

School Funding Reform: Next Steps Towards a Fairer System

Schools Forum

3rd July 2012

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Parish / Wards Affected: All

Purpose

- To advise Forum Members of the very significant implications of the “School Funding Reform: next steps to a fairer system” issued by the Department for Education (DfE) on 26th March 2012
- To advise Forum Members of the proposed consultation arrangements with each sector to assist in developing the new funding arrangements which must be finalised and implemented with effect from 2013/14
- To invite initial comments on issues arising from the new funding arrangements

Recommendations

The Schools Forum is requested to:

- Note the key implications of the School Funding Reform Paper which are primarily that with effect from 2013/14;
 - The Dedicated Schools Grant (DSG) will be receivable in three separate funding blocks
 - The Local Authority (LA) will need to increase delegated funding
 - The local formula for mainstream settings will need to be revised within strict DfE constraints and approved by the Education Funding Agency (EFA)
 - Special schools and Alternative Provision settings will need to be funded via a new “place plus” methodology
- Note the actions required to produce 2013/14 delegated funding allocations for Schools, Academies and Alternative Provision settings.
- With regard to changes to the retained budget as summarised at Annex 1;
 - Note the indicative transfers to the Early Years (A) and High Needs (B) Blocks
 - Support the continued retention in 2013/14 of funding that will need to be included in the Schools Block (C) subject to annual review thereafter
 - Note those areas of retained funding that will need to be delegated in 2013/14 and agree that this is initially allocated as an inflationary uplift across all areas of the new formula
- Review the timeline leading up to the finalisation of 2013/14 formula allocations to Schools and Academies and consider/approve the proposed consultation plan as set out at the end of section 2.
- Note and/or question the implications arising from the school funding reform programme and in particular issues relating to the construction of new funding formulas for Mainstream settings (section 3) and High Needs settings (section 4).
- Note the LA’s conclusions and concerns regarding some of the changes (section 5)

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1. Background

- 1.1 Forum members will be aware that in December 2010, the coalition government introduced a number of changes to the school funding system which were aimed at simplifying local arrangements. With effect from the 2011/12 financial year, all revenue funding for schools (other than the Pupil Premium) was included in the Dedicated Schools Grant settlement and individual LAs have been free to work with their Schools Forums to allocate funds based entirely on local decisions. For Swindon this represented the transfer into DSG of former Standards Fund grants totalling £16.8m.
- 1.2 As previously reported to the Schools Forum, DfE consultation papers on school funding reform issued in April 2011 and July 2011 were critical of the complexity of local formulas and the differences in levels of delegated funding to Schools and Academies across the country. The first DfE paper sought views on the broad reform principles whilst the second consulted on more detailed propositions.
- 1.3 In response to the requirement to simplify local funding, following consultation during 2011 and early 2012, the Swindon Schools Forum agreed the LA's recommendations to redistribute former Threshold Pay Grant, former Standards Fund Grants and former Ministerial Priority Funding. This funding, which in some cases had been shared across a small number of schools, was more equitably redistributed across all schools in 2012/13 funding allocations. The LA also introduced a new funding system for Special Schools which better reflected the needs of individual pupils and made minor revisions to the Early Years Single Funding Formula (EYSFF) which were used to allocate 2012/13 funding. For 2013/14 the LA was committed to establishing a new formula for Special Resource Provision funding and to reviewing the methodology by which deprivation funding is delegated.
- 1.4 Whilst all the above changes are very much in line with DfE requirements, their latest documents "School Funding Reform: next steps to a fairer system" issued on 26th March 2012, require much more radical changes to be made to the local formula which will affect all settings. In addition various other changes are to be made on how DSG is allocated and managed including the requirement for LAs to maximise delegation to all settings – all of which has to be implemented for the 2013/14 financial year.
- 1.5 This report is aimed at providing a comprehensive briefing on the implications of the school funding reform and is structured as follows;
 - Section 2 – Overview to changes to the DSG and local formulas including a draft timeline and consultation plan
 - Section 3 – Issues relating to the construction of a new local formula for mainstream settings

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- Section 4 - Issues relating to the construction of a new local formula for High Needs and Alternative Provision settings
- Section 5 – Conclusions and concerns relating to aspects of the reform programme

2. Overview to the Changes Required for 2013/14

2.1 The latest school funding reform paper issued at the end of March consists of 89 pages plus 17 pages of technical guidance for LAs. The LA has also received an electronic toolkit with SBC specific data sets which is to be used to help build the new formula - this toolkit has 27 pages of supporting guidance. In response to queries raised by LAs on the reform changes DfE have been maintaining a list of “Frequently Asked Questions” which at the time of writing this report covered 90 pages. The reform clearly requires very significant changes to be made and LA officers have attended national and regional conferences on this matter. An overview to the main changes based on the LAs understanding of the new requirements is provided below;

A) The Dedicated Schools Grant (DSG)

2.2 The national DSG distribution methodology to LA's is not changing – probably until the next Parliament as there is no additional funding for schools in the current Comprehensive Spending Review (CSR) period other than the Pupil Premium. To make changes at this time the DfE's only option would be to increase / reduce individual LA grant levels which they feel would cause unnecessary instability. Swindon's per pupil funding will therefore remain the 25th lowest funded English Authority. The F40 group continues to lobby for a modest interim increase for its member Authorities.

