and alternative provision) has now met three times. Initial modelling is shown at Appendix B.

6. The working group has made the following recommendations:

- Top up funding for special schools and units will be based on the existing three place types – core, enhanced and exceptional.
- The top up funding per pupil will be kept at 12/13 levels
- Pupils in each special school will be assessed against the three place types at annual reviews.

7. Further work needs to take place to compare Southampton's formula with other local authorities.

8. PFI Factor

It is proposed to introduce a new PFI factor into the formula from April 2013. The City Council has been financing the "PFI affordability gap" for ten years. The affordability gap is the difference between the amount the Council currently pays to Interserve for PFI (the Unitary Charge) and the amount of income it receives (from DfE grant plus a contribution from the three PFI schools and a sinking fund held for this purpose). The gap has grown to £1.2 million in 2012/13.

9. If the Schools Block meets this cost (up to £1.2 million) this will reduce the funding available to a school or academy by approximately £46 per pupil (October 2011 pupil count).

10. This is obviously not a burden that the Council would wish to place on schools, however the Forum is asked to consider the following:

- The council needs to explore all avenues for making savings in order to meet the £30 million ongoing shortfall in funding in 2013/14
- Many councils have been and will continue to fund the PFI affordability gap from their Schools Block
- The council is negotiating with Interserve and the three PFI school to reduce the gap down from the £1.2 million to potentially £800,000 (£30 per pupil)
- School balances have increased by £3.84 million this year (a 72% increase on the previous year)

11. The final decision on the new formula rests with the Local Authority. However, we would want the support of the Schools Forum in order to implement this change. The Local Authority will ensure that the Minimum Funding Guarantee is met for each school.

12. New delegations – Schools Block

As mentioned at the last Forum, several budget items which can currently be retained centrally will be delegated through the formula from 2013-14:

- Support for schools in financial difficulties (ISB contingency - £120,000)
- Allocation of contingencies (Intervention Fund - £250,000)
- Liability insurances (£242,300)
- Staff costs - supply cover for trade union and public duties (£58,000)
- Support for minority ethnic pupils or underachieving groups (Bilingual Assistants - £67,300)

In addition funding that is currently paid through budget shares as a reorganisation allowance for Primary expansion can no longer be targeted at particular schools affected by the review (£736,300). This will also be redistributed.

13. The Forum are asked to note the following:

- Funding for these services will be delegated to schools from April under the new regulations on the basis of pupil numbers and EAL (for support for minority ethnic pupils). These new delegations equate to £53 per pupil.
- A new SLA for Liability Insurance will be available for purchase from April.
- The Forum can vote to have different arrangements for the services listed in paragraph 12 by sector.

14. The Forum are asked to decide on the following:

- Do schools wish to continue to pool some of these budgets together?
- If so, who would they want to hold these budgets (a nominated school or the Local Authority)?
- How often would they like these arrangements to be reviewed?

15. For information, the contingency budgets shown below were delegated to schools this financial year (2012-13) and equated to £46 per pupil.

- Advanced Skills Teachers - £327,000
- Targeted Support for Primary Strategy - £250,000
- ISB Contingency - £50,000
- Newly Qualified Teachers - £396,000
- Staff Maternity cover - £187,000

16. Contributions from the Schools Block to school focused services delivered by the Council

The Schools Forum can choose to continue to support the **existing** arrangements for funding school focused services delivered by the Council from the Central Expenditure part of the Schools Block listed below:

- Admissions team £346,900
- Carbon Reduction Commitment £160,000
- Family & Parenting Teams £426,800
- Preventative Social Care team £200,000

17. We are asking Schools Forum members to discuss the proposal to fund the services listed above from the School Block and will ask for a decision in the autumn when the provisional size of the Schools Block will be known.

18. It should be noted that funding for any **new** contributions will need to be agreed by individual schools and not the Schools Forum and provided by a Service Level Agreement.

Appendices/Supporting Information:

Appendix A – New Dedicated Schools Grant blocks

Appendix B – Draft high needs block place plus funding

Further Information Available From:

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Dedicated Schools Grant Blocks

Schools Block

1. *Primary and Secondary Budget Shares*
2. *School Central Expenditure (as approved by the Schools Forum):*
 - *Contingencies*
 - *Admissions team*
 - *Carbon Reduction Commitment*
 - *Family & Parenting Teams*
 - *Preventative Social Care team*

High Needs Block

1. *Special Schools*
2. *Special Units*
3. *Pupils with statements*
4. *Alternative Provision*
5. *Out of City placements*
6. *Centrally funded services:*
 - *Portage*
 - *Speech & Language*
 - *Special Teacher Advisors*
 - *Emotional Wellbeing Development Officers*

Early Years Block

1. *Three and four year olds*
2. *Two year olds*
3. *Centrally funded provision:*
 - *Sholing Early Years Centre*
 - *Start Point Northam*
 - *Early Years Teachers/SENCOs*