

Public Document Pack

Schools Forum

Wednesday, 11th January,
2017

at 3.30 pm

PLEASE NOTE TIME OF MEETING

This meeting is open to the public

LEAD OFFICER

Alan Denford, Finance Manager

Tel : 023 8083 3159

Email : alan.denford@southampton.gov.uk

FORUM ADMINISTRATOR

Pat Wood

Tel: 023 8083 2302

Email: pat.wood@southampton.gov.uk

AGENDA

- 1 **AGENDA 11.01.17** (Pages 1 - 2)
- 2 **SCHOOLS FORUM MINUTES 14 SEPTEMBER 2016** (Pages 3 - 8)
- 3 **ITEM 4 SCHOOLS BLOCK** (Pages 9 - 24)
- 4 **ITEM 5 - HIGH NEEDS BLOCK** (Pages 25 - 30)
- 5 **ITEM 6 - EARLY YEARS BLOCK** (Pages 31 - 38)
- 6 **ITEM 7 - EXPANSION** (Pages 39 - 42)

Date Not Specified

Service Director, Legal and Governance

Schools Forum Agenda

3.30-5.30pm on Wednesday 11 January 2017

Conference Room 3, Civic Centre, SO14 7LY

Item	Who	Timing
1	Apologies and Changes in Membership (if any)	Richard Harris 3.30pm
2	Minutes of Previous Meeting Minutes of the meeting 23.9.16, attached, and a brief update on SLAs.	Richard Harris 3.35pm
3	Declarations of Interest Members to disclose any personal or pecuniary interests in any matter included on the agenda for this meeting.	Richard Harris 3.40pm
4	Schools Block Decision paper of the Service Lead – Finance Business Partnering (Deputy S151) detailing the 2017/18 Schools Block which funds Primary and Secondary School budget shares and Central Services retained by the Local Authority, attached.	Irfan Khan and Alan Denford 4.10pm
5	High Needs Block Briefing paper of the Service Lead – Finance Business Partnering (Deputy S151) outlining proposals for the High Needs Block including funding for Special Schools, Special Units in Maintained Schools and Pupil Referral Units (PRUs) from April 2017, attached.	Irfan Khan and Alan Denford 4.40pm
6	Early Years Block Decision paper of the Service Lead – Finance Business Partnering (Deputy S151) detailing the allocations within the Early Years Block, attached.	Irfan Khan, Alan Denford and Anne Downie 5.10pm
7	Secondary Schools Expansion Briefing paper of the Interim School Places Planning Manager	Kevin Verdon 5.20pm
10	Concluding remarks / date of the next meeting	Richard Harris 5.30pm

Attendees

Chair & Vice Chair

Richard Harris, Chair, Moorlands Primary School Governor
David Turner, Vice Chair, Townhill Infant School

Primary School reps

Susan Brakewell, Bitterne Manor Primary School.
John Draper, Head Teacher, Swaythling Primary School
Peter Howard, Head Teacher, Fairisle Junior School
Mark Sheehan, Head Teacher, Mansbridge Primary School
Julie Swanston, Head Teacher, Woolston Infant School
Amanda Talbot-Jones, St Deny's Primary School

Secondary School reps

Jonty Archibald, Regents Park Community College
Martin Brown, the Sholing Technology College
Ann Murphy, Business Manager, St Anne's Catholic School
Toni Sambrook, Woodlands Community College

Special School reps

Andy Evans, Great Oaks School
Colin Grant, Cedar School

Academy rep

Sean Preston, Hamwic Trust

Pupil Referral Unit rep

Alison Parsons, Head Teacher, Compass School

Non Schools

Chris Ode, NASUWT
Councillor Darren Paffey, Cabinet Member
Urszula Topp, Portsmouth Diocese
Anna Wright, PVI Provider

Also in attendance

Jo Cassey, Service Lead - Education and Early Help
Alan Denford, Service Lead - Finance Business Partnering, SCC
Anne Downie, Team Manager, Early Years and Childcare, SCC
Natalie Johnson, Project Officer (minutes), SCC
Irfan Khan, SCC Principal Accountant
Kevin Verdon, School-Based Planning Officer, SCC

Agenda Item 2

**SCHOOLS FORUM
NOTES OF THE MEETING HELD ON
WEDNESDAY 14 SEPTEMBER 2016
THE TESTHUB, COMPASS SCHOOL,
GREEN LANE, SOUTHAMPTON SO16 9FQ**

Present:

<u>Primary School Representatives</u>	
Richard Harris	Moorlands Primary Governor
Amanda Talbot -Jones	St. Denys Primary School
John Draper	Swaythling Primary School
Mark Sheehan	Mansbridge Primary School
<u>Secondary School Representatives</u>	
Jonty Archibald	Regents Park Community College
Anne Murphy	St. Anne's Catholic School
<u>Special Schools Representatives</u>	
Colin Grant	The Cedar School
Andy Evans	Great Oak School
<u>Academy Representatives</u>	
David Turner	Townhill Infant School
Sean Preston	Hamwic Trust
<u>Pupil Referral Unit Representative</u>	
Alison Parsons	PRU/Compass
<u>Non Schools Representative</u>	
Chris Ode	NASUWT
Anna Wright	PVI Provider
<u>Observers</u>	
Anne Downie	Early Years
Ivan White	The Polygon School
<u>Also in attendance:</u>	
Jo Cassey	Service Lead for Yearly Years and Education
Irfan Khan	SCC Principal Accountant
Alan Denford	SCC Finance
David Townsend	Head of School Effectiveness (Interim)
Nigel Mullan	Capita Assets

1. **ELECTION OF FORUM CHAIR AND VICE CHAIR**

The Forum Chair and Vice Chair were thanked for their work There were no nominations received in advance. Richard Harris was nominated seconded and elected. David Turner was nominated, seconded and elected

2. **APOLOGIES AND CHANGES IN MEMBERSHIP (IF ANY)**

The Forum noted the apologies of Toni Sambrook, Peter Howard, Julie Swanton, Jeff Williams, Sue Thompson, and Martin Brown.

3. **NOTES OF PREVIOUS MEETING AND MATTERS ARISING**

The Minutes of the Meetings held on 22 of June 2016 were approved as a correct record.

4. **DECLARATION OF INTEREST**

The Forum Chair requested signed declarations from School Forum Members.

5. **REGISTER OF INTEREST**

Members completed a Register of Interests form as per paragraph 47 of the Terms of Reference.

6. **REVIEW OF TERMS OF REFERENCE, INCLUDING MEMBERSHIP OF THE FORUM**

The Forum Chair explained the distinction between the Forum's decision making and advisory functions and underlined the importance of filling vacancies.

It was agreed that all papers for decision making will be shared with governors.

To note that dates, post names need updating on Constitution.

School Forum Members are representative of their phase, Forum is for general principles to be discussed rather than the situation of specific schools. It was requested that papers were to be published earlier.

7. **EDUCATION AND YEARLY YEARS CAPITAL PROGRAMME
(VERBAL UPDATE)**

The Forum received a verbal update from Nigel Mullan, Property Business and Account Manager. Nigel is responsible for the delivery of the local authority capital programme. The aim is to deliver efficiencies in a 5 year programmes, rather than as previously in 18-24 month time scales. There has been work on new bids and one of the priorities for this year is the implementation of the secondary schools expansion strategy. The Forum Chair proposed this should be a standing item on the agenda during the period the programme is being delivered. The Capita element of contract is due to end and be moved to an in-house service provision. The Chair requested the date of transfer which was subsequently confirmed as 3 January 2017.

8. **PROPOSALS FOR CHANGES IN SURPLUS AND DEFICIT POLICIES**

The Forum received a paper from the Principal Accountant (PA) regarding proposals for changes in surplus and deficit policies. He stated that discussion on this theme had already taken place at school forum and various other forum e.g. Primary Heads Conference, Special Heads Conference, Secondary Heads and at individual meetings with various schools. Following detailed discussion around deficits in June meeting, the School Forum requested that the proposals be brought back to the meeting for further consideration and approval.

