

Report to: Schools Forum

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Report of: Director of Childrens Services
Director of Corporate Resources

**Report
No:**

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Report Title: **Consultation on School Funding Reform:- Next Steps towards
a Fairer System**

**Confidential /
Non Confidential:** This report does **not** contain information which warrants its
consideration in the absence of the press or members of the public

Purpose: The report outlines the headlines relating to the Government
Consultation on School Funding Reform:- Next Steps towards a
Fairer System

Recommendations: The Schools Forum is asked to comment on the report.

Decision:

**Background
Doc(s):**

1. Introduction

The Consultation highlights the next steps in relation to School Funding Reform following the initial consultation in July 2011.

The July consultation proposed a model involving a national funding formula for the distribution of funds to Local Authorities from which each local authority and Schools Forum would agree a formula to distribute funding locally. Support was widespread but feedback suggested the model would need refinement and careful implementation. The consultation document sets out how it is planned to proceed and make changes from 2013-14, with the intention to implement a national funding formula from the next Spending Review period.

The following issues are covered in the consultation:-

- Simplification of local funding arrangements
- Improvements to way local areas are funded
- Improve arrangements for the funding high needs
- Improve arrangements for Early Years Provision

The closing date for consultation responses is 21st May 2012 in order to allow for an early announcement in the summer.

2. Timescale

The changes in the report are from 2013-14, unless stated otherwise.

A detailed timescale is set out in Annex A

3. Simplification of Local Funding Arrangements

Currently there is lots of variation across the country around the level of complexity of formulas and also in services that are funded centrally, for example school meals delegation.

The consultation proposes a simple, more consistent and transparent local funding system that:

- maintains some local discretion over funding
- ensures as much funding reaches schools as possible
- maintains and improves the arrangements for equivalent and consistent funding between schools and Academies
- enables institutions to understand how they are funded
- supports needs of pupils
- more responsive to pupil numbers and parental demand

Free schools will be funded on the same basis as maintained schools and academies.

4. Schools Block Delegation

To give schools greater choice over how to spend budgets it is proposed that the Schools Block should be delegated to schools in the first instance. (Note High Needs and Early Years will not form part of the Schools Block)

There will be 3 exceptions to this where funding will either be returned or retained by the LA for Central provision:-

- i. pooled budgets - where schools agree a service should be pooled for better value or to pool risk, for example schools in financial difficulty, Insurance – these services will be delegated in the first instance but can be retained collectively by sector or phase through the Schools Forum.
- ii. historic commitments – for example redundancy and capital funded from revenue – these services will be agreed by individual schools rather than centrally by the Schools Forum
- iii. statutory functions – including Schools Forum administration and co-ordination of admissions

Annex B details the services that could fall into the above categories. School Meals should no longer be provided centrally, however pooled arrangement for provision could still operate.

There would no longer be any need for the LACSEG grant for academies as all funding would be in Academy budgets to start with.

5. Formula Factors

Local Authorities and Schools Forums will still agree a formula to distribute funding locally between schools in order to meet local priorities and needs.

Local Formulas will, however, need to change. The government believes that the vast majority of funding should be pupil led and not driven by the history, organisation or premises of the school.

Currently the regulations allow for 37 different formula factors, it is proposed that this will be reduced to 10 allowable factors. The starting position for considering the factors that should be included is that factors should only exist where they directly impact on attainment or address significant unavoidable costs.

The table below sets out the current local factors, along with the proposed limited list:-

Proposed Factors
1. Basic amount per pupil - single unit value for primary aged pupils and either a single unit value secondary or a single unit for each of Key Stage 3 and Key Stage 4
2. Deprivation – measured by FSM or IDACI

3. Looked After Children
4. Low Cost High Incidence SEN
5. EAL for 3 years only after the pupil enters the compulsory school system
6. A lump sum of limited size
7. Split Sites
8. Rates
9. PFI contracts
10. High teacher cost in London

In addition the EFA will consider exceptional circumstances relating to premises such as listed buildings, rented buildings

Most of these factors are published in the consultation as a “firm intention” , and there are only a small number of factors where the consultation is seeking advice.

Primary/Secondary Per Pupil Entitlement

Local Authorities will only be able to set a single basic entitlement for all primary school pupils, and would like a single rate for secondary pupils however recognise there are additional costs of practical work and examinations in Key Stage4.

The consultation favours setting a minimum threshold for the basic entitlement, ie a specified percentage of the budget should be distributed through the basic per pupil entitlement, but asked whether this should be extended to other pupil led factors, such as deprivation.

