

SCHOOLS BUDGET 2013/14

Cabinet Member	Councillor Ray Puddifoot Councillor David Simmonds Councillor Jonathan Bianco
Cabinet Portfolio	Leader of the Council Education and Children's Services Finance, Property and Business Services
Officer Contact	Peter Malewicz, Residents Services
Papers with report	Consultation Document – Schools, Early Years & High Needs Special Educational Needs (SEN) Funding Arrangements 2013/14 Report to Schools Forum – Consideration of School Consultation Responses Minutes of Schools Forum – 23 October 2012

HEADLINE INFORMATION

Summary	The purpose of this report is to seek Cabinet's approval for the size and distribution of the schools budget for 2013/14, following consultation with school Headteachers and Governors and Private, Voluntary and Independent nursery providers and having regard to the advice of the Schools Forum.
Contribution to our plans and strategies	Schools are a key frontline service in the Borough, and are the largest service providing investment in residents' children's and young people's future life chances and delivering on Our People theme in the Council's Vision, and the improving Aspiration Through Education and Learning priority in the Sustainable Community Strategy. The distribution of funding to schools supports these strategic aims.
Financial Cost	Funding for schools and school related expenditure is provided through the Dedicated Schools Grant (DSG) and the Pupil Premium and as such has no impact on the Council's budget requirement.
Relevant Policy Overview Committee	Education and Children's Services Policy Overview Committee
Ward(s) affected	All

RECOMMENDATION

That Cabinet:

- 1) Agrees that the total Schools Budget for 2013/14 will be equal to the total of the Dedicated Schools Grant (as set out in paragraph 50) and Pupil Premium Grant (where the rate is set out in paragraph 42, but the final total figure is still to be released) provided to the Council.**
- 2) Approve the proposed changes to the Primary and Secondary schools funding formula as agreed by schools and the Schools Forum, as set out in paragraphs 13 to 22.**
- 3) Approve the proposed changes to the Early Years Single Funding Formula as agreed by schools and the Schools Forum, as set out in paragraphs 10 to 12.**

Reasons for recommendation

Cabinet is the decision making body for school funding issues and decisions are required on the arrangements to allow for final funding allocations to be provided to schools by no later than 15 March 2013.

The School and Early Years Finance (England) Regulations 2012 requires the Council to consult the Schools Forum on a range of financial matters prior to making decisions on them. Each year the Council consults with schools on the following years funding and school funding formulas, for 2013/14 budgets, this consultation ended on 16 October 2012 and has been considered at the Schools Forum meeting on 23 October 2012, the results of which are reflected in the recommendations of this report.

Alternative options considered / risk management

A range of funding models were considered as part of the review of the Primary and Secondary schools funding formula. Additionally, a number of options were considered as part of the review of the Early Years Single Funding Formula. Schools and Private, Voluntary and Independent Nursery providers were briefed on the new proposal in September 2012 and formally consulted on in October 2012.

Cabinet could decide to recommend that the Schools Forum reconsider the proposed Primary and Secondary schools funding formula and the Early Years Single Funding Formula. However, such decisions are not recommended as the proposals contained in this report are the result of a significant consultation process with the Schools Forum, schools and other stakeholders and fully meet the requirements as set out in the School Funding Reform Arrangements for 2013/14.

The recommended Schools Budget 2013/14 contains a number of contingencies to provide for the growth in nursery and reception age children, where it is uncertain at this point in time, where the required additional classes need to be provided for. It also includes an increased contingency for the placement of children with Special Educational Needs, including a provision for the cost of 16-25 placements.

INFORMATION

Comments of Policy Overview Committee(s)

The Education and Children's Services Policy Overview Committee considered the Schools' Budget as part of the Budget Proposals report that was held on 16 January 2012. No comments were received with regards to the Schools' Budget.

Supporting Information

1. Throughout 2013/14 there has been a significant change in the landscape and funding arrangements of schools, including significant consultation on school funding arrangements, which have required a fundamental review of the Primary and Secondary School Funding Formula, the Early Years Single Funding Formula and the funding of Special Schools and High Needs provision (including Pupil Referral Units).
2. Hillingdon schools have also continued to consider the option to convert to Academy status, with more schools converting in 2012/13. Additionally it is known that other schools are seeking to convert by the end of March 2013.

Academies Act 2010

3. As of 1 February 2013, 25 schools have converted to Academy status (18 Secondary, 3 Special and 4 Primary schools) with a further 1 Secondary and 4 Primary schools expected to convert before the 31 March 2013.
4. Currently, the funding for Academies is received by the local authority within the Dedicated Schools Grant. The Education Funding Agency (EFA), recoups the relevant Academy school budget through deductions from the Individual Schools Budget (DSG funded) and the retained DSG, known as the DSG Local Authority Central Spend Equivalent Grant (LACSEG).

