

SCHOOLS FORUM - 21 March 2013

Title:	SCHOOLS BUDGET 2013-14	
Corporate Directors:	<p>Candida Brudenell Interim Corporate Director for Children and Families.</p> <p>Carole Mills Deputy Chief Executive/Corporate Director for Resources</p>	Wards affected: All
Report author(s) and contact details:	<p>Ceri Walters, Finance Business Partner – Children & Families ☎ 01158 764 128 ✉ ceri.walters@nottinghamcity.gov.uk</p>	
Other colleagues who have provided input:	<p>Nicola Gell, HR Service Redesign Consultant; Sarah Molyneux, Solicitor and Legal Service Manager; Vincent Bryce, Equality & Diversity Consultant.</p>	

Summary

This report presents the Council's proposed Schools Budget for 2013/14. The Schools Budget has been prepared in line with the parameters agreed at Executive Board 21 September 2012, Children and Families Leadership Team, Children's Portfolio Holder, Schools Forum and the financial regulations issued by the Department of Education (DfE). These financial regulations have been amended to reflect the new funding formula implemented from 1 April 2013.

An explanation of the Schools Budget framework is outlined in detail in Section 1 of this report, with further background information provided in:

- **Appendix A** - provides an overview of the changes to the DSG;
- **Appendix B** - sets out the division of responsibilities for Schools Budgets between Schools Forum and the Local Authority (LA) under the Schools and Early Years Finance (England) Regulations 2012;
- **Appendix C** - details how the Schools Budget is allocated.

The Local Authority (LA) has a statutory requirement to seek Schools Forum approval relating to certain aspects of the Schools Budget under prescribed circumstances, as per Appendix A.

Recommendations:

1	approve the central expenditure within the Schools and Early Years block (as per Table 4 and Appendix D).
2	note the alignment of the budget to the DfE's guidance and regulations regarding the National Funding Reform.
3	note that the schools central expenditure has not breached in 2013/14.
4	note the value of the 2013/14 DSG schools budget, £220.160m, and the values allocated to the individual funding blocks as below and at Table 4:

	<ul style="list-style-type: none"> • Schools block £179.024m; • Early Years block £16.923m; • High Needs block £24.033m.
5	<p>note that the Pupil Premium allocation of c. £14.112m is in addition to the DSG allocation.</p> <p>Note: The distribution to schools is currently indicative and will be confirmed by the DfE in summer 2013.</p>
6	<p>note that the unallocated balance of DSG funding (headroom) of £0.180m will be transferred into the Statutory School Reserve (SSR).</p>
7	<p>note that the indicative budgets have been loaded onto Scene and will be updated in Summer 2013 when the Pupil Premium and Early Years allocations are confirmed by the DfE.</p>
8	<p>note that the 2013/14 Schools Budget report was approved at Executive Board on 19 March 2013.</p>

1. **BACKGROUND**

1.1 Construction of the 2013/14 budget

The purpose of this paper is to update Executive Board on the latest budget position and gain further approvals in relation to the budget setting process.

The budget setting process incorporates the requirements of the Schools Funding Reform and the implementation of the national funding formula for the distribution of funds to local authorities, this commences from 1 April 2013 and a further spending review will be undertaken as part of the 2014/15 grant settlement.

The rationale for the national funding formula is to ensure that:

- Money reaches the schools and pupils that need it most, delegating as much funding as possible except in relation to the statutory functions delivered by the authority, for example schools admissions;
- The removal of complex local formulae in allocating funding to schools;
- Strengthening local decision making.

Consultation has been undertaken with the Department of Education (DfE) since spring 2012 with periodic updates provided to Schools Forum and the Children's Portfolio Holder, gaining approvals and input where appropriate.

Appendix A sets out the funding frameworks for 2012/13 and the new arrangements from 1 April 2013 with the:

- Pupil premium grant continuing to be received by the LA and pass ported to schools. The allocation of this premium is based on Free School Meals and those pupils that have been eligible for FSM in the last 6 years;
- The Education Funding Agency ((EFA) forma Young Person Learning Agency) grant now forming part of the Dedicated Schools Grant (DSG);
- 2 Year Old funding transferring from the Early Intervention Grant and increasing in 2013/14 and 2014/15 to support the national agenda of increasing 2 years old educational placements;

- High Needs funding extended to cover up to age 25, this was previously 16.