Deprivation

It is important for Local Authorities to continue to target funds to deprived pupils so that the pupil premium remains additional.

Local Authorities must have a deprivation factor and will only be able to use FSM and/ or an IDACI rating when distributing funding for deprived pupils.

Free School meals pupil would attach a single unit cost, ie per pupil but IDACI was used a banding would be applied, ie a range depending on score.

Looked After Children

The nature of care arrangements means Looked after Children may not be eligible for FSM and would not attract additional funding through this route. Although LAC attract pupil premium the consultation allows a formula Factor for Lac although this will not be

compulsory.

Low Cost High Incidence SEN

Local Authorities will continue to be required to give a mainstream school a notional SEN budget, however this will be simplified.

The notional SEN budget will include an element of the basic entitlement and likely part of deprivation funding. It will also include an additional separate Sen factor.

The regulations will not allow school action/ school action plus to be used but it is believed that Prior attainment can provide a good proxy for many Sen pupils through the following sources:-

- Primary Schools – Early Year Foundation Stage Profile (EYFSP) – below 78 points
- Secondary Schools – Key Stage 2 results – Level 3 or below in English and Maths

English as an Additional Language

Three years of additional funding should provide enough time for school to support a pupil with EAL.

Lump Sum

Having different lump sums for each school makes it difficult to know whether schools are being fairly funded.

Local Authorities will only be able to apply a single lump sum for each school in the area, and each primary and secondary school would receive the same lump sum. This lump sum would have an upper limit

Split Sites

This should be reflected as a lump sum.

Rates

This will continue to be funded at actual cost incurred.

PFI

This should be reflected as a lump sum.

Pro-Forma and Timing

In order to achieve the aims of improved transparency and to ensure schools receive their budgets well in advance, local authorities will be required to agree their new local formula with their Schools Forum and provide detail to the EFA via the agreed pro-forma by October 2012. The EFA will check and validate that all local authority formula factors comply with amended regulations .

6. Ratio of Primary to Secondary

Secondary pupils tend to attract more funding than primary pupils. The average ratio is 1:1.27, ranging from 1:1.1 to 1:1.5.

The previous consultation suggested a move towards a set ratio, however this will not be implemented in 2013-14

7. Protection

The minimum funding guarantee will continue at minus 1.5% for 2013-14 and 2014-15. Looser arrangements will be considered thereafter.

Gains resulting from a change in formula will also be allowed to be capped but this will be at local discretion.

8. Pupil Premium

The pupil premium will continue as a separate grant. The Government are considering proposals for new eligibility criteria which can be aligned with Universal Credit.

Longer term the intention is that the pupil premium will become the main mechanism for allocating deprivation to schools, rather than continuing as a separate grant.

9. 14-16 Year olds in FE colleges

FE colleges should be funded should be funded so far as possible in the same way as schools in the local area using:-

- Per pupil funding
- Deprivation
- LAC
- SEN.

The EFA will calculate the funding due and payment will be made through the normal channels

10. Schools Forums

Changes will be made to Schools Forums to support decision making for 2013-14 to ensure Forums are more focussed, that decisions are more transparent and that those most affected have a greater say.

For 2013-14 the following amendments to regulations will be made:-

- Remove the requirement for a minimum of 15 members
- Limit number of LA attendees participating unless they are a lead member, Director (or representative) or providing advice or presenting a paper
- Only allowing school and PVI members to vote on the funding formula
- Requirement to publish papers, minutes and decisions on council website
- Requirement to make meeting public

Other changes being considered for the future include a cap on the number of members, reduction in non-school members and requirement for an independent secretariat.

No changes to decision making powers will be made at this stage.

11. The role of the Education Funding Agency (EFA)

The EFA will :-

- have observer status at Schools Forum meetings.
- review the LA formula that it is compliant with regulations
- act as a liaison for disputes
- calculate Academy budgets

12. Dedicated Schools Grant (DSG)

Local Authorities will continue to receive DSG

From 2013-14 the DSG will be split into 3 blocks:-

- Schools Block
- Early Years Block
- High Needs Block

The blocks will be split based on the 2012-13 Section 251 and will not be ringfenced. DSG will continue to be ring fenced as a whole.

There is also a possibility that central education services funded from formula grant for Local Authorities will transfer to the DfE budget to be administered separately.

Pupil Number Counts

Schools Block – the DSG schools block will be based on an earlier count of pupil numbers (October Census). This count will also relate to the calculation of individual schools budgets..

Early Years Block - The PVI census will remain in January .