2.3 The DSG will remain ring fenced but the current split between “Delegated Individual Schools Budget's (ISB's)” and the “Centrally Retained Budget” will be replaced by a new DSG with effect from 2013/14 which will be made up of three notional un-ring fenced funding blocks;

- **High Needs Block** – the level of funding for High Needs Pupils will initially be based on planned 2012/13 spending as recorded on each LA's Section 251 budget statement and will include some centrally retained and some delegated budgets. The level of 2013/14 funding may be adjusted to reflect pupil number changes and will include Post 16 High Needs Funding. With effect from 2013/14 the LA will directly receive funding and commission provision for Additional Learner Support (ALS) needs above £5k per post 16 Student although overall funding values have yet to be confirmed. The LA will continue to receive the notional post 16 Special Educational Needs (SEN) Block funding allocation of approx. £600k which is currently used to provide delegated Special School Funding at Uplands.

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- **Early Years Block** – the level of Early Years funding will also initially be based on each LA's Section 251 2012/13 budget statement but with in-year termly updates to reflect actual early years take up. At present funding allocations for three year olds assumes that at least 90% take up is achieved – even if actual take up is lower. This is to be reduced to 85% in 2013/14 and phased out completely from 2014/15. This will affect Swindon Borough council (SBC) as, although take up is rising, this is currently approximately 84% - and a 6% loss of Early years related DSG funding currently equates to £530k.
- **Schools Block** – this will be the largest element of DSG and funding will be based on the preceding October (not January) pupil census although some adjustment to the funding rate is implied – presumably to reflect LA's which have trends of rising or falling pupil numbers. It is expected that the vast majority of funding in this block will be delegated to Schools and Academies which forces a fundamental review of those services which are currently retained by the LA. Funding from the schools block must be delegated with the exception of the following 3 categories;

Exception 1 – Subject to Schools Forum Agreement

The LA can continue to manage/provide a restricted range of specific services where this is approved, presumably on an annual basis, by the Schools Forum. Items which can still be retained if approved are;

- **Contingencies** for maintained settings only ;
 - Significant pupil growth i.e. set up costs and trigger funding
 - Schools with financial difficulties deemed locally to be 1/3 of the Schools in Challenging Circumstances Budget plus the retained redundancy budget
 - Costs of opening and closing schools
 - As the LA currently advises the Schools Forum on the assumptions supporting the levels of funding proposed for retention when setting each year's budget it is not anticipated that support for continued retention will be withdrawn. Quite how the LA could fund expansion if a Schools Forum decided against LA retention remains to be seen.
 - As LA's will only hold contingency funding for maintained settings the EFA will expect Academies to manage their own financial risks but will make separate arrangements where significant pupil growth is experienced.
- **Free School Meals Eligibility Administration** – Schools could choose to have a proportion of this funding and do their own Free School Meals (FSM) administration and could therefore affect LA staffing levels

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- **Trade Union Facilities** – As above, Schools could chose to cease the central funding of supply costs relating to Trade Union activities and have this funding delegated to them
- **Minority Ethnic / Under Achieving Groups** – i.e. the LAs Travellers Support Service and the Black and Minority Ethnic (BME) Project (which has already been delegated to Drove School) will need to be reconfirmed by the Schools Forum each year and could therefore affect LA and Drove School staffing levels.
- **Behaviour Support Services** – i.e. the primary behavioural support outreach service which has already been delegated to Nylands School will need to be reconfirmed by the Schools Forum each year and could therefore affect staffing levels.
- **De-delegation** - For all the above services funding must firstly be calculated as being delegated and then deducted from final allocations effectively pooling contributions from schools to fund agreed LA service provision although formal buy back arrangements are not required.
- **Other Services** - There are a range of other services which could be retained by LA's but have already been delegated in Swindon e.g. Insurance, Licences and Subscriptions, Maternity cover costs and the Library and Museums Service.

Schools Forum is asked to support the continue retention of funding relating to the above Exception 1 items within the Schools Block in 2013/14 subject to annual reviews thereafter

Exception 2 - Historic Commitments

- It is expected that this will include equal pay contributions (although the value retained in future years cannot be above 2012/13 budgeted levels and no new commitments or additional expenditure can be centrally funded). This would appear to limit future LA support thereby increasing costs for those schools with new commitments although the LA is awaiting clarification on this.

Exception 3 - Statutory Functions

- This includes only Admissions and Schools Forum administration.

Enforced Delegations

- Further enforced delegation of the DSG must therefore take place as it is expected that as much of the notional schools block as possible will be delegated to Schools and Academies.
- Swindon has already taken steps to increase delegation over recent years and attached at Annex 1 is a summary of all existing retained budgets together with a commentary on the impact of the DfE reform on each area.

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- Of particular interest to Schools will be those items totalling £1,073,000 which will need to be deleted from the retained budget in 2013/14 effectively increasing the funding available for delegation;
 - Schools in