Consultations

5. The coalition Government released a significant number of consultations with local authorities throughout the year, which will have a significant impact on the funding arrangements for schools and the local authority. These include the following:

Replacing Local Authority Central Spend Equivalent Grant (LACSEG) - Funding Academies and local authorities for the functions that devolve to Academies

6. Consultation was issued in July 2012, with a response required within a 10 week timeframe. The Government's response to this consultation is set out in its paper Replacing LACSEG with the Education Services Grant, which was released in December 2012. The implications for the Local Authority budget would be to replace the current funding arrangement (the top-slice of Revenue Support Grant) with a specific Education Services Grant. In order to fund this new grant, the Council's budget would be reduced by the same rates that would be used to allocate the Education Services Grant back to local authorities.
7. The funding that the Council will receive through the Education Services Grant will be allocated in two ways as follows:
 - The Council will receive £15 per pupil in all schools (including Academy schools) to cover the costs of statutory duties that do not transfer to Academies (this includes the Education Welfare Service, Asset Management Planning, the Chief Education Officer,

planning for education services on an area-wide basis, Finance, HR and Legal functions (including the maintenance and development of the local school funding formula) and Standing Advisory Council for Religious Education (SACRE)).

- The Council will also receive £116 per pupil in local authority maintained schools, £435 per pupil in Pupil Referral Units and £493 per pupil in maintained special schools.
8. The introduction of this new grant will result in the Council's Revenue Support Grant being reduced by £2.7 million.

School Funding Reform – Next steps towards a fairer system

9. This consultation was released at the end of March 2012, with a closing date of 21 May 2012. The Government's response was published on 28 June 2012 Schools Funding Reform – Arrangements for 2013/14. The impact of this requires all local authorities to review and streamline all of their funding formulas for Early Years settings, Primary, Secondary and Special schools and Alternative Education provision (including Pupil Referral Units) in line with the new requirements, to be effective from 1 April 2013. This new funding model will be applied to all schools (including maintained schools, academies and free schools). The range of changes required are set out below:

Early Years

10. The prescribed requirements are that the Early Years Single Funding Formula (EYSFF) can only include 5 factors:
- A base rate per hour for all pupils
 - Deprivation, based on the Income Deprivation Affecting Children Index (IDACI)
 - Quality
 - Flexibility (based on extended opening hours)
 - Lump Sum
11. For Hillingdon, only a few minor changes have had to be made to the EYSFF. This involved changing the calculation for Deprivation funding as it currently includes resources based on the Index of Multiple Deprivation (IMD), which is no longer allowed under the new arrangements and an opportunity was taken to review the Quality factor calculation by using the HEYQF scores to determine whether a setting would qualify for funding or not, where only those settings achieving a score of 3 or more will receive a flat rate of funding per hour, per pupil.
12. Schools and Private, Voluntary and Independent Nurseries (PVI) were consulted on these changes, and discussed at Schools Forum on 23 October 2012 and again on 10 January 2013, where the final EYSFF was agreed and includes the following factors:
- A base rate per hour for all pupils (4.02 per hour per pupil)
 - Deprivation, based on the Income Deprivation Affecting Children Index (IDACI) (8% of the total funds available)
 - Quality, based on the Hillingdon Early Years Quality Framework (HEYQF) score (4% of the total funds available)
 - Lump Sum (only McMillan Nursery receives this)

Primary and Secondary Schools

13. The DfE's paper; Schools Funding Reform – Arrangements for 2013/14, sets out significant changes to the funding of Primary and Secondary schools, which have to be implemented for 2013/14. This includes the following:

- More delegation (para 14 to 16)
- Tighter control on centrally retained budgets (para 17)
- Funding Formula restricted to 12 Factors (para 18 to 22)
- Funding based on October Census (4 October 2012)
- The Council have to use the data provided by the EFA (which is based on the percentage of numbers on roll)
- Limited flexibility on setting values
- Simplification of Minimum Funding Guarantee (para 22)
- Introduction of a ceiling for gainers (para 22)

More Delegation

14. In order to have a schools funding formula that can be used for all schools (maintained, converter academies, free schools, studio colleges, university technical colleges and sponsored academies), the DfE are removing the requirement for a DSG Local Authority Central Spend Equivalent Grant (LACSEG) recoupment adjustment for schools converting to Academy status. To achieve this, the DfE require more funds to be included within the schools delegated budget. For Hillingdon the following budgets will be delegated to schools with effect from 1 April 2013:

- Mainstream SEN
- Behaviour Support Services
- Free School Meals Eligibility
- School Library Service
- Staff Costs – Supply Cover for Union Duties

15. The most significant change being proposed is the delegation of Mainstream SEN funding. The new arrangements for funding SEN pupils, implies that schools have sufficient funds to manage pupils with SEN through both the Age Weighted Pupil Unit (AWPU) and the notional SEN funding (estimated to be £10,000; £4,000 for AWPU and £6,000 for Notional SEN). From 1 April 2013, schools would then only receive top up funding above the £10,000. Currently all of the Notional SEN funds are retained centrally, therefore, in order to ensure that the schools delegated budget has sufficient funds to equate to the £6,000 Notional SEN funding, these resources will be transferred from the SEN budget into the schools delegated budget.