High Needs Block – based on current expenditure and may be adjusted for population changes in future

13. High Need Pupils

Background

The aim is for a set of funding arrangements for pupils and students with high needs that is responsive to the needs of individuals and supported by clear information in the form of a local offer about high needs provision available in schools, colleges and other providers. Also to avoid perverse financial incentives that may prevent young people receiving the educational experience that is right for them.

The reforms include pupils with high needs in School, Further Education and Alternative Provision

The DfE response to the consultation will follow the publication of the Sen and Disability Green paper which will be published shortly and will explain how the new funding framework will fit with and support reforms of the SEN and disability framework.

Definition

High needs pupils are those who require provision that would not normally be available in mainstream settings, covering the following pupils:-

- Birth to 19 with high levels of SEN in Schools, Academies and other settings
- 16-25 with high level learning difficulties or disabilities in FE
- School aged pupils in Alternative Provision

Settings are defined as specialist settings (eg special schools, independent special schools, resourced provision) and mainstream settings (mainstream school or FE provider)

Aims

The new funding approach aims:-

- to be responsive to individual pupil needs
- for all providers to be funded on an equivalent basis
- to bring pre 16 and post 16 provision to be brought together
- to provide clear information about available provision

Place-Plus funding

The new approach will be based on a combination of place and pupil led funding, this will involve a base level of funding for stability.

Place-plus funding will involve three elements:-

- core education funding – per pupil factor for the sector
- additional support funding – clearly identified budget for providers to provide additional support with high needs at an agreed level
- Top-up funding – funding in addition to the above required by an individual student based on pupils assessed needs.

Mainstream settings – Place-plus funding

Core funding – Mainstream per pupil value

Additional Support Funding – notional SEN funding in mainstream and Additional Learning Support (ALS) in FE.

It is expected providers will contribute the first £6,000 of additional educational support required by each pupil or student with high needs in addition to mainstream per pupil funding.

Information about the provision for high needs pupils and students available in mainstream settings would be agreed locally and would be set out in the form of a local offer of

education provision, and would include the provision that mainstream providers would be expected to provide from their own budgets.

Specialist settings – Place-plus funding

To provide stability of funding a base level of funding will be introduced, broadly equivalent to that received by a mainstream setting. This will be set at £10,000, this is based on an average AWPUP of £4,000 plus notional SEN of £6,000.

This will be paid to providers on the basis of an agreed number of planned places in a particular setting, the number of planned places funded at a setting will be reviewed on a regular basis to reflect local patterns of need.

The base level of funding for AP setting will be £8,000.

The place led component and pupil led component will be two distinct clearly identifiable components.

Top Up Funding

The top-up is paid directly from the commissioner, based on the assessment needs of each individual pupil.

The commissioner is the body that has statutory responsibility for arranging the educational provision, usually the Local Authority in which the child lives. For those placed in AP the commissioner would be :-

- LA – for permanently excluded pupils
- Mainstream school or Academy – for fixed term exclusions, early intervention or off-site provision.

The move to top up funding will mean an end to the current system of inter-authority recoupment and will be replaced with direct relationships between commissioners and providers.

It is hoped that a banding framework will facilitate discussions between commissioners and providers about appropriate levels of top up funding and that approaches to processes such as reviewing progress could be done by for example groups of LA working together to avoid duplication and to reduce bureaucracy.

Regarding transition commissioners would be expected to honour existing commitments where students are part way through an educational programme, provided they are making expected progress.

Provider Responsibilities	Commissioner Responsibilities	EFA
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Delivering provision for which they have been commissioned for the individual pupil	Strategic planning of provision for high needs pupils, including dialogue with providers and the EFA	Allocating and distributing national budget for provision for high needs pupils to specialist settings and LA's through their High Needs Block
Engaging in dialogue with commissioners and being accountable for progress and achievement	Commissioning and paying top up funding for high needs pupils	Making adjustments to the number of planned places in a particular specialist setting on the basis of evidence from the provider and its commissioners.
Contributing to clear and transparent information for young people and their families for the provision they offer	Engaging in dialogue with providers and ensuring placements achieve agreed outcomes and make appropriate use of public money.	Pay base funding (elements 1 and 2) to relevant specialist providers, eg independent schools

14. Early Years

Free early years education for three and four year olds will continue to be funded by Local Authorities through the Early Years Single Funded Formula (EYSFF).

Longer term a national funding formula will be introduced however in the meantime some changes are being suggested through non-statutory guidance.

Deprivation will remain is a mandatory element of the formula, and must be based on the circumstances of the individual child rather than the setting.