The new arrangement allocates the Dedicated Schools Grant (DSG) into 3 blocks based on a reduced number of factors, these blocks are:

- Schools;
- Early Years;
- High Needs.

The factors supporting the allocation of the Schools Block are set out in **Appendix C**.

1.2 DSG Allocation

The 2013/14 DSG allocation for Nottingham is £220.160m based on the October 2012 census; the national total is £37,959.533m. This does not include the Pupil Premium funding of c. £14.112m. The 2013/14 DSG allocation has increased by £10.366m on 2012/13 with the reasons set out in Table 1 below:

TABLE 1: 2013/14 BUDGET INCREASE ANALYSIS	
	£m
EIG budget transfer – 2 year old and early years funding	4.406
EFA grant inclusion	1.084
Increase in grant to fund pupil growth and inflation (2.32%)	4.876
TOTAL	10.366

Schools Block

The allocation of the schools block is based on specific factors which align to the DfE's guidelines with approvals gained in accordance with the constitution, for example:

- A minimum funding guarantee that does not result in any school losing more than 1.5% of its budget due to the new funding arrangements;
- A 3% cap on gains;
- Average inflation increase of 1.27%.

Due to the amount of changes impacted by the new funding formula comparisons with 2012/13, values are not appropriate.

The 2013/14 budget has seen an additional £2.555m of DSG funding delegated to Nottingham's schools and academies. Of the value allocated to maintained schools, Schools Forum has approved a one year (2013/14) de-delegation/buy back of specific services to the LA totalling £1.301m. The services impacted are set out in Table 2 below:

TABLE 2: ANALYSIS OF DELEGATED BUDGETS	
Behaviour Support	De-delegated
Ethnic Minority Achievement	De-delegated
Trade Union Senior Representative Cover Time	De-delegated

Sports Safe Gym Maintenance Services	De-delegated
Building Maintenance Services	Compulsory Buyback
Mergers & Amalgamations	Compulsory Buyback
Extended Schools Coordination	Delegated
Museums	Delegated
Water Rates	Delegated

Early Years Block

The Early Years block is based on a place basis delivering the universal free entitlement of 15 hours a week per eligible child from age 2-4. The funding received for this block is based on the January pupil count. This means that the EFA have based each LA's Early Years spend on 2012/13 spend and the January 2012 count, this will be updated in Summer 2013 using the January 2013 count and schools budget allocation altered accordingly.

High Needs Block

The High Needs block funds educational provision for high needs pupils and students from birth to 25 with the budget reflecting the cost of the service provisions which aligns to the 2012/13 S251. Table 3 below provides an overview of the High Needs funding.

TABLE 3: HIGH NEEDS FUNDING OVERVIEW			
	Pre-16 SEN and AP		Post-16 SEN and Learning Difficulties or Disabilities
	Mainstream Settings	Specialist Settings	All Settings
Element 1: Core education funding	Mainstream per pupil (AWPU) covering levels 1-4	Based funding of £10,000 for Special Education Needs (SEN) and £8,000 for Alternative Provision (AP) placements. Based funding is provided on the basis of planned places.	Mainstream per student funding (as calculated by the national 16-19 funding system)
Element 2: Additional support funding	Contribution of £6,000 for additional support required by a pupil with high needs. From the notional SEN budget for level 1-4.		Contribution of £6,000 to additional support required by a student with high needs.
Element 3: Top-up funding	"Top-up" funding from the commissioner to meet the needs of each pupil or student placed in the institution and level 5 pupils in mainstream settings.		

1.3 Pupil Premium

Pupil Premium was introduced in April 2011 to provide extra funding for deprived pupils to help raise their attainment.

Funding for 2013/14 will be based on the January 2013 census and will be confirmed in summer 2013. The current estimated allocation for Nottingham schools is c. £14.112m based on £900 per pupil (pp); the 2012/13 allocation was £620pp and totalled £9.769m.