16. The new arrangements allows the funding formula to factor in additional resources for those schools that take a greater proportion of SEN pupils (termed as a cluster school), which allows those schools to receive the full amount of SEN funding (£6,000 plus top-up). The Schools Forum have reviewed the impact of these changes and is proposing to define a cluster school for SEN purposes where the school takes on more than 2% of its number on roll.

Tighter Control on Centrally Retained Budgets

17. The requirement to delegate more resources to schools has a direct impact on those resources that can be centrally retained. One of the main criteria is that all of these funds are

for the benefit of all schools, including Academies. The DfE have stated that only the following resources can be centrally retained:

- Growth Fund Contingency (primarily for expanding schools, KS1 Class sizes, new schools and schools in the process of amalgamating)
- School Admissions
- Supporting Schools Forum
- Purchase of Carbon Reduction Commitment Allowances
- Contribution to Combined Budgets (primarily additional support for Looked After Children)
- Miscellaneous Services

Funding Formula

18. The DfE have restricted the number and type of factors that can be used in the schools funding formula, which will result in the deletion of a number of factors included within the current model. The Schools Forum reviewed a number of models using the constraints of the new funding formula and at its meeting on 27 September 2012, agreed the model that it would consult on.

19. The following changes have been made to factors which are currently included within the schools funding formula:

- The AWPU factors for Reception, Key Stage 1 and Key Stage 2 have to be merged into one Primary school factor
- Deletion of the Foundation Additional Responsibilities Factor
- Deletion of the Cost of Free School Meals Factor
- Deletion of the Ex Grant Maintained only Libraries Factor
- Deletion of Small Schools Factor
- Deletion of Air Conditioning Factor
- Deletion of NQT Factor
- Deletion of Class Size Key Stage 1 Factor
- Deletion of New School Factor
- Transfer of Special Resource Provision Funding to High Needs Block

20. The DfE have stated that the schools formula can only include the following 12 factors:

- Basic per Pupil Entitlement (AWPU), including one each for primary, Key Stage 3 and Key Stage 4
- Deprivation (with a choice of using Free School Meals, Ever 6 Free School Meals and IDACI)
- Looked After Children
- Low Cost, High Incidence SEN (Attainment). For Primary the Early Years Foundation Stage Profile data is used and for Secondary it is the Key Stage 2 data.
- English as an Additional Language
- Pupil Mobility
- Lump Sum (Fixed Factor)
- Split Site Factor
- Rates
- PFI Funding
- Existing Sixth Form Commitments
- London Fringe

21. The Schools Forum considered each of the 12 factors in turn and agreed that the last two factors (Existing Sixth Form Commitments and London Fringe) were not applicable, which left only 10 factors that could be used to determine a fair distribution of resources to schools through the funding formula. Of these, the Split Site Factor and PFI Funding each only affect one school and the Rates factor is allocated based on actual costs, which then, effectively restricts the usable factors to seven. The Schools Forum also considered the most appropriate deprivation factor to use and decided that Ever 6 Free School Meals provided the best correlation.

22. On 27 September 2012, following an in depth review of a range of funding models, the Schools Forum agreed the most appropriate model that they wished to consult on, which met most of the principles that they had set themselves in determining the schools funding formula. Each point is discussed in turn. These were agreed by the Schools Forum at its meeting on 23 October 2013

Basic Entitlement – The Schools Forum reviewed the values of AWPU and compared Hillingdon's with other local authorities. This exercise identified that Hillingdon's AWPU was in line with the national average. The Schools Forum are therefore proposing that for the new funding formula, the ratios of AWPU are broadly in line with the national average.

Deprivation and Attainment – The Schools Forum have considered the most appropriate level to be set for deprivation and attainment funding and are proposing that there should be a differential in funding rates between the Primary and Secondary sectors in the ratio of 1 : 1.5, in line with the AWPU ratio, except for Looked After Children, which will be a flat rate.

Fixed Factor (Lump Sum) – The current funding model has a fixed factor of £100,000 for all schools, however, with the removal of the small schools factor and the reception AWPU factor, the Schools Forum are proposing to increase the value of the fixed factor to £140,000 to provide some protection for those schools most affected by this change.