PA explained this paper include proposals for Schools Forum approval. PA explained the revised policy on surplus. Limitations are 8% for primary & special and 5% for secondary, anything over these limits is a surplus/excess budget. PA also stressed that to date, SCC has not exercised the right to reclaim any uncommitted excess budgets. The proposal is for limitations to stay the same and to set up criteria for circumstances where surplus can be agreed. A new Balance Control Mechanism is introduced for schools carrying forward surplus and a split between allowable surplus and that exceeding it. Allowable surplus can be retained by the school if evidence against the set criteria is submitted and signed off.

Schools Forum agreed in June to suspend the previous policy allowing deficit budget to be set at £150K. A new step-by-step process has been outlined for schools to follow. Schools cannot plan for a year end deficit budget when submitting budget plans at the start of the year. School that submit deficit plans will be required to resubmit their budget with plans to bring the budget back into balance within a maximum period of 3 years. The authority will intervene if a school refused to set a balanced budget by identifying the action a school could take and ultimately by suspending delegation.

Once deficit position is established internally, the school is expected to prepare all necessary documentation including management actions that the school has taken prior to notifying the LA. The Deficit Recovery Plan

is a 3 years plan, except for those balanced budget secured. There are difficult discussions/decisions that may be required. Schools need to explore national funding sources and only when all avenues have been exhausted will a deficit be converted to loan.

The previous loan system prior criteria has been suspended. There shouldn't be an automatic deficit transferred to loan and all cases will be revised and analysed on a case by case basis before converting any deficit to loan. JC will need to sign off initial submission for loan to the Service Director Finance & Commercialisation.

If schools are to be converted to Academies they will need include a paragraph underlining that the loan will be a legal document (liability) and this will form part of CTA.

Notice of Concern – SCC had not historically used these before but if the LA is concerned that a schools is failing to comply with the scheme, a note of concern will be issued.

JC confirmed that LA is committed to policy revision. Governing Bodies will need to know timescales. The surplus / deficit budget situation needs to be addressed since the situation across some city schools is urgent. At the last meeting a strategy was agreed, however the strategy needs to be considered as a whole (surplus, deficit, loans) and to have a policy on each. There must be an ongoing dialogue and a support role visiting all schools. Financial support is to be given to schools (SCC if they bought back Finance Service or their own finance support if they didn't buy back) and each school has an assigned School Improvement Officer. Forum debated the scrutiny around Academy finances and JC explained that due to statutory limits academy finances are not within LA control however all academies finances are audited annually and their accounts can be accessed through Company House website. In the school monitoring visit the SIO will look at budgets under financial management. OFSTED requirement is that budget matches school improvement plan. Schools need to avoid spending known surplus and must not plan on a deficit budget. The loan will only be the last resort once.

There was an issue raised around training and a SP, member of EFA Steering Group, offered to feedback information.

Clarification – When schools convert there must be financial due diligence undertaken, deficits, surplus, assets all will be reviewed.

JC reinforced that restructures should be fully explored before an application for a loan would be considered. The policy will be reviewed after one year; Information would be shared at the next Governor Forum.

Policy duly approved with 7 votes for, zero against and 1 abstention (maintained schools representatives received a vote, academy

representatives were not eligible to vote).

9. **UPDATE ON NEW NATIONAL FUNDING FORMULA FOR SCHOOLS**

Schools and High Needs Blocks -DfE is proposing the phased introduction of a new national funding formula from 2018-19; originally, the intention was to introduce the formula from 2017-18.

DfE has confirmed the following:

- In 2017 to 2018 no local authority will see a reduction from their 2016 to 2017 funding (adjusted to reflect authorities' most recent spending patterns) on the schools block of the dedicated schools grant (per pupil funding) or the high needs block (cash amount)
- Local authorities' "schools block" funding, the money that they passport to schools, will be protected in per-pupil terms in 2017-18
- Local authorities' "high needs block" funding, which funds support for SEN pupils and others with additional needs, will be protected in cash terms in 2017-18
- Councils' final allocations for both of these funding pots will be published in December 2016, and will be based on pupil numbers recorded in the October census
- For 2017 to 2018, DfE will retain the current minimum funding guarantee for schools, so that no school can face a funding reduction of more than 1.5% per pupil next year in what it receives through the local authority funding formula
- The following proposals outlined in stage 1 consultation will not proceed from 2017/18.
 - create a new central schools block
 - allow local flexibility on the minimum funding guarantee
 - ring fence the schools block within the dedicated schools grant.

These will be covered in DfE response to the first stage consultation in the autumn for 2018 to 2019 and beyond.

Early Years Consultation - DfE also launched a six-week early years national funding formula consultation to deliver a 'fairer funding system' for 3 and 4 year olds receiving the 30 hour free childcare in August 2016.

The consultation looks to introduce a new national funding formula, outlining changes to the way local authorities fund early years providers in their area and how children with special educational needs or disabilities receive the extra funding they need.

The deadline for responding to the consultation was 22nd September 2016. All members were encouraged to respond. All links to consultation

were already shared with schools and EY providers.

The schools Forum Chair was happy to respond on specific point of viability risk.

Next meeting 19 OCT

JC request that for the review of High Needs Block to go on the next meeting agenda.

DECISION PAPER

SUBJECT: 2017/18 Schools Block
DATE: 11th January 2017
RECIPIENT: Schools Forum

SUMMARY:

This paper details the 2017/18 Schools Block which funds Primary and Secondary school budget shares and central services retained by the local authority, following the announcement by the Department for Education (DfE) of the Dedicated Schools Grant (DSG) figures. The proposals reflect previous Schools Forum decisions and incorporate other adjustments following the detailed funding announcements.

The DfE Authority Proforma Tool (APT) return, setting out schools budget funding details for 2017/18, has to be agreed and submitted by 20 January 2017, following which individual schools budgets will be determined, and individual budget share allocations notified to schools, by the end of February 2017.

BACKGROUND:

Following the 2015 Spending Review, it was announced that the DfE would introduce a National Funding Formula for Schools, Early Years and High Needs to match funding directly and transparent to need. This involved creating a new central Schools Block, allowing local flexibility on the minimum funding guarantee and to ring-fence the Schools Block within the Dedicated Schools Grant. This also involved DfE making £600M savings from the Education Services Grant (ESG).

The Stage 1 consultation on the DfE proposals on Schools and High Needs blocks in March 2016 indicated an intention to implement this from 2017/18, however this has now been delayed until 2018/19.

The DfE have released Stage 2 of the [Schools National Funding Formula](#) consultation which closes on 22 March 2017. This is in addition to publishing its response to Stage 1 of the consultations. The DfE expect to publish the response to the Stage 2 Consultation and final arrangements in July. Southampton City Council (SCC) will be sending a response to the Stage 2 before the deadline.

Meanwhile consultation also took place on Early Years (EY) funding, with proposals for a new formula and a reduction of the top-slicing option available to LAs. Following this consultation, the new EY formula is being implemented from 1st April 2017 (details are included in a separate paper on EY block on this agenda). The top-slice for EY central services cost is limited to 7% for 2017-18 and 5% thereafter.

RECOMMENDATION:

It is recommended that the Schools Forum :

- (i) Note the proposed Schools Block post de-delegation allocation of £132.81M (Appendix 1).

- (ii) Agree one of the options to meet the additional pressure resulting from DfE changes in Income Deprivation Affecting Children Index (IDACI) methodology, as outlined in para 7 and 8.
- (iii) Agree the use of ESG (Retained Element) funding of £486,900 which has been transferred into the DSG to support statutory services relating to all schools provided by the LA. (see para 14 and table 4).
- (iv) Approve a top-slice of maintained schools budgets of £1,021,400 to contribute to the cost of services identified as being partly funded previously by ESG general funding from September 2017 (**Representatives of maintained schools only**) (see para 19 and table 4).
- (v) Approve the de-delegation of budgets listed in para 22.
- (vi) Approve the central expenditure elements of the Schools Block including Primary Review Growth Fund summarised in para 23 - 26.

REASONS FOR REPORT RECOMMENDATIONS

1. Local Authorities are required to allocate the Dedicated Schools Grant and prepare budgets for the three blocks of funding given by the DfE.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. The provision of school education places is a **statutory responsibility**.

BACKGROUND and BRIEFING DETAILS:

3. Schools Block

The level of the Schools Block is based on the October 2016 pupil count. The DfE has confirmed the size of the Schools Block as shown in Table 1 below.