The Pupil Premium for 2013/14 is based on the number of pupils who have been eligible for Free School Meals (FSM) in the last 6 years. This is intended to ensure that secondary pupils continue to receive a Premium funding even though secondary pupils are less likely to register for FSM.

Indicative budgets including the Pupil Premium were provided to Schools on 26 February 2013 via Scene with a further update given on the 5 March 2013. Further budget updates will continue throughout the year as the DfE data is confirmed and pupil termly adjustments are made.

1.4 Schools Forum Approval

The statutory framework for the Schools Budget is set out in the Schools and Early Years Finance (England) Regulations 2012 requiring a division of responsibilities with regard to the construction of the Schools Budget between the Council and Schools Forum; the responsibilities of each party under the regulations are listed in Appendix B and align to the City Council's Constitution.

Under the Schools Finance Regulations, Schools Forum approval is required (See Appendix D);

- i. If there is a breach in the Central Expenditure Limit (CEL) of the Schools Block. The CEL means that centrally retained funding cannot increase by more (or decrease by less) than the same percentage as the Schools Block, unless agreed by Schools Forum. note: the LA did not breach this limit for 2013/14 and therefore no approval was required.
- ii. Individual central expenditure items and any year on year increases in the Schools and Early Years block.

2. REASONS FOR RECOMMENDATIONS (INCLUDING OUTCOMES OF CONSULTATION)

- 2.1 Schools Forum will approve the central expenditure and endorse the 2013/14 Schools Budget.
- 2.2 An agreed outcome will ensure that updated delegated budgets are issued to schools before the statutory deadline of 31 March 2013.

Schools Forum, Service providers and the Portfolio Holder have been consulted during the Schools Funding review, with meetings and updates provided during 2012.

3. OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 3.1 No other options are available as the recommendations align to the financial regulations issued by the DfE in relation to the allocation of DSG and pupil premium.

4. OUTCOMES/DELIVERABLES

4.1 To obtain an agreed 2013/14 Schools Budget, enabling updated schools budgets to be issued to schools on 27 March 2013 in line with the statutory deadline of the 31 March 2013.

5. FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY/VAT)

5.1 The 2013/14 DSG funding is £220.160m before academy recoupment. This includes an increase of 2.32% to support pupil growth and inflation.

5.2 The 2013/14 allocation has increased by £10.366m on 2012/13. Table 1 below provides an explanation for this increase.

5.3 The individual block allocations as set out in Table 4 below, is based on the budget principles set out in section 1 of this report; these figures will alter throughout the year as DfE updates are received, termly pupil adjustments are made and Level 5 funding moves from the High Needs block to the Schools block:

TABLE 4: DSG BLOCK ALLOCATION				
	Schools £m	Early Years £m	High Needs £m	Total £m
Budgets*	170.435	15.763	18.377	204.575
Central Expenditure**	8.589	1.160	5.656	15.405
Block Totals	179.024	16.923	24.033	219.980
Allocated to the SSR	0.180			
TOTAL	220.160			

*- includes academies.

** - includes de-delegated budgets and centrally retained services.

The unallocated balance of £0.180m will be transferred to the SSR. Approval for the use of this reserve is gained through Schools Forum, Children's Services Portfolio Holder and Executive Board where appropriate, all of which aligns to the City Council's Constitution and the DfE's financial regulations.

5.4 The funding blocks contain an allocation for Central Services totalling £15.404m; examples of what this figure includes is:

- De-delegated and brought back services as per Table 2;
- Statutory functions delivered by the LA for example servicing of Schools Forum;
- Top up's associated with High Needs as described in Table 3;
- Support of Early Years provision.

The 2012/13 comparable figure was £17.003m; the reduction of £1.598m is due to:

- More budgets and services being delegated to schools budgets;
- Of those services de-delegated back to the LA only that of maintained schools is allocated for expenditure by the LA.

To enable the LA to resource plan for it's is imperative that central services, de-delegated budgets and compulsory buybacks are agreed in the November preceding the next financial year.