Funding Protection Mechanisms – In implementing the new arrangements for 2013/14, the DfE have built into the funding formula two mechanisms to try to minimise the disruption to schools' budgets, which are the Minimum Funding Guarantee, which protects those schools that lose resources from the proposed changes and a Capping factor to restrict schools from benefiting too much from the proposed formula changes.

- **Minimum Funding Guarantee** – The Minimum Funding Guarantee (MFG) is designed to protect the per pupil funding of schools from one year to the next against significant funding formula changes. The DfE have set the MFG at minus 1.5% for both 2013/14 and 2014/15. In determining the baseline MFG, a number of items will be excluded, including the Fixed Factor, Post 16 Funding, Allocations from the notional High Needs Block, including named pupils funding and Rates.
- **Capping** – The DfE have recognised that in order to manage the disruption to school budget shares by putting in place a Minimum Funding Guarantee, it also recognised that an opportunity should be provided for Schools Forum to cap the amount that schools will gain by. The regulations do not require a cap to be put in place, however, the funding formula tool allows the Council to set a cap on those schools that gain from the proposed changes. It should be noted that once the cap is applied, it will be built into the MFG protection in the following year. The Schools Forum reviewed a number of models where a cap was applied to understand better how the function worked. It was evident that the

cap released more funds back into the funding model, but that through the restricted factors, this additional amount could not be targeted at those schools that were losing funds through the proposed new funding formula. Taking this into account, the Schools Forum proposed to set the cap at 0% (i.e. no cap on gainers).

High Needs Funding (Special Schools, Special Resource Provision and Pupil Referral Units)

23. The new arrangements set out in the DfE's document; School Funding Reform – Arrangements for 2013/14 introduces a significant change to SEN funding and effectively removes the requirement for a special schools funding formula. The main change is that the authority will move much more towards a commissioning role for pupils with SEN and that schools' will take more responsibility for managing SEN pupils placed in Mainstream schools. This would then bring the funding arrangements more in line with the proposals set out in the SEN Green Paper – Support and Aspiration: A New Approach to Special Educational Needs.
24. The funding within this block will be used to provide funding for those students that require a provision where the pupil has a Statement of Special Educational Need. The Government have set a minimum value of funding at £10,000 as the baseline, which each setting will receive or is assumed to have (including mainstream schools).
25. Inter authority recoupment will no longer exist as local authorities will be responsible for commissioning services directly from providers, no matter where they are located. However, this will place the responsibility to collect income from all local authorities on individual schools.
26. The funding for SEN pupils will be covered under three elements which make up the Governments "place-plus" funding approach, this effectively provides a place led base fund and a pupil led specific fund:
 - i) **Element 1 – core education funding**, which comprises either AWPU or FE per student funding. The DfE have assumed that this equates to the value of the local AWPU that the school or FE setting receive as part of its delegated budget funding formula (an average of £4,000 has been assumed)
 - ii) **Element 2 – additional support funding**, which will be included within the Notional SEN funding allocation. The DfE have assumed that this equates to £6,000 and that it will be included in the schools delegated budget.
 - iii) **Element 3 – top-up funding**, which is the additional funding required above elements 1 and 2 (which the DfE anticipate will equate to £10,000) and will be paid for by the commissioner (in most cases the local authority)
27. Mainstream schools will be expected to fund the costs of a pupil with SEN placed in their establishment up to the amount that they will receive for Elements 1 and 2 through the schools funding formula (assumed to be £10,000). Any additional costs of the placement will be met by the commissioner. By implication, this would then remove the requirement to pay schools for named individual SEN pupils, unless the total assessed cost is above this value.
28. Specialist Settings (defined as maintained special schools, special Academies and Free Schools, Special Resource Provisions/Units (SRP's) in mainstream schools/Academies, Independent and Non-Maintained Special Schools (INMMS), post-16 Independent Specialist

Providers (ISP), Pupil Referral Units and any Alternative Provision settings), will receive the following base level of funding:

- For pre-16 SEN and post-16 SEN settings, base funding of £10,000 per planned place will be provided to each setting
- For Alternative Provision, base funding of £8,000 per planned place will be provided to each setting

29. The DfE see the place-plus funding approach as a critical tool to ensure that regular, evidence based dialogue exists between providers, commissioners and the EFA. The main reason for this proposed change is to ensure that the pupil/student receives the right and best education based on their assessed needs and that the relevant funding follows the pupil.

SEN Funding – Special Schools and Special Resource Provision Settings

30. In order to avoid too much disruption to SEN funding, the DfE have stated that the funding rates per special school and special resource provision should be calculated based on the 2012/13 budget allocation.