Table 1	2017/18 Actual	2016/17 Actual	Increase/ (decrease)
Schools Block Unit Funding (SBUF) Pupil count - October	4,562.89 29,819	4,645.84 29,121	(1.79%) 2.40%
Additional Funding for induction of NQTs	136,060,800 Included within SBUF	135,291,500 £42,000	
Schools Block	£136,060,800	£135,333,500	0.54%

4. The Schools Block Unit Funding is defined by the DfE and shows a 1.79% decrease. Primary and Secondary pupil numbers in the city have risen by 2.40%. The overall increase in the Schools Block is 0.54%.
5. The funding of £2,913,900 transferred from Schools Block to High Needs block since 2015/16, has been adjusted in both blocks through a DSG baseline exercise that DfE completed earlier in 2016/17 Financial Year.

6. Table 2 provides details of the breakdown of the % increase in pupils.

Table 2: Breakdown of pupil increase			Change	
Sector	2017/18	2016/17	Numbers	%
Primary	19,840	19,290	550	2.85
Secondary	9,979	9,831	148	1.51
Total	29,819	29,121	698	2.40

7. **Income Deprivation Affecting Children Index (IDACI) Funding**

The allowable indicators for deprivation are IDACI, Free School Meals (FSM) and Free School Meals (Ever 6).

IDACI

As a result of the updated 2015 income deprivation affecting children index (IDACI) dataset, the DfE have recognised this showed a markedly different distribution to the previous 2010 dataset resulting in unexpected and unhelpful turbulence in budgets, towards the latter stages of the local formula-setting process.

The DfE have recognised the turbulence and have subsequently updated the IDACI banding methodology for 2017/18 to return the IDACI bands to a roughly similar size (in terms of the proportion of pupils in each band) to 2015/16. The revised bands are named “A” to “G”; with the most deprived neighbourhoods being captured by band “A” (previously bands 6 and 5).

As a result, the cost of deprivation has increased in 2017/18 by £2.95M, however there is no additional funding to meet this.

Free School Meals

The proportion of pupils eligible for free school meals according to the autumn 2016 census has been aggregated to school level, with separate indicators for primary and secondary phase pupils.

Free School Meals (Ever 6)

This counts the proportion of pupils on roll on the spring 2016 census that were recorded as eligible for FSM in any of the censuses (autumn, spring and summer, including the alternative provision (AP) and pupil referral unit (PRU) census) over the previous six years.

There are two options available for schools forum to consider to meet the increase in IDACI factor:

- adjusting values to keep the overall deprivation budget at similar level as 2016/17

This option uses FSM Ever 6 which is as per 2016/17 but uses reduced banding rates to keep IDACI allocation to a similar level as 2016/17.

or

- changing FSM Ever 6% for Primary and Secondary factors to FSM %.

This option uses FSM% and a flat £15.00 reduction to each IDACI band.

8. The impact of both options is summarised in Table 3 below and further detail is shown in Appendix 2.

Table 3: Options to meet IDACI Pressure								
Option 1 - IDACI value at similar level as 2016/17 and not adjusting FSM								
FSM			IDACI			Total FSM and IDACI		
2017/18	2016/17	Change	2017/18	2016/17	Change	2017/18	2016/17	Change
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
5,360	5,435	(75)	7,477	6,941	535	12,837	12,376	461
Option 2 - Changing FSM factors and not adjusting IDACI								
FSM			IDACI			Total FSM and IDACI		
2017/18	2016/17	Change	2017/18	2016/17	Change	2017/18	2016/17	Change
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2,898	5,435	(2,537)	9,895	6,941	2,954	12,793	12,376	417

9. It is proposed that one of the option is agreed to remain within the overall budget, whilst reducing the level of turbulence as much as possible.

10. **Business Rates**

Valuation Office Agency have completed the revaluation of rateable values for 2017/18. The change is an increase as compared to 2016/17 resulting in a pressure of £267,466. No additional funding has been provided by the DfE to account for this change.

11. **Education Services Grant (ESG)**

The Education Services Grant (ESG) is a un-ringfenced grant paid to local authorities and academy trusts to pay for specific services to schools.

It is comprised of two funding rates; the retained funding rate which is paid to local authorities on a per pupil basis, regardless of whether they attend a maintained school or academy. The retained funding ensures that local authorities can deliver services for all schools in acknowledgment that not all responsibilities transfer to the academy trust. The general funding rate is paid to local authorities for every pupil in a maintained school and to academies for every pupil on roll.

12. In the 2015 Spending Review, the DfE announced a saving of £600M from the Education Services Grant (ESG) general funding rate. It was also announced that the local authorities will receive transitional ESG funding from April 2017 to August 2017. The general funding rate will then be removed from September 2017. The retained duties element of the ESG will be added to the Schools Block for 2017/18 at £15 per pupil. This means DSG central block will include centrally retained DSG and council statutory duties from the ESG.

13. For 2016/17, the ESG grant allocation for Southampton is £2.2M (£1.7M general funding and £0.5M for retained duties), with a spend of £4.4M. Thus Southampton City Council has an established position of supporting these services by £2.2M above the grant funded level. This funding is part of SCC's base budget and in the context of the major loss of grant income is not proposed for a cut in 2017/18. This grant has been subject to reductions in recent years through government cuts in rates with associated reductions through the impact of less maintained schools due to academy conversions.

14. **ESG Retained Duties**

As per DfE announcement, the £117M for ESG retained duties has been transferred into the DSG Schools Block for 2017/18 and is included within the SBUF for each local authority.

Southampton has been allocated £486,900 as part of the DSG school block. **The recommendation for Schools Forum is to agree** a recharge to DSG for the amount equivalent to the ESG retained funding.

As this is 'new' money into DSG, there will be no impact on individual school budgets from this recommendation. No increase in funding is proposed, and the expenditure on these services above the level of grant received would continue to be met by wider local authority resources subject to ongoing approval of Cabinet.

15. **ESG General Duties**

Following the decision in last autumn's Spending Review, ESG has been reduced by around 75%, achieved by removing the funding for the statutory general duties. In recognition of the need to fund statutory duties, the DfE announced that local authorities would be able to top-slice maintained schools budgets. Academies will also lose their General ESG, but on a tapering basis up to 2020.

With regards to the general element, the amount to be retained by the local authority needs to be agreed by the maintained schools members of the Schools Forum. If the local authority and schools forum are unable to reach consensus on the level of the DSG to be retained by the local authority, the matter will need to be referred to the Secretary of State.

16. As per DfE announcement, the local authorities have been allocated transitional ESG funding from April to August 2017 to complement the ESG funding academies will receive for the remainder of academic year 2016 to 2017. The general funding rate will then be removed from September 2017.

The ESG Transitional Grant Funding rate for local authorities is set at a Financial Year rate of £66 per pupil in mainstream schools, £280.50 per place in special schools and £247.50 per place in pupil referral units (PRUs). As the grant is for the period April to August 2017, the rates to be paid are 5/12ths of the financial year amount – £27.50 per pupil, £116.88 per place and £103.13 per place respectively.

17. The DfE will be amending regulations to allow local authorities to retain some of their Schools Block funding to cover the statutory duties that they carry out for maintained schools which were previously funded through the ESG.

Local authorities are required to set a single rate for all mainstream maintained schools (both primary and secondary), they may choose to establish differential rates for special schools and PRUs if the cost of fulfilling the duty is substantially different for these schools.

18. Southampton's share of transitional grant has been confirmed as £637,952. After taking into account both allocations, the impact of ESG funded activities in 2017/18 is summarised in Table 4 below.

Table 4 – Impact of 2017/18 ESG Reduction			
	2016/17 £'000	2017/18 £'000	Comments
Retained Element	455	487	Allocated as part of DSG 2017/18 allocation. A recharge means no impact on schools as this is new funding for DSG.
General Element	1,746	-	
Total	2,201	487	
Transitional Protection (One-Off)	-	638	
Total Funding	2,201	1,125	
Funding shortfall in 2017/18		1,076	
Proposals for Schools Forum (General Element Shortfall)			
Maintained schools		1,021	Maintained schools are charged for general element @ £49.97 per pupil through top-slice.
Sixth Form, Early Years, Special Schools and PRU		55	The rate to charge this amount will be established and all schools in this category will be advised accordingly.