- 5.5 Pupil Premium of £14.112m is in addition to the DSG and is based on £900 pp. The 2012/13 allocation was £9.769m based on £620pp, as increase of 45.16% in 2013/14 on the pp rate and an increase of 44.56% on the Nottingham's total allocation.
- 5.6 The estimated SSR balance as at 1 April 2013 is c. £3.207m. The transfer of the DSG headroom of £0.180m would increase it to £3.388m. This figure is based on a number of assumptions regarding the commitments in 2012/13 and will be confirmed in the 2012/13 Outturn report.

This estimated reserve value is 1.46% of the total DSG budget, the Council's Medium Term Financial Strategy sets out a policy for reserves which is to maintain un-earmarked reserves of between 2% and 4% of the budget.

- 5.7 Using the City Council's Risk Assessment Matrix 5 key risks have been identified amounting to an estimated exposure of £3.214m as per Table 6.

TABLE 6: SCHOOLS RESERVE RISK ASSESSMENT			
POTENTIAL RISK	Worse Case £m	Assessed risk £m	Estimated exposure £m
Single Status Slippage Potential overspend compare to level of provision	0.250	M	0.125
Academy DSG recoupmnt Impact of in year academisation on de-delegated services arrangements.	1.010	M	0.505
Deficit Balances for sponsored academy conversions LA has to pick up deficits for academies converting with a sponsor. Worse case is based on the total projected year-end deficits.	0.260	L	0.065
High Needs The changes to the funding reform not only relates to both the financial setup of High Needs but also operational changes. These changes contain a number of risks for example the cost associated with pupils up to the age of 25 from 16.	1.297	M	0.649
Early Years The increase in Early Years places and the funding to support this growth is based on a number of assumptions. These will incur an element of risk until more information about the market and demand is known.	3.740	M	1.870
TOTAL	6.557		3.214

6. RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS AND CRIME AND DISORDER ACT IMPLICATIONS)

- 6.1 The School and Early Years Finance (England) Regulations 2012 apply in relation to the financial year beginning on 1 April 2013 and set out the requirements in relation to the determination of a local authority's schools budget. This report seeks to address those requirements.

Sarah Molyneux
Solicitor and Legal Service Manager
0115 876 4335
sarah.molyneux@nottinghamcity.gov.uk

- 6.2 A risk assessment has been undertaken in order to inform an assessment of the affordability of these budget plans and the consequent recommended levels of reserves, this is summarised in Table 6.

7. OBSERVATIONS OF THE DIRECTOR OF SCHOOLS AND LEARNING

Not required

8. HR ISSUES

- 8.1 In the event that Schools Forum DO NOT support/agree the continuation of any funding arrangements as outlined in this budget report, there could be significant workforce implications that would need to be detailed in separate Chief Officer and DMT reports. This could include potential employment / contractual obligations, costs and risks to the authority, taking into account appropriate timelines. Management need to consider potential exit payments of any affected post holders.

Nicola Gell
HR Service Resdesign Consultant
nicola.gell@nottinghamcity.gov.uk

9. EQUALITY IMPACT ASSESSMENT

- 9.1 This report is relevant to the Council's duty under s149 of the Equality 2010 to eliminate discrimination, advance equality of opportunity, and promote good relations between protected groups in relation to the future arrangements it sets out in respect of the previous Ethnic Minority Achievement Grant. Relevant equality issues are set out in the attached Equality Impact Assessment.

Imogeen Denton
Senior Equalities Specialist
imogeen.denton@nottinghamcity.gov.uk

10. LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

- 10.1 Nottingham City 2013-14 School Funding Reform Consultation (July 2012).

- 10.2 Schools Forum Reports:

- Formula Funding for Mainstream Schools in Nottingham – 20 September 2012;
- De-delegation Requests – 20 September 2012.

11. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

11.1 Schools Forum report: Approach to setting the Schools Budget 2013/14 – 20 December 2012

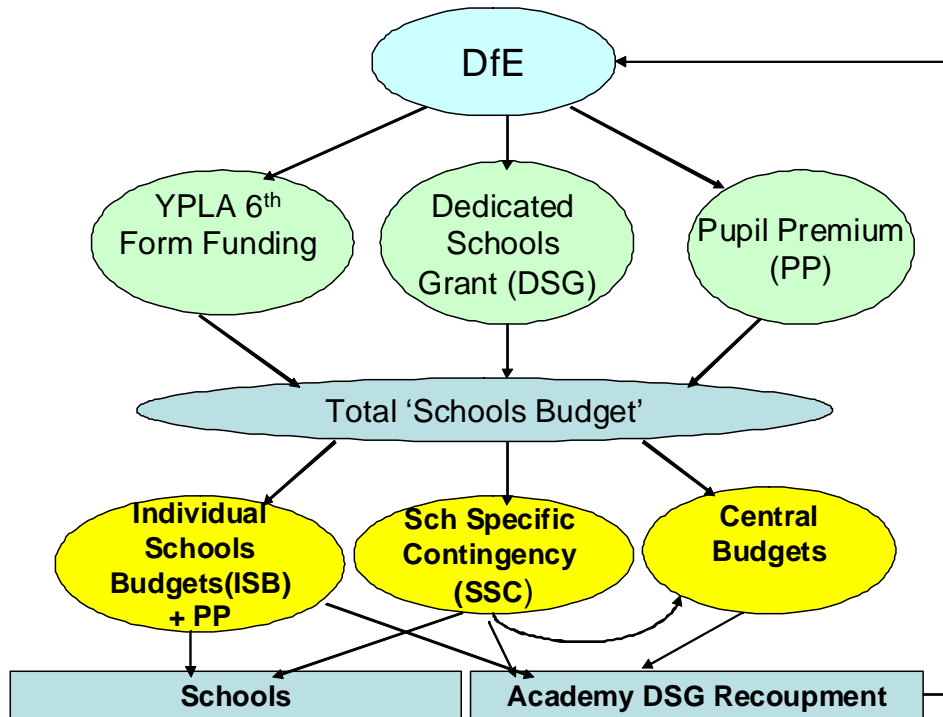
11.2 Executive Board reports:

- Schools Funding Formula – 21 September 2012;
- Medium Term Financial Plan – 18 February 2013.