31. As part of its review, the Schools Forum considered the most appropriate mechanism for achieving this. A simplistic approach was taken by using the total budget for 2012/13, and moving to the “place-plus” funding model by funding each planned place at £10,000 and then dividing the difference by the same planned place number to arrive at a top up rate for each pupil. However, the DfE require top up funding to be paid based on actual pupil numbers, which could result in a potential shortfall in the funding that special schools and special resource provisions receive, as in most cases these settings are generally not fully occupied all year round. The sub group therefore decided to introduce an occupancy rate so as to increase the top up rate funding level to ensure that where possible, no school would lose any funding in 2013/14.

32. In order to provide a level of protection for special school and special resource provision settings, it was agreed that an occupancy rate of 95% would be set for each individual setting.

SEN Funding – Mainstream Schools

33. The DfE have determined that schools should be able to fund the first £10,000 cost of a SEN pupil from within their own resources, and that any SEN pupil would only receive top-up funding from the commissioner. In order to ensure that the schools delegated budget includes sufficient resources to accommodate this, funds will be transferred from the High Needs Block into the Schools Block. An example of how the funding will work is set out below. Note that all pupil numbers and funding amounts are approximate.

34. There are 3 main levels of funding of Statemented pupils at Primary and Secondary schools (P&S):

Level	Funding
Level 1	£10,000
Level 2	£11,000
Level 3	£12,000
Average of all Levels	£11,000

35. Based on the latest payment details, 500 pupils are placed at P&S that have a SEN statement. The total budget retained in the local authorities high needs block to fund Statemented children at P&S is approximately £5.5 Million (500 pupils at an average of £11,000).
36. Under the new funding reforms it is assumed that the first £6,000 of funding for statemented children is already within each schools funding formula. Therefore, it is necessary to delegate these monies to schools. The following table then demonstrates the amount that will be delegated and the amount that will be retained to fund the top-up payments to schools:

	Currently Retained	To Delegate	To be Retained
Funds per Pupil	£11,000	£6,000	£5,000
Total Pupils	500	500	500
Total Funds	£5,500,000	£3,000,000	£2,500,000

37. The Funding Reform document recognises that a few schools attract well above the average number of statemented pupils, these are termed as “cluster schools”. Where this is the case, local authorities have been allowed to retain a contingency from which extra funds can be directed to these schools.
38. The following table sets out the decision of the Schools Forum in determining the most appropriate spread of pupils amongst the schools (keeping in mind the principle of delegating as much as possible):

Driver for extra delegation from Contingency	The % of statemented pupils compared to the Number on Role (NOR)
Threshold above which extra delegation will happen	2%
Number of schools effected using current data	Primary: 9 out of 65 (14%) Secondary: 4 out of 16 (25%)
Amount of funds to hold in Contingency	Primary: £150k out of £2m (7%) Secondary £450k out of £1m (50%)
Total Funds to be retained in Contingency	£600,000
Extra pupils to be funded from Contingency	100

Summary

Total P&S statemented pupils	500
Average Funding per pupil	£11,000
Total P&S statemented pupils funding	£5,500,000
Level 3 Top up funding to be retained above £6000	500 x £5000 = £2,500,000
Level 2 funding retained for cluster schools	100 x £6000 = £600,000
Level 2 funding to be delegated via formula	400 x £6000 = £2,400,000

Revised funding per statement

Current Statement Funding	Future Statement funding
£10,000	£4,000
£11,000	£5,000
£12,000	£6,000
£20,000 (extreme example)	£14,000

Supporting Families in the Foundation Years: Consultation on Proposed Changes to Free Early Education and Childcare Sufficiency

39. This consultation was released on 11 November 2011, with a closing date of 3 February 2012. The Government's response was published in May 2012 and confirmed that funding for the free entitlement offer for two year olds would transfer from the Early Intervention Grant into the DSG with effect from 1 April 2013.
40. On 27 November 2012, the Government announced the level of funding that would be provided to local authorities for 2013/14 for the two year old free entitlement offer. The funding has been provided in two parts; Hillingdon will receive £2,386,826 for statutory places (which must be funded once the entitlement for 20% of two year olds comes into force from September 2013) and £937,003 for trajectory building which is to be used, in the main, to create non-statutory places in preparation for the 2014 entitlement for 40% of two year olds.