Local Authorities will have to complete and publish a pro-forma setting out their EYSFF and benchmarking information will be available later this year.

15. Next Steps

At its next meeting on the 18th May the Schools Forum will need to consider its response to this consultation. In the meantime, the formula working group will need to start work on simplifying the Formula and assessing the impact of these changes.

16. Recommendations

The Schools Forum is asked to comment on the report.

Date	Action
4 October 2012	School Census Day
October 2012	Local authorities submit provisional Schools Budget pro-forma to the Education Funding Agency (EFA) to ensure schools receive their budgets well in advance.
October 2012– January 2013	EFA check budget pro-formas to regulations and confirm DSG settlements.
28 November 2012	School Census database closed.
December 2012	EFA confirms DSG allocations for 2013-14 (prior to recoupment of funding for Academies).
January 2013	Local authorities submit final changes to Unit values for Schools Budget pro-forma.
January – March 2013	Local authorities confirm budgets for their maintained schools for 2013-14 financial year. EFA confirms Academy budgets for 2013/14 Academic year

Services that could be held Centrally

Exception 1 – Where Schools Agree a service should be provided centrally – to be agreed by Schools Forum
<i>For Economies of Scale or Pooled Risk:-</i>
<i>Support for schools with financial difficulties – note this would move to contingency</i>
<i>Allocation of Contingencies</i>
<i>Free School Meals eligibility</i>
<i>Insurance</i>
<i>Licences/Subscriptions</i>
<i>Staff Costs – Supply Cover (Maternity)</i>
<i>Support for Ethnic minority pupils or under achieving groups</i>
<i>Behaviour Support Services</i>
<i>Library and Museums Services</i>
<i>Contingencies:-</i>
<i>Exceptional unforeseen costs which it would be unreasonable to expect governing bodies to meet</i>
<i>Schools in Financial Difficulties</i>
<i>Additional Costs relating to new, reorganised or closing schools</i>
<i>Significant pupil number growth</i>
Exception 2 – Historic Commitments – to be agreed by individual schools
<i>Capital funded from Revenue</i>
Exemption 3 – Statutory Functions of the Local Authority
<i>Administration of Schools Forum</i>
<i>Co-ordinated Admissions</i>
<i>Carbon Reduction</i>
Exemptions 2 and 3 are only allowed to a maximum value of the 2012-13 budget

Consultation Questions

General:

1. Should Local Authorities and Schools Forums be able to agree separate rates for Key Stage 3 and Key Stage 4?
2. Do you think we should implement option a, b or c re the basic pupil entitlement:-
 - a. Setting a minimum threshold that relates to funding for the basic entitlement only. We think 60% would represent a reasonable starting point for this threshold.
 - b. Setting a minimum entitlement that would relate to funding for all of the pupil led factors (so would include basic entitlement, deprivation, LAC, low cost SEN and EAL). We think 80% would represent a reasonable threshold.
 - c. Not setting a threshold at this point, accepting there will continue to be variation across the country
3. Do you agree with our proposals on banding? How do you think they might be applied locally?
4. Lump Sums – where within the £100k-£150k range do you think the upper limit should be set?
5. What sort of information do free schools, UTCs and studio schools proposers need, and at what stage to enable them to check viability and plan effectively?
6. What are the ways in which commissioners can ensure responsibilities and arrangements for reviewing pupil and student progress and provider quality can be managed in a way that does not create undue administrative burdens for providers?
7. Are there other ways that we can help to ensure a smooth transition for commissioners and providers to the reformed funding approach for high needs pupils and students?

Annex 5A questions (High Needs)

8. Do you agree that £8,000 per-planned place would be an appropriate level of base funding for AP settings with a place-plus funding approach?
9. Do you agree that it would be sensible to calculate pro-rata top-up payments for short-term placements in AP on a termly or half-termly basis?
10. Do you agree that it would be sensible to calculate pro rata top-up payments for part-time placements in AP on the basis of a daily rate?
11. What are the ways in which hospital education could be funded that would enable hospital schools to continue to offer high-quality education provision to pupils who are admitted to hospital?

12a. Do you agree with the proposed process for reviewing and adjusting the number of places for which specialist settings receive base funding?

12b. Are there any other ways in which this process could be managed in a way that is non-bureaucratic and takes account of local need and choice?

Early Years:

13. Do you have any views on the move to participation funding for three year olds, particularly on how transitional protection for 2013-14 might operate?

14. Do you have any views on whether free early education in all Academies should be funded directly by Local Authorities?