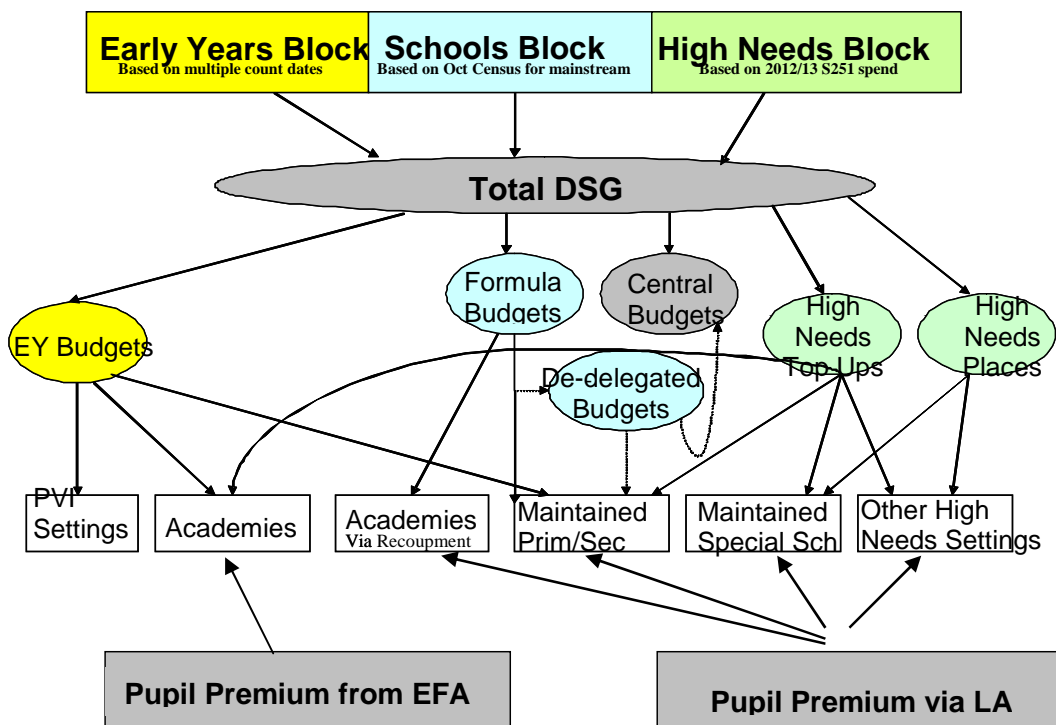
Current and New Funding Frameworks

[Note: Education Funding Agency (Former Young Peoples Learning Agency funding) now forms part of the DSG allocation. Pupil premium grant is now received and pass-ported to schools under the new arrangements.]

Current Funding Flows



Revised DSG Framework



INTRODUCTION TO THE SCHOOLS BUDGET

The roles and responsibilities of the Council and the Schools Forum are laid down in legislation and given detailed expression in The School and Early Years Finance (England) Regulations 2012. The principal duties appertaining to budget construction are given below.

The Council:

Has to “make an initial determination of their schools budget “ by 31st March each year. (Reg 5).

“give notice of that determination to the governing bodies...”. (Reg 5).

“ must deduct from their schools budget...planned ...central expenditure...in order to determine their individual schools budget”. (Reg 8).

Must seek approval of the forum to a range of budget proposals (see Forum duties).

“...may make changes to the formulae they have used in”... earlier years, after consultation with the Schools Forum. (Reg 9).

“...must, before the beginning of the funding period and after consulting their schools forum about the matter, decide upon the formula which they will use to determine ...budget shares..” (Reg 10).

Must determine by 31st March “the budget share” for each school maintained by them and must give notice of such to governing bodies. (Reg 11).

“...may re-determine their schools budget and individual schools budget ... “before the beginning of the funding period”. (Reg 11).

Where approvals are not forthcoming from the schools forum “the authority can make an application to the Secretary of State for such authorisation”. (Reg 12).

Has a range of responsibilities regarding the factors and criteria to be taken into account in the formula for determining Individual School Budgets e.g. in respect of pupil numbers and their weighting; the number of places they wish to fund in, for example, special schools; the arrangements applicable to nursery schools. (Part 3,Chapter1).

Chapter 2 of Part 3 of the regulations places responsibilities upon the Council regarding excluded pupils; correction of errors; and when referring matters to the Secretary of State for determination.

Part 4 of Chapter 2 deals with roles and responsibilities regarding the scheme for financing schools, the Council is responsible for preparing a funding scheme (Reg 26) and must seek forum approval to amendments to the scheme (Reg27).They must also publish their scheme (Reg28).

The Schools Forum:

Must give its approval to any upward variation in the proportion of the Schools Budget applied to central expenditures (Reg 8).

Must give its approval to retained central expenditure in the Schools and Early Years block (reg 8)

Must give its approval to expenditures upon combined services i.e. those services operated by a Council which bring educational benefits but which are not explicitly specified in the Regulations as chargeable to the Schools Budget (Reg 6).

Must give its approval to any increases in expenditure in a variety of specific areas e.g. special education needs transport costs where they exceed provisions in the preceding budget period (Reg 8).

Must authorise the funding of “a deficit in the central expenditure from the previous funding period...” (Reg 8).

Must approve proposals to revise the school funding scheme (Reg 27).

APPENDIX E – EQUALITY IMPACT ASSESSMENT

Name and brief description of proposal / policy / service being assessed

2013/14 School Funding Formula

This document provides an overview of equality issues associated with changes to the local fair funding formula for funding primary and secondary schools in the City for 2013/14. These are driven by the national reforms to the school funding system that must be implemented from April 2013. Equality impacts relate to funding for pupils from different ethnic groups. Under the revised Schools Finance (England) Regulations 2013 it will no longer be permissible to target funding via the school funding formula at ethnic minority pupils from groups that have below average levels of achievement in relation to other pupils in the authority's area. In addition, funding for pupils with English as an Additional Language (EAL) can in future only be targeted at pupils that have been attending a school or schools in England for three years or less.