Revenue Funding

41. The schools funding settlement for 2013/14 was announced by the Secretary of State for Education on 19 December 2012, providing local authorities with certainty on the level of the DSG for 2013/14. The total DSG has been calculated based on a significantly different set of parameters for 2013/14 when compared to previous years, to reflect the changes required as set out in the School Funding Reform Arrangements for 2013/14.
42. The main headlines in relation to revenue funding are:
- The total DSG will be provided in three funding blocks; Early Years, Schools and High Needs. These three blocks will not be ringfenced within the DSG, however the total DSG will be ringfenced.
 - The Early Years Block and the Schools Block will be cash limited to 2012/13 values to arrive at a Guaranteed Unit of Funding (GUF) that will be applied to pupil growth in 2013/14.
 - Early Years funding will be revised in the 2013/14 financial year using the January 2013 pupil numbers and again at the end of the year using January 2014 pupil numbers.
 - The Early Years Block will include funding for the two year old free entitlement offer.
 - The Schools Block funding will be determined by multiplying the October 2012 pupil census data by the GUF
 - The High Needs Block will be cash limited to 2012/13 values.
 - All High Needs placement costs will be funded through the "place-plus" funding mechanism
 - The High Needs Block will include funding for 16 -25 year old placements with effect from 1 August 2013.
 - Pupil Referral Units must operate under a delegated budget with effect from 1 April 2013.

- The Minimum Funding Guarantee has been set at -1.5% for 2013/14 and 2014/15.
- The level of the Pupil Premium has been confirmed at £900 per pupil (an increase of £277 on the current rate of £623).
- Children in Care of school age who have been looked after for more than six months (i.e. the pupils counted on the SSDA903 (Under the Children Act 1989, a child is looked after by a local authority if he or she; is provided with accommodation, for a continuous period of more than 24 hours, [Children Act 1989 Section 20 and 21]; or is subject to a care order [Children Act 1989 Part IV]), will be those pupils that have been continuously looked after for over 6 months aged 4 to 15 at 31 August 2012. The count point for 2012 is 31st March) will receive £900 per pupil (an increase of £277 on the current rate of £623).
- An additional amount of £300 per pupil will be included in the Pupil Premium in 2013/14 for the children of members of the UK armed forces, which is an increase from the current £250.

Overall DSG Funding

43. The methodology for determining the level of DSG funding that a local authority receives has significantly changed. The main drive for this change is to provide local authorities and all schools with certainty on the value of the DSG for the forthcoming financial year. All local authorities will receive DSG funding through three funding blocks; Early Years, Schools and High Needs. The determination of the value of these blocks will be based on the 2012/13 baselines re-based using October 2011 data for the schools block. The final allocation for the schools block will be determined by using the October 2012 pupil census data.
44. To determine the relevant baseline figure for each of these blocks, a number of adjustments have had to be made.

Pro-Rata Adjustments

45. There are a number of generic adjustments that have been made to all funding blocks to address a number of requirements that are set out in the School Funding Reform Arrangements for 2013/14. These include Hospital Tuition (which has been calculated based on £8.50 per DSG funded FTE and top sliced from all local authority budgets based on this calculation) and removal of the 90% universal provision for 3 year olds.

Early Years Block

46. The total pupil population has been arrived at by adding the school population to the number of children that attend a Private, Voluntary or Independent Nursery setting. The definition applied relates to all of those pupils that are 3 or 4 as at 31 August 2011. The total value of the Early Years Block is then divided by the total number of pupils to arrive at the Notional Early Years baseline £ per pupil. For Hillingdon this equates to £4,897.51 per pupil. It is believed that this rate will be applied to each additional pupil above the baseline figure.

Schools Block

47. The baseline is adjusted for the SEN Block Grant that the local authority receives from the EFA netted down by the removal of inter-authority recoupment. The baseline pupil population has been arrived at by taking the October 2011 school census data, plus the January 2012 AP census, plus the number of 4 year olds as at 31 August 2011 in January 2012, less the number of pupils in Special Resource Provision. The total value of the

Schools Block is then divided by the total number of pupils to arrive at the Notional Schools Block baseline £ per pupil. For Hillingdon this equates to £4,820.35 per pupil.

High Needs Block

48. The baseline is adjusted for inter authority recouplement, for pupils educated outside of the Borough placed in other local authority schools and for pupils being educated within the Borough from other local authorities, to take into account the requirement to remove this activity. Additionally, the SEN LACSEG adjustment for those schools converting to academy status is added back.

DSG Funding

49. The EFA released the draft DSG figures on 19 December 2012, which includes all of the adjustments for the two year old free entitlement offer, the post 16 SEN pupil numbers and an update on pupil numbers taken from the October 2012 census date.