19. **The recommendation for Schools Forum is to approve** a top-slice to DSG for the amount equivalent to the shortfall of £1,021,400 in ESG general funding. A contribution to the cost of the responsibilities listed in Appendix 3 through retaining funding from maintained school budget shares, at an estimated per pupil rate of £49.97. The balance of £55,000 will be charged to sixth form, special schools, PRU and Early Years separately as the funding for these schools is not processed through APT.

Appendix 3 provides a breakdown of ESG funded activities into retained and general elements.

20. **New Funding for School Improvement, following ESG £600M Cut**

The government has announced £190M for school improvement work, which will come into effect as it cuts the £600M ESG. At this stage the individual local authority allocations are not confirmed.

School Improvement Grant

From September 2017, £50M a year will be made available as the School Improvement Grant. This will fund local authorities' ability to continue to monitor and commission school improvement for low-performing maintained schools.

Strategic School Improvement Fund

A new £140M Strategic School Improvement Fund for academies and maintained schools is being made available. This is aimed at ensuring resources are targeted at the schools most in need of support in order to drive up standards, use their resources most effectively and deliver more good school places. SCC plan to apply in partnership with schools to build on existing practices.

Alongside this new work, the Education Endowment Foundation (EEF) has committed to spend a further £20M over the next two years to scale up and disseminate evidence-based programmes and approaches.

21. **Private Finance Initiative (PFI) Factor**

The Schools PFI covers three schools, Woodlands, Redbridge and Cantell. The contract is with Pyramid Schools. This factor was introduced into the formula from April 2013 to make a contribution to the affordability gap. This gap is the difference between the amount the Council currently pays to Pyramid for the 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).

As a result of the contractual requirement for a pricing review and the likelihood that this will result in a benchmarking exercise against the open market, it is anticipated that there will be a significant increase in the Unitary Charge associated with the PFI contract as the costs of the provision of Facilities Management Services have increased due to factors such as the introduction of the Living Wage. The variable element of the Unitary Charge is anticipated to increase by around 17% and this will have a significant impact on both the costs to SCC and Schools.

There has already been a huge impact on the cost to SCC due to the reduction in investment income and the sinking fund was set up to contribute to the running costs of the contract due to interest rates being significantly lower than the forecasted level. This situation is not unique to this council and many councils have been and will continue to fund the PFI affordability gap from their Schools Block.

The Council is working with the three schools, Pyramid and their sub-contractor, Interserve, to identify opportunities to reduce the variable costs of the PFI. Savings have already been made by 'mothballing' unused classroom facilities and a further proposal to switch to the direct payment of utilities costs is currently being reviewed. A further series of options is currently being developed including potential savings by reducing service and maintenance levels in the schools. The negotiation process is complex as the senior lender, Pyramid, Interserve and the 3 schools (who may each also have differing views) as well as the Council all have to be consulted and the services are governed by a contract which has to be varied to allow any changes to proceed.

If any, or all of the three schools become academies the Council's understanding is that the terms of the contract, debt and services associated with that school's element the PFI would be passed to the academy trust. Alternatively, the authority could seek to terminate the contract which would result in breakage costs which are estimated to be of the order of £40-£50M. SCC have escalated this issue with the Regional Schools Commissioner (RSC).

Due to the above increase in costs, the affordability gap to the end of the contract is estimated to be in the region of £4.3M. An annual increase of £288,900 will be required to meet this gap and therefore the PFI factor will be increased from £450,000 to £738,900 from 2017/18.

22. **De-delegation**

The following de-delegated budgets **will need to be approved by the Schools Forum** to be held centrally:

- Support for schools in financial difficulties (£104,200). The 2016/17 position against this budget is shown in Appendix 4.
- Trade Union Duties (£48,900) **(Primary Schools only)**.

23. **Central Services**

The following central services budgets, at the same level as 2016/17, are proposed to be held centrally and **are to be agreed by the Schools Forum**:

- Admissions function (£422,100)
- MASH and Early Help (£626,800)

The following central services budget, in line with DfE regulations, will be held centrally:

- Copyright Licensing Agency (CLA) and Motion Picture Licensing Company (MP) Licences (£132,200).

24. **Primary Review Growth Fund, (£405,600)**

This budget **will need to be approved by the Schools Forum** to be held centrally.

In March 2015, the Schools Forum agreed option 2 for allocation and distribution of Growth Fund to support those Primary schools expanding as part of the Primary Review:

For 2017/18 the rate per extra class is outlined below:

- based on 30 pupils per class:-
 - £26,600 per extra class (based on the costs of a Teacher, an LSA and a Lunchtime Supervisor for 7/12's of the year)
 - £ 1,000 recruitment costs
 - £ 2,400 sundries
 - **Total £30,000**
- The additional funding for sundries of £2,400 only apply to Schools that did not receive capital funding for a new build.

25. The breakdown of total Primary Review Growth Fund of £405,600 for 2017/18 is summarised in Table 5 below.

Table 5 – Primary Review Growth Fund Allocation				
Number of Schools	Number of Add'l classes required	2017/18 Rate	Funding for additional classes	Comments
		£	£	
	8	30,000	240,000	Full allocation including funding for sundries only applied to Schools that did not receive capital funding for a new build.
	6	27,600	165,600	No allocation for sundries because these schools will receive capital funding.
14	14		405,600	

Fourteen additional classes are expected to be required for fourteen individual schools. Of these, eight classrooms are proposed to be allocated funding of £30,000 per classroom. Six classrooms will attract slightly reduced funding excluding sundries, because these schools will receive capital funding.

26. Historically this fund has been allocated at the beginning of each Financial Year with no clawback required. Going forward, it is proposed to allocate this fund once the evidence of growth is confirmed. Alternatively, if Schools Forum agrees to pay growth fund at the beginning of Financial Year, it is proposed to claw back this funding, if the expected growth does not materialise.

27. Appendix 1 shows the breakdown of the Estimated Schools Block 2017/18.

Appendices/Supporting Information:

Appendix 1: Estimated Schools Block 2017/18.

Appendix 2: Detail of options to meet IDACI Pressure.

Appendix 3: Summary of Education Services Grant (ESG) Activities.

Appendix 4: Support for Schools in Financial Difficulties 2016/17 Position.

Appendix 5: Breakdown of Growth Fund Allocation 2017/18.

Further Information Available From:

Name:	Tel:	E-mail:
Alan Denford	023 8083 3159	Alan.Denford@southampton.gov.uk
Irfan Khan	023 8083 3785	Irfan.Khan@southampton.gov.uk

Appendix 1

Estimated Schools Block 2017/18

DfE 2017/18 Schools Block		£136,060,800
 <u>Education Functions</u>		
ESG - General Duties - Maintained Schools (£49.97 per pupil)		£1,021,400
ESG - Retained Duties		£486,900
Sub-total Schools Block		<u>£134,552,500</u>
 <u>Central Services</u>		
Primary Review Growth Fund	£405,600	
Admissions function	£422,100	
MASH and Early Help	£626,800	
CLA and MPA Licences	<u>£132,200</u>	
Sub-total Central Services		<u>£1,586,700</u>
 Total Individual Schools Budget before de-delegation		 £132,965,800
 <u>De-delegated</u>		
Support for schools in financial difficulties	£104,200	
Trade Union Duties (Primary Schools only)	<u>£48,900</u>	
Sub-total De-delegated budgets		£153,100
 Total Individual Schools Budget 2017/18 (Post de-delegation)		 <u><u>£132,812,700</u></u>
 Total Individual Schools Budget 2016/17 (Post de-delegation)		 <u><u>£130,481,700</u></u>
 Increase in Total Individual Schools Budget (Post de-delegation)		 <u><u>£2,331,000</u></u>

DECISION PAPER

Appendix 2 - Detail of Options to meet IDACI Pressure

Summary of 2016/17 IDACI Allocation

Pupil Led Factors	Description	Primary amount per pupil	Secondary amount per pupil	Eligible proportion of primary NOR	Eligible proportion of secondary NOR	Sub Total	Total
Deprivation	FSM6 % Primary	£470.55		6,193.73		£2,914,461	£12,376,431
	FSM6 % Secondary		£679.12		3,712.06	£2,520,935	
	IDACI Band 1			2,841.67	1,492.44	£0	
	IDACI Band 2			2,313.89	1,101.05	£0	
	IDACI Band 3	£500.00	£500.00	3,079.97	1,619.61	£2,349,790	
	IDACI Band 4	£800.00	£800.00	2,940.69	1,406.76	£3,477,964	
	IDACI Band 5	£1,200.00	£1,200.00	652.03	275.70	£1,113,281	
IDACI Band 6	£1,500.00	£1,500.00	0.00	0.00	£0		

Option 1 - IDACI value at similar level as 2016/17 and not adjusting FSM

Variance against 2016/17

Pupil Led Factors	Description	Primary amount per pupil	Secondary amount per pupil	Eligible proportion of primary NOR	Eligible proportion of secondary NOR	Sub Total	Total	Primary amount per pupil Var	Secondary amount per pupil Var	Eligible proportion of primary NOR Var	Eligible proportion of secondary NOR var	Sub Total Var to 16/17	Total Var to 16/17	
Deprivation	FSM6 % Primary	£470.55		6,113.52		£2,876,719	£12,836,727	£0.00		-80.21		£-37,742	£460,297	
	FSM6 % Secondary		£679.12		3,656.95	£2,483,509			0.00		-55.11	£-37,426		
	IDACI Band F	£0.00	£0.00	2,901.19	1,489.22	£0		£0	0.00	0.00	59.52	-3.22		£0
	IDACI Band E	£0.00	£0.00	2,384.64	1,085.76	£0		£0	0.00	0.00	70.75	-15.29		£0
	IDACI Band D	£475.00	£475.00	1,449.27	760.08	£1,049,441		£1,049,441	£-25.00	£-25.00	-1,630.70	-859.53		£1,300,349
	IDACI Band C	£650.00	£650.00	1,790.39	925.39	£1,765,254		£1,765,254	£-150.00	£-150.00	-1,150.30	-481.37		£1,712,710
	IDACI Band B	£799.73	£799.73	2,956.26	1,477.45	£3,545,747		£3,545,747	£-400.27	£-400.27	2,304.23	1,201.75		£2,432,466
	IDACI Band A	£1,152.73	£1,152.73	690.59	277.60	£1,116,057		£1,116,057	£-347.27	£-347.27	690.59	277.60		£1,116,057

Option 2 - Changing FSM factors and not adjusting IDACI

Variance against 2016/17

Pupil Led Factors	Description	Primary amount per pupil	Secondary amount per pupil	Eligible proportion of primary NOR	Eligible proportion of secondary NOR	Sub Total	Total	Primary amount per pupil Var	Secondary amount per pupil Var	Eligible proportion of primary NOR Var	Eligible proportion of secondary NOR var	Sub Total Var to 16/17	Total Var to 16/17
Deprivation	FSM % Primary	£470.55		3,580.48		£1,684,796	£12,793,436	£0.00		-2,613.25		£1,229,665	-
	FSM % Secondary		£679.12		1,786.92	£1,213,533			0.00			-1,925.14	-
	IDACI Band F	£0.00	£0.00	2,901.19	1,489.22	£0		0.00	0.00	59.52	-3.22	£0	£0
	IDACI Band E	£0.00	£0.00	2,384.64	1,085.76	£0		0.00	0.00	70.75	-15.29	£0	£0
	IDACI Band D	£485.00	£485.00	1,449.27	760.08	£1,071,535		-15.00	-15.00	-1,630.70	-859.53	£1,278,255	-
	IDACI Band C	£785.00	£785.00	1,790.39	925.39	£2,131,884		-15.00	-15.00	-1,150.30	-481.37	£1,346,080	-
	IDACI Band B	£1,185.00	£1,185.00	2,956.26	1,477.45	£5,253,938		-15.00	-15.00	2,304.23	1,201.75	£4,140,657	-
IDACI Band A	£1,485.00	£1,485.00	690.59	277.60	£1,437,751	-15.00	-15.00	690.59	277.60	£1,437,751	-		
													£417,005

DECISION PAPER

Appendix 3: Summary of Education Services Grant (ESG) Activities

	ESG Related Cost		
	All schools (retained)	Maintained Schools (General)	Total
Statutory Duties			
Central Support Services	0	331,200	331,200
Education Welfare Service	153,400	346,800	500,200
School Improvement	161,600	365,400	527,000
Asset Management - Education	61,600	139,300	200,900
Statutory/ Regulatory Duties - Education	504,900	1,141,600	1,646,500
Educational Psychology Service	207,900	469,900	677,800
SEN administration, assessment and coordination and monitoring	155,400	351,300	506,700
Independent Advice and Support Services (Parent partnership), guidance and information	15,400	34,800	50,200
2016/17 Budgeted Cost	1,260,200	3,180,300	4,440,500
2016/17 ESG Funding Allocation	455,200	1,745,800	2,201,000
SCC Subsidy	805,000	1,434,500	2,239,500

Appendix 4 - Support for Schools in Financial Difficulties 2016/17 Position

Allocations to Schools	£100,000
<i>Add</i>	
Roll Forward from 2015/16	£146,400
Buy Back from Special Schools and PRU	£2,362
Total Budget for 2016/17	£248,762
Less Known Commitments / Actuals	£0
Total Commitments / Actuals for 2016/17	£0
Total available for 2016/17	£248,762
<p>School Forum agreed a criteria for allocation of this fund in March 2016. To date, no funding has been allocated to any school. Council officers continue to work with schools forecasting deficits to ensure robust Deficit Recovery Plans (DRP) plans are in place.</p> <p>This fund is open for all maintained schools who contributed to this funding as per the agreed criteria. Any final allocation through a specific business case process will be shared with all schools, once the task in relation to DRPs is completed and the final year end position is known. A template for application to access this fund will be issued in due course.</p>	

DECISION PAPER

Appendix 5 – Primary Growth Fund Allocation 2017/18

URN	DfE No.	School Name	Number of Classes 2016/17	Number of Classes Required 2017/18	Growth	Funding 2017-18 £
131839	2000	Bassett Green Primary School	18	19	1	30,000
132025	2001	Beechwood Junior School	11	12	1	30,000
132117	2002	Bevois Town Primary School	12	13	1	30,000
140263	2404	Fairisle Junior School	13	14	1	27,600
116088	2405	Foundry Lane Primary School	19	20	1	30,000
116103	2424	Moorlands Primary School	13	14	1	30,000
116107	2429	Shirley Warren LC Primary & Nursery School	13	14	1	27,600
116126	2452	Sholing Junior School	10	11	1	27,600
116127	2455	St John's Primary and Nursery School	10	11	1	27,600
116253	2757	St Mark's C of E VC Primary School	19	20	1	30,000
116261	2769	St Mary's C of E VC Primary School	20	21	1	30,000
116262	2770	Thornhill Primary School	13	14	1	27,600
116342	3203	Valentine Primary School	25	26	1	27,600
116343	3205	Wordsworth Primary School	19	20	1	30,000
TOTALS			215	229	14	405,600

This page is intentionally left blank

DECISION PAPER

SUBJECT: 2017/18 High Needs Block
DATE: 11th January 2017
RECIPIENT: Schools Forum

SUMMARY:

This paper provides a summary of 2016/17 financial pressure against High Needs Block and details the 2017/18 High Needs Block, following the announcement by the Department for Education (DfE) of the Dedicated Schools Grant (DSG) figures.

There is a **forecast pressure of £2.59M** above 2017/18 allocation however the Council needs to **set a balanced budget by April 2017**. Options to achieve a balanced budget will be tabled at the meeting for School Forum consideration and agreement.

BACKGROUND:

Following the 2015 Spending Review, it was announced that the DfE would introduce a National Funding Formula for Schools, Early Years and High Needs to match funding directly and transparent to need. This involved creating a new central Schools Block, allowing local flexibility on the minimum funding guarantee and to ring-fence the Schools Block within the Dedicated Schools Grant. This also involved DfE making £600M savings from the Education Services Grant (ESG).

The Stage 1 consultation on the DfE proposals on Schools and High Needs blocks in March 2016 indicated an intention to implement this from 2017/18, however this has now been delayed until 2018/19.

The DfE have released Stage 2 of the [Schools National Funding Formula](#) consultation which closes on 22 March 2017. This is in addition to publishing its response to Stage 1 of the consultations. The DfE expect to publish the response to the Stage 2 Consultation and final arrangements in July. Southampton City Council (SCC) will be sending a response to the Stage 2 before the deadline.

Meanwhile consultation also took place on Early Years (EY) funding, with proposals for a new formula and a reduction of the top-slicing option available to LAs. Following this consultation, the new EY formula is being implemented from 1st April 2017 (details are included in a separate paper on EY block on this agenda). The top-slice for EY central services cost is limited to 7% for 2017-18 and 5% thereafter.

The funding of £2,913,900 transferred from Schools Block to High Needs Block since 2015/16, has been adjusted in two blocks through a DSG baseline exercise that DfE completed earlier in 2016/17 financial year.

RECOMMENDATION:

It is recommended that Schools Forum:

- (i) Note the 2016/17 financial pressure of £0.5M.
- (ii) Note the re-based DSG 2017/18 High Needs block allocation of £21.41M and forecast pressure above allocation of £2.59M.

Given the significance of the challenges against High Needs Budgets and the ongoing need to meet increasing demand, it is also recommended that the Schools Forum:

- (iii) Agrees that the High Needs block budget for 2017/18 is set at the re-based DSG allocation in recommendation (ii) above, as there is **no headroom available** in the Schools Block to meet the forecast pressure.
- (iv) Agrees an option for reducing the forecast pressure above the allocation from those tabled at the meeting.
- (v) Agrees that a working group consisting of a cross-section of Headteachers from all phases and the Special Educational Needs and Disability (SEND) Service is established to consider options / make recommendations to address the ongoing financial pressures and report back to the Schools Forum to ensure the service is not overspent by end of 2017/18 Financial Year.

REASONS FOR REPORT RECOMMENDATIONS

1. Local Authorities are required to allocate the Dedicated Schools Grant and prepare budgets for the three blocks of funding given by the DfE.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. The provision of special school education places is a **statutory responsibility**.

BACKGROUND and BRIEFING DETAILS:

High Needs (HN) Block 2016/17 Forecast Position

3. There is currently a forecast pressure within the range of £0.7M and £1.0M for HN Block against DSG funded areas. This pressure is expected to be partially offset by some savings against other DSG funded areas, leaving a net £0.5M forecast overspend.
4. It is important to note that in 2015/16 the HN pressure was offset by one off carry forward funding and underspend against the Early Years (EY) Block. However, there is no one off funding available in 2016/17 and the flexibility of EY Block will be limited due to less than estimated take-up for 3 & 4 years old.
5. The DSG pressure needs to be managed within the overall DSG allocation and cannot be funded from the General Fund. If the pressure cannot be contained within DSG 2016/17 funding, it will be first call on 2017/18 DSG Allocation. High Needs spending pressures are not unique to this Council, in fact many regional local authority groups are reporting spending pressures and budget overspends in their High Needs Block. A number of local authorities have been reporting this situation to the DfE.

High Needs (HN) Block 2017/18 Estimated Budget Position

6. The High Needs funding system for 2017/18 remains largely unchanged from 2016/17. This means any pressures over and above the unchanged baseline budget position will add pressure to High Needs Block.

Following the DFE funding announcement there is an anticipated additional pressure on High Needs of £2,587,700. Due to other pressures on School Block (as outlined in School Block Paper), there is **no headroom available** to meet these pressures.

The forecast pressure above allocation is summarised in Table 1 below:

Table 1	2017/18
High Needs DSG Allocation	21,408,300
High Needs Forecast Expenditure	23,996,000
Forecast Pressure Above Allocation	2,587,700

7. The forecast pressure above allocation is further analysed in different categories in Table 2 below:

Table 2	Rebased 2017/18 Allocation	Forecast Exp 2017/18	Variance
Top Up Funding for Main Stream schools (Maintained and Academy)	£1,472,800	£2,240,500	£767,700
Place Funding for Special Schools/Units/PRU	£5,867,400	£6,295,800	£428,400
Top Up Funding for Special Schools/Units/PRU	£5,357,600	£5,524,300	£166,700
Funding for Independent Providers	£4,542,200	£5,770,900	£1,228,700
Funding for Free Schools and FE Colleges	£1,557,100	£1,461,900	(£95,200)
Top Up Funding for OLA schools	£304,700	£357,200	£52,500
Support for SEN Services	£1,121,600	£1,199,800	£78,200
Support for Inclusion Services	£417,500	£428,600	£11,100
Funding for Early Years SEN	£473,400	£473,400	£0
Other Alternative Provision	£294,000	£243,600	(£50,400)
Total	£21,408,300	£23,996,000	£2,587,700

8. The **main reasons** for increasing costs are:

Increase in Population - 9.9% increase in child population in 11 years

Our Joint Strategic Needs Assessment (March 2016) estimated that in 2014 there were 57,600 children and young people (0-19) in the City which is likely to rise to 63,300 by 2025, due to an increase in the child birth rate. This is the equivalent of 9.9% increase which has a subsequent knock on effect in terms of levels of Education, Health & Care Plans (EHCP).

9. **Increase in number of EHCPs**
We have seen a significant increase in the level of statements and EHCPs both in numbers and as a percentage in the last two years, with the percentage of the school population with EHCPs rising from 2.3% in 2014 to 2.7% in 2016. This has continued in this Financial Year with a 10% increase leading to in excess of a hundred more EHCPs or statements. This is slightly below the regional and national average of 2.9% and 2.8% respectively.
10. **Age Extension to 25**
The Age extension of EHCPs to 25 years old has increased the numbers with EHCPs and costs by around hundred in the last Financial Year.
11. **Increase in Special School Places**
Increasingly parents are seeking a special school place which has resulted in increased costs being incurred due to additional place and top-up funding.
At present there are no places available within the city's special schools, plans are in place with Springwell increasing numbers, but there is a need for secondary places at Great Oaks and Polygon. Increasing these numbers will put further pressure on budgets, however this is a more cost effective approach than out of area independent schools.
12. **Increase in Out of Area Placements**
The lack of supply in special places within the city has enabled independent schools to raise prices reinforcing the need for additional places to meet need within Southampton to avoid incurring additional costs.
13. **Steps Being Taken to Address High Needs pressures**
A strategy is in place by the Local Authority (LA) to address the known/forecast pressures; this includes but is not limited to a review of Home to School Transport provision; a review of top-up funding and special school banding; reviewing the place planning strategy for SEND. However, we need to go further in order to establish a balanced budget; schools and the Local Authority need to work together to develop an effective inclusive strategy to meet children with special educational needs locally. Without this further reductions in High Needs Funding will be required.
14. **High Needs Strategic Planning Fund**
High Needs growth is a national issue which is being fed back to the DfE by many authorities. In response to LAs concerns around High Needs Pressures, the Government has announced funding of £23M for councils to carry out a strategic review of their high needs provision. The allocation for Southampton City Council is £103,882.
15. With the anticipated overspend in the region of £2.59M and with **no headroom available within schools block**, significant savings will need to be made against High Needs budgets. Whilst potential savings from actions by the Local Authority may secure some savings in the long run, reductions in funding will be needed now from existing High Needs budgets to enable a balanced budget is set by April 2017.

16. However, in recognising the significant implications of this, alternative options are being developed for reducing budgets to offset the forecast pressures and these will be tabled at the School Forum meeting for consideration and agreement.
17. In the slightly longer term, it is recommended that a working group consisting of a cross-section of Headteachers from all phases and the Special Educational Needs and Disability (SEND) Service is established to consider options / make recommendations to address the ongoing financial pressures and report back to the Schools Forum to ensure the service is not overspent by end of 2017/18 Financial Year.

Appendices/Supporting Information:

N / A.

Further Information Available From:

Name:	Tel:	E-mail:
Jo Cassey	023 8083 3347	Jo.Cassey@southampton.gov.uk
Alan Denford	023 8083 3159	Alan.Denford@southampton.gov.uk

This page is intentionally left blank

DECISION PAPER

SUBJECT: 2017/18 Early Years Block

DATE: 11th January 2017

RECIPIENT: Schools Forum

SUMMARY:

This paper details the 2017/18 Early Years Block (EY) following the announcement by the Department for Education (DfE) of the Dedicated Schools Grant (DSG) figures. The proposals reflect previous Schools Forum decisions and incorporate other adjustments following the detailed funding announcements.

BACKGROUND:

Following the 2015 Spending Review, it was announced that the DfE would introduce a National Funding Formula for Schools, Early Years and High Needs to match funding directly and transparent to need. This involved creating a new central Schools Block, allow local flexibility on the minimum funding guarantee and to ring-fence the Schools Block within the Dedicated Schools Grant. This also involved DfE making £600M savings from the Education Services Grant (ESG).

The Stage 1 consultation on the DfE proposals on Schools and High Needs blocks in March 2016 indicated an intention to implement this from 2017/18, however this has now been delayed until 2018/19.

The DfE have released Stage 2 of the [Schools National Funding Formula](#) consultation which closes on 22 March 2017. This is in addition to publishing its response to Stage 1 of the consultations. The DfE expect to publish the response to the Stage 2 Consultation and final arrangements in July. Southampton City Council (SCC) will be sending a response to the Stage 2 before the deadline.

Meanwhile consultation also took place on Early Years (EY) funding, with proposals for a new formula and a reduction of the top-slicing option available to LAs. Following this consultation, the new EY formula is being implemented from 1st April 2017. The top-slice for EY central services cost is limited to 7% for 2017-18 and 5% thereafter.

RECOMMENDATION:

It is recommended that the Schools Forum :

- (i) Note the proposed provisional Early Years block of £15.83M (Appendix 1).
- (ii) Approve the central expenditure elements of the Early Years Block summarised in para 23.

REASONS FOR REPORT RECOMMENDATIONS

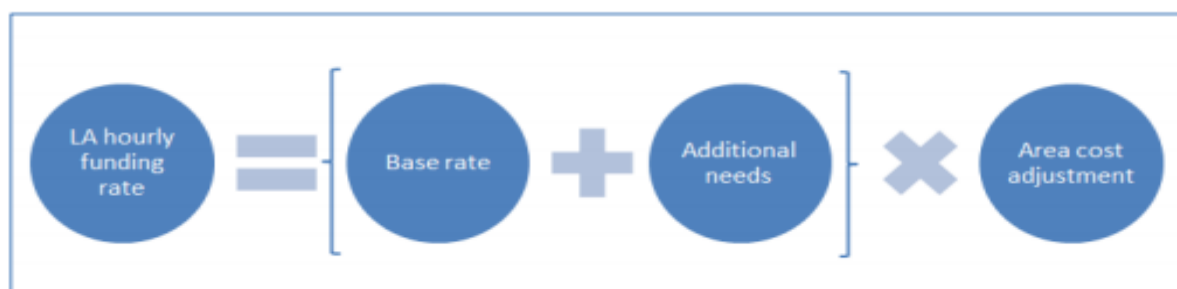
1. To ensure there is adequate funding for the statutory responsibility of the provision of nursery places across the City and to continue to support those services currently funded under the central expenditure element of the DSG.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. The provision of nursery education places is a **statutory responsibility**.

BACKGROUND and BRIEFING DETAILS:

3. In Autumn 2016 the Department for Education (DfE) launched a six-week Early Years National Funding Formula (EYNFF) consultation to deliver a 'fairer funding system' for 3 and 4 year olds, some of whom will be eligible for the 30 hour free childcare from September 2017. Following this consultation it has been confirmed that the funding to Local Authorities for 3 and 4 years olds in early education will be based on three factors:
 - a 'universal base rate' of funding for each child ensuring every local area is funded fairly for the core costs of delivering childcare
 - an 'additional needs factor' ensuring funding takes into account the extra costs of supporting children with additional needs to achieve good learning and development outcomes. This is based on measures of free school meals, Disability Living Allowance (DLA) and English as an Additional Language (EAL)
 - an area cost adjustment – this will be adjusted based on the cost of providing childcare in different areas of the country, using general labour market measures to reflect staff costs, and costs of premises, using Nursery Rates Cost Adjustment.



4. Using this formula Southampton will receive £5.11 per hour per 3 and 4 year old from April 2019 (£5.21 for 2017/18), compared with our current income of £5.15 per hour. From April 2017 Local Authorities will be duty bound to pass on 93% of funding directly to early years providers, and from April 2018 onwards 95% of the total funding. Currently Southampton passes on just under 93% of the total funding.
5. Local Authorities are expected to pay all early years providers, regardless of the type of setting, the same hourly base rate by 2019/20 at the latest, calculated using the national formula. Whilst supplementary funding of £56.21M has been made available nationally to support funding for maintained nurseries over the next 2 years, Southampton has not been allocated any funding for this purpose. We therefore propose that funding for maintained nurseries is reduced over the next 2 years.

6. Nationally, the most significant impact of the EYNFF will be on maintained nursery schools because they are currently funded at a higher rate that acknowledges the higher running costs of a maintained nursery school. The new EYNFF does not allow local authorities to retain and cover any additional costs for maintained nursery schools. There are two lump sums currently provided to two maintained nurseries which will not be available from 2017/18.
7. There are political, reputational and financial risks relating to the maintained nursery schools since they are deemed to be schools with head teachers and teaching staff subject to teachers' pay and conditions of service. It is intended that the settings will be encouraged and supported to explore options to develop more sustainable business models.
8. The national average rate paid to providers will be £4.88 for 3 and 4 year olds. Currently the average paid to early years providers in Southampton is £4.53 per hour. The maximum payment rate will increase to £4.85 an hour from April 2019 for all settings.

The Southampton City Council (SCC)'s average rates for 2016/17 are shown in Table 1 below.

	Rate Per Hour	Comments
Combined	£4.53	
Maintained	£5.10	This average rate does not include lump sum currently paid to two maintained nurseries. With lump sum, the average rate increases to £6.40 per hour.
Private Voluntary & Independent (PVI)	£4.18	

9. Local Authorities will have the discretion to use a limited set of funding supplements on top of a base rate, with a total value capped at 10% of the allocated budget. The government has permitted supplements around deprivation (which is mandatory), rurality, flexibility, quality (to support workforce qualifications and system leadership) and English as an additional language.
10. Following a consultation with Southampton's early years providers the criteria for supplements to be used on top of the £4.37 base rate will be deprivation (using IDACI), quality (using the qualification level of the lead practitioner or lead for 3 and 4 year olds), flexibility (to incentivise providers to meet working parents' needs) and English as an additional language. The maximum value of supplements will be £0.48. There is tapering protection for maintained schools over next two years.
11. There will also be additional up-front funding for providers caring for children in receipt of Disability Living Allowance (DLA), in the sum of £615 per child per year.
12. Each Local Authority will set up a Local Inclusion Fund for 3 and 4 year olds which is expected to be for those with lower level or emerging Special Educational Needs. The funding for this inclusion fund will count within the 95% pass through to early year's providers, with the amount and criteria to be set locally.
13. The new funding formula will apply to the current 15 hour early education entitlement from April 2017. In September 2017, when the extended entitlement is rolled out, it will apply to all 30 hours for those eligible children.

2017/18 Early Years Block

14. The provisional Early Years allocation for Southampton City Council (SCC) is shown in Table 2 and criteria used by the DfE is summarised below.

Table 2	Provisional 2017/18 Allocation
EY universal entitlement for 3 and 4 year olds	£11,517,600
EY additional entitlement for 3 and 4 year old children of eligible working parents	£1,664,400
EY entitlement funding for disadvantaged 2 year olds	£2,404,200
Initial EY pupil premium	£178,000
Illustrative allocation for EY Disability Access Fund	£67,700
Illustrative allocation for EY supplementary funding for maintained nursery school	£0
Total Provisional EY Block	£15,831,900

15. Early Years Universal Entitlement for 3 and 4 Year Olds
The initial allocation is based on an hourly rate of £5.21. These allocations will be updated in:

- July 2017 based on the January 2017 census numbers
- July 2018 based on 5/12ths of the January 2017 census numbers (to cover the April 2017 to August 2017 period) and 7/12ths of the January 2018 census numbers (to cover the September 2017 to March 2018 period).

This means that the final allocations for universal 3 and 4 year old entitlement funding for 2017 to 2018 will be based on $5/12 \times$ January 2017 census numbers plus $7/12 \times$ January 2018 census numbers.

16. Early Years Additional Entitlement for 3 and 4 Year Old Children of Eligible Working Parents
The hourly rate is the same as for the universal entitlement for 3 and 4 year olds. As the additional entitlement starts in September 2017, the allocations for these additional hours do not relate to a full twelve months but are pro-rata to cover the seven months of the year from September 2017 to March 2018.

The final allocations for the additional entitlement in 2017 to 2018 will be based on data from the January 2018 census.

17. Early Years Entitlement Funding for Disadvantaged 2 Year Olds
The initial allocation is based on an hourly rate of £5.43. These allocations will be updated in:

- July 2017 based on January 2017 census numbers
- July 2018 based on 5/12ths of the January 2017 census numbers (to cover the April 2017 to August 2017 period) and 7/12ths of the January 2018 census numbers (to cover the September 2017 to March 2017 period).

This means that the final allocations for disadvantaged 2 year olds for 2017 to 2018 will be based on $5/12 \times$ January 2017 census number plus $7/12 \times$ January 2018 census numbers.

18. Early Years Pupil Premium (EYPP)

Initial allocations for the EYPP were announced on 1 December 2016. These allocations will be updated in:

- July 2017 based on January 2017 census numbers
- July 2018 based on 5/12ths of the January 2017 census numbers (to cover the April 2017 to August 2017 period) and 7/12ths of the January 2018 census numbers (to cover the September 2017 to March 2017 period)

This means that the final allocations for the EYPP for 2017 to 2018 will be based on $5/12 \times$ January 2017 census number plus $7/12 \times$ January 2018 census numbers.

19. Early Years Disability Access Fund (DAF)

The funding methodology for the Disability Access Fund is an illustrative funding allocation for 2017-18 based upon the number of 3 and 4 year olds who are not in Reception that are claiming DLA.

For each LA, their total February 2016 DLA claimant count of 3 and 4 year old children from the Department for Work and Pensions (DWP) is adjusted downwards to remove an estimated number of children in reception. This gives an estimate of the number of 3 and 4 year olds taking up DAF in the LA; this figure is multiplied by £615 per pupil.

20. Early Years Supplementary Funding for Maintained Nursery Schools

The government has allocated £56.21M for supplementary funding to LAs for maintained nursery schools (MNS) in 2017-18, to enable LAs to maintain their current funding levels for MNS during the wider changes in early years funding. 58 local authorities out of 150, did not receive any allocation from this fund and Southampton is one of these authorities.

21. Payments to Providers

The Early Years Single Funding Formula (EYSFF) funds nursery providers for the number of hours provided in the current year. There are six payments a year (two per term) based on estimates and actuals, for private voluntary and independent settings; academies and maintained school settings. The formula for 3 and 4 year olds has a base hourly rate plus additional elements relating to quality, deprivation, EAL and flexibility. These additions are calculated each January to be paid in the next financial year.

A two-year-old will be eligible if they meet any one of the following criteria:

- They meet the eligibility criteria also used for free school meals
- Their families receive Working Tax credits and have annual gross earnings of no more than £16,190 per year
- They have a current statement of SEN or an Education, Health and Care plan
- They attract Disability Living Allowance
- They are looked after by the local authority
- They have left care through special guardianship or an adoption or residence order.

22. Central Expenditure

Schools Forum approval is required for central expenditure within the Early Years Block.

23. The existing central services funded by DSG within the Early Years Block are:
- Early years & childcare development team (£342,300)
 - Provision for expansion of 2, 3 and 4 year old places (£166,100)
 - Contracts with Prospects (£100,000)
 - EY funding for administration, staffing and systems for allocating funding to providers (£64,400)
 - Overheads (£172,600).

The total of this expenditure is recommended for approval by Schools Forum.

24. **Please note** that the estimates have been made of the numbers of 2, 3 and 4 year olds in the city to ensure that the budget is sufficient to fund demand. If Early Years numbers increase above those already anticipated, the city council will receive additional DSG. Conversely, if the numbers reduce, the level of DSG will fall accordingly, creating a potential pressure. However, this will not be confirmed until June 2018. Appendix 1 shows the provisional Early Years Block budget for 2017/18.

Appendices/Supporting Information:

Appendix 1: Provisional Early Years Block 2017/18

Further Information Available From:

Name:	Tel:	E-mail:
Alan Denford	023 8083 3159	Alan.Denford@southampton.gov.uk
Irfan Khan	023 8083 3785	Irfan.Khan@southampton.gov.uk

Appendix 1

Provisional Early Years Block 2017-18

EY universal entitlement for 3 and 4 year olds	£11,517,600
EY additional entitlement for 3 and 4 year old children of eligible working parents	£1,664,400
EY entitlement funding for disadvantaged 2 year olds	£2,404,200
Initial EY pupil premium	£178,000
Illustrative allocation for EY Disability Access Fund	£67,700
Illustrative allocation for EY supplementary funding for maintained nursery school	£0
Total Provisional Early Years Block Allocation	£15,831,900
2, 3 & 4 Year old childcare funding	£14,808,500
EY Premium	£178,000
Early years & childcare development team	£342,300
Provision for expansion of 2, 3 and 4 year old places	£166,100
Contracts with Prospects	£100,000
EY funding for administration, staffing and systems for allocating funding to providers	£64,400
Overheads	£172,600
Total Estimated Payments	£15,831,900

This page is intentionally left blank

BRIEFING PAPER

For: Schools Forum
By: Kevin Verdon (Interim Schools Planning Manager)
Date: January 2017
Subject: Secondary school expansion – for information only

BACKGROUND

At present, there are less than 10,000 pupils attending our secondary schools. By the mid 2020's there will be over 13,000. We have been on an upward trend for a few years now and when we reach the peak in 2023/24, we will have 40% more pupils in our secondary schools than we had 3 years ago. (See Appendix 1 for breakdown).

Whilst this is a significant increase, we do have surplus capacity in the sector at present, however and this is slowly being 'mopped up' and will continue to be until we need to physically expand schools in the future.

ISSUE

The DfE will not allocate Basic Need funding to the LA for new buildings at one school if there is spare places in another school nearby.

Recently we have persuaded the DfE to divide Southampton's secondary schools into three geographical areas, West, Central and East for school place planning purposes. This has the advantage of looking at each area separately for Basic Need funding, ie surplus places in one area of the city will not cancel out the need for places in another area of the city.

At present the total capacity of our secondary schools, as measured by PAN is 11,900 but the true capacity, as measured by the NCA, is 12,726. It is the NCA that the DfE uses to calculate Basic Need.

It is very difficult to expand schools that are not classified as 'good' or 'outstanding' by Ofsted, this limits our ability to 'spread the load' of expansion. Furthermore, some schools are on such constrained sites that it would be extremely costly to expand them, if not impossible.

NEXT STEPS

Because of these constraints, we are looking at options for our expansion proposals across the city, in response to the data forecast. These will be shared with Cabinet in due course

No decisions have yet been taken on which schools to expand and by how much. We need to be prudent and not build in too much extra permanent capacity. We may wish to make use of bulge classes for the peak of the surge in the mid 2020's so that capacity can be readily reduced towards the end of the 2020's.



Soton Sec Schools

Secondary Schools

0 1 2km
Printed 20-12-2016



Appendix 1

	NCA capacity (incl BP 1800)	Secondary school forecasts to 2021 and LA projection to 2025									
		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Central	3,219	2,603	2,750	2,959	3,196	3,407	3,701	3,837	3,889	3,876	3,873
East	5,861	4,283	4,381	4,510	4,686	4,736	4,972	5,155	5,224	5,207	5,203
West	3,752	3,098	3,241	3,387	3,575	3,696	3,755	3,893	3,946	3,933	3,930
Total	12,832	9,984	10,372	10,856	11,457	11,839	12,428	12,886	13,059	13,016	13,006

	Surplus/Deficit of places in September - 2017 to 2025									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Central	469	260	23	-188	-482	-618	-670	-657	-654	
East	1,480	1,351	1,175	1125	889	706	637	654	658	
West	511	365	177	56	-3	-141	-194	-181	-178	
Total	-	-	-	-188	-485	-760	-864	-838	-832	

The above table demonstrates the need for extra places in the Central and West areas of the city. It does NOT include 5% 'headroom' as advised by DfE.

Central Schools: St George, Cantell, Regents Park, St Annes

East Schools: Bitterne Park, Woodlands, OASIS Mayfield, Chamberlayne Park

West Schools: Redbridge, OASIS Lord's Wood, Upper Shirley High

This page is intentionally left blank