Information used to analyse the effects on equality

	Could particularly benefit (X)	May adversely impact (X)	How different groups could be affected: Summary of impacts	Details of actions to reduce negative or increase positive impact (or why action not possible)
People from different ethnic groups	X	X	A) Under-performing ethnic groups	
Men, women (including maternity/pregnancy impact), transgender people	<input type="checkbox"/>	<input type="checkbox"/>	Funding was previously targeted at Key Stage 4 pupils from Black and Black/White Mixed heritage groups, which make up 14% of the secondary school population, as attainment data showed that they were consistently performing significantly below average for the City. From 2013/14 we are not permitted to continue this practice under the School Finance (England) Regulations.	
Disabled people or carers	<input type="checkbox"/>	<input type="checkbox"/>		
People from different faith groups	<input type="checkbox"/>	<input type="checkbox"/>		
Lesbian, gay or bisexual people	<input type="checkbox"/>	<input type="checkbox"/>		
Older or younger people	<input type="checkbox"/>	<input type="checkbox"/>		
Other (e.g. marriage/civil partnership, looked after children, cohesion/good relations, vulnerable children/adults)	<input type="checkbox"/>	<input type="checkbox"/>	£0.287m was targeted at pupils from the stated groups in 2012/13. Under the proposed 2013/14 formula, this funding is redistributed on the basis of numbers of pupils eligible for free school meals in the secondary phase. Analysis of attainment results for ethnic, free school meal,	

	<p>gender groups from Foundation Stage Profile through to Key Stage 4 showing variance to Nottingham's "All Pupil" indicated that in general attainment is more influenced by deprivation than ethnicity.</p> <p>Funding gains/losses at school level average around £10-15k as a result of this formula change.</p> <p>B) EAL pupils in primary schools: In primary schools in the 2012/13 local formula there were two funding streams relating to EAL pupils;</p> <ol style="list-style-type: none"> 1. £1.279m based on total EAL pupils Yr R-Yr6 2. £0.525m based on new entrant EAL pupils that entered the UK education system after Yr R in the last 3 academic years. <p>Under the revised Schools Finance Regulations funding for pupils for whom English is not their first language can only be distributed for pupils that have been attending a school or schools in England for up to 1,2 or 3 years (according to the LA's chosen measure).</p> <p>Under the proposed 2013/14 formula, the full quantum of funding is retained for EAL pupils and redistributed based on the up to 3 years in a UK school measure, as this is closest to the LA's existing policy.</p>	
<p>Schools are protected from losing more than 1.5% of their overall funding per pupil by the Government's Minimum Funding Guarantee so this provides protection to those schools.</p> <p>EAL funding is retained for EAL pupils and distributed using the most similar permissible measure under the revised regulations.</p>		

		<p>Financial modelling suggests that funding gains/losses at school level will average around £4-5k as a result of this formula change.</p> <p>C) EAL pupils in secondary schools: In 2012/13, £0.551m was targeted at new entrant EAL pupils in their first 5 years in the UK education system.</p> <p>Under the proposed 2013/14 formula, the full quantum of funding is retained for EAL pupils and redistributed based on the up to 3 years in a UK school measure, as this is closest to the LA's existing policy.</p> <p>Financial modelling suggests that funding gains/losses at school level average around £5-6k as a result of this formula change.</p>	
<p>Outcome(s) of equality impact assessment: No major change needed X Adjust the policy/proposal <input type="checkbox"/> Adverse impact but continue <input type="checkbox"/> Stop and remove the policy/proposal <input type="checkbox"/></p> <p>Arrangements for future monitoring of equality impact of this proposal / policy / service: There will be ongoing monitoring of attainment results by ethnic group.</p> <p>Approved by (manager signature):</p> <p>Contact Details: Candida Brudenell – Interim Corporate Director of Children's and Families 01158 763 374 ✉ candida.brudenell@nottinghamcity.gov.uk</p>			
		<p>Date sent to equality team for publishing:</p>	