50. The following table summarises the comparison between the revised baseline budget data and the new budget as released on 19 December 2012:

Funding Block	2013/14 Budget	2012/13 Revised Baseline	Change Between 13/14 and 12/13
	£000	£000	£000
Two Year Old Funding	3,324	0	+3,324
Early Years	14,952	14,952	0
Schools	182,836	176,815	+6,021
High Needs	29,777	29,945	-168
Total	230,889	221,712	+9,177

51. The Guaranteed Unit of Funding (GUF) for Early Years and Schools, has been cash limited to the 2012/13 revised baseline figure. For Hillingdon, the GUF for the Early Years and Schools Blocks are noted in the following table along with the relevant pupil numbers:

Funding Block	2012/13 Baseline	2013/14 Budget	Change Between 13/14 and 12/13
Early Years – Pupil Numbers	3,053	3,053	0
Early Years – GUF per pupil	£4,897.51	£4,897.51	£0
Schools – Pupil Numbers	36,681	37,930	+1,249
Schools – GUF per pupil	£4,820.35	£4,820.35	£0

52. The funding for Early Years will be further adjusted throughout the 2013/14 financial year based on the January 2013 census data and adjusted further in 2014 for the January 2014 census data.

53. The pupil number growth in schools reflects the change in pupil numbers between the October 2012 census and the October 2011 census. The following table analyses this further between the Primary and Secondary sectors:

Sector	October 2012 Pupil Numbers	October 2011 Pupil Numbers	Change in Pupil Numbers
Primary	24,231	23,100	+1,131
Secondary	13,661	13,546	+115
Total Schools	37,892	36,646	+1,246

Estimated DSG Budget for 2013/14

54. The following Table summarises the estimated DSG income and expenditure for 2013/14 using the Department for Education's (DfE's) standard Section 251 Budget Statement, which is available to access via the DfE's website. Where the figures have changed a brief explanation has been provided. In the majority of cases the adjustments made relate to the requirement to delegate certain services to schools. Additionally, the new arrangements restrict the amount of funds that can be retained centrally within the Schools Block, to just a few headings, which include the following, where the amount has been cash limited to 2012/13 values:

- Growth Fund Contingency (primarily for expanding schools, KS1 Class sizes, new schools and schools in the process of amalgamating)
- School Admissions
- Supporting Schools Forum
- Purchase of Carbon Reduction Commitment Allowances
- Contribution to Combined Budgets (primarily additional support for Looked After Children)
- Miscellaneous Services

Consideration of DSG Budget 2013/14

s251	2012/13 Budget £	2013/14 Budget £	Change Between Years £	Comments
1.0.0 DSG INCOME	-220,796,000	-230,889,000	-10,093,000	
1.0.0 YPLA INCOME	-1,663,000	0	1,663,000	Combined with DSG
1.0.1 Individual Schools Budget	200,057,000	207,049,340	6,992,340	Accounts for growth in pupil numbers
Two Year Old Free Entitlement Offer	0	3,324,000	3,324,000	New Duty
1.0.5 Central expenditure on education of children under 5	1,556,500	1,556,500	0	
1.1.2 Contingencies	1,155,000	1,827,000	672,000	Expanding Schools
1.2.1 Provision for pupils with SEN (including assigned resources)	6,272,000	3,881,660	-2,390,340	Included in Delegated Budget
1.2.2 SEN support services	895,200	854,200	-41,000	Based on 2012/13 Actual Expenditure
1.2.3 Support for inclusion	606,000	606,000	0	
1.2.4 Fees for pupils with SEN at independent special schools & abroad	7,021,000	7,879,000	858,000	Removal of Inter-Authority Recoupment
1.2.6 Fees to independent schools for pupils without SEN	100,000	100,000	0	
1.2.7 Interauthority recoupment	-7,000	0	7,000	Removal of Inter-Authority Recoupment
1.2.8 Contribution to combined budgets	1,331,000	1,331,000	0	
1.3.1 Pupil Referral Units	1,074,000	1,074,000	0	
1.3.2 Behaviour Support Services	110,000	0	-110,000	Included in Delegated Budget
1.3.3 Education out of school	1,414,500	879,500	-535,000	Based on 2012/13 Actual Expenditure
1.5.2 Free school meals – eligibility Include here expenditure on determining the eligibility of a pupil for free school meals.	50,000	0	-50,000	Included in Delegated Budget
1.6.2 Museum and Library Services	184,000	0	-184,000	Included in Delegated Budget
1.6.3 School admissions	159,800	159,800	0	
1.6.5 Miscellaneous (not more than 0.1% total of net SB)	142,000	142,000	0	
1.6.6 Servicing of schools forums	5,000	5,000	0	
1.6.7 Staff costs supply cover (including long term sickness)	83,000	0	-83,000	Included in Delegated Budget
1.6.9 Purchase of carbon reduction commitment allowances	250,000	220,000	-30,000	Based on 2012/13 Actual Expenditure
Grand Total	0	0	0	

Financial Implications

This is a financial report dealing with funding issues affecting schools. The financial impact is explained throughout the report. The proposals contained within this report do not affect the General Fund proposals that are considered elsewhere on this agenda, as the School Budget is fully funded from the ring-fenced Dedicated Schools Grant and Pupil Premium.

EFFECT ON RESIDENTS, SERVICE USERS & COMMUNITIES

What will be the effect of the recommendation?

The approval of the recommendations as set out in this report will enable the distribution and confirmation of the funding arrangements for schools for 2012/13, including the final individual school budget shares, which have to be distributed to schools on or before 31 March 2012.

Consultation Carried Out or Required

The Council is required to consult with the Schools Forum on any changes to the school funding formula and the Early Years Single Funding Formula as prescribed in the Schools Forums (England) Regulations 2012, which are covered in this consultation paper.

The Schools Forum has a limited range of decision making powers with regards to school funding. In most aspects the Schools Forum role is to advise the Council on decisions that rest with Cabinet, such as the school budget. The main role of the Schools Forum is to consult with schools on proposed changes to funding arrangements, including any changes to the school funding formula.

For 2013/14, the majority of the consultation with schools revolved around the fundamental changes that are being proposed as set out in the Governments paper: School Funding Reform – Arrangements for 2013/14. An informal consultation with schools took place in September 2012. The formal consultation ended on 16 October 2012, where consultation information sessions were held in the lead up to this.

CORPORATE IMPLICATIONS

Corporate Finance

This year has seen a number of changes to the funding arrangements for schools and the council. Whilst Schools Budget proposals continue to be provided through the ring-fenced Dedicated Schools Grant(DSG) and the Pupil Premium Grant, both from the Department for Education (DfE) the replacement of the Local Authority Central Spend Equivalent Grant with the Education Services grant has also impacted upon the General Fund . The Education Services Grant now provides a unit of funding per pupil to both the local authority and academy schools to determine the amount of grant funding that will be paid to undertake a range of specific education duties as set out in more detail in this report.

The Council may add to the amount of the Schools Budget from resources funded by general Government grant or Council Tax from the General Fund, but may not set the Schools Budget below the level of the DSG.

The funding proposals for the Schools Budget 2013/14 including the changes to funding arrangements set out in this report are fully consistent with the report on the General Fund revenue budget and capital programme for 2013/14 contained elsewhere on this Cabinet agenda.

Legal

The funding system for schools maintained by local authorities is based on the legislative provisions set in sections 45–53 of the School Standards and Framework Act 1998 (as amended) and regulations made in exercise of powers conferred by those sections (i.e. The School and Early Years Finance (England) Regulations 2012). Under this legislation, Local Authorities determine the size of their LEA budget and schools budget.

By section 45 of the 1998 Act (as amended), every maintained school shall have, for each funding period, a budget share which is allocated to it by the local authority which maintains it. A maintained school is defined as (a) a community, foundation or voluntary school, (b) a community or foundation special school, or (c) a maintained nursery school.

Further, pursuant to section 52 of the 1998 Act (as amended) local authorities are obliged to publish a statement setting out details of their planned LEA Budget and Schools Budget each year. In the case of the Schools Budget for each year of a multiyear period, it must show the amounts that will be centrally retained, the budget share for each school, the formula used to calculate those budget shares and the detailed calculation for each school.

The local authority must consult the schools forum annually in respect of the authority's functions relating to the schools budget, in connection with the following:

- (a) arrangements for the education of pupils with special educational needs;
- (b) arrangements for the use of pupil referral units and the education of children otherwise than at school;
- (c) arrangements for early years provision;
- (d) administrative arrangements for the allocation of central government grants paid to schools via the authority.

The authority may consult the forum on such other matters concerning the funding of schools as they see fit (Schools Forums (England) Regulations 2012).

The School Forums were set up by section 47A of the 1998 Act (as amended). Their purpose is to advise the local authority in relation to the matters immediately specified above. They must inform the governing bodies of maintained schools of any consultation carried out by the local authority.

The consultation process and subsequent decisions of the local authority must have regard to equality and anti discrimination legislation. The Equality Act 2010 is now in force to protect people from discrimination on the basis of protected characteristics. The relevant protected characteristics for local authorities are: disability, race, religion or belief, and sex.

In line with the court decision of R (on the application of Chavda and others) v Harrow Council 2007 decision makers must give due regard to the 2010 Act and to guidance especially when considering disability issues.

Under the Council's Constitution the Cabinet has the appropriate powers to agree the recommendations proposed at the outset of this report. Further, by virtue of Section 1 of the Localism Act 2011 which makes provision for 'a general power of competence' for local authorities in England. The 'power' gives local authorities the power to do anything an individual can do unless specifically prohibited by law. This includes the power to act in the interest of their communities.

There are no other significant legal implications arising out of this report to bring to Cabinet's attention.

Relevant Service Groups

No other consultation required.

BACKGROUND PAPERS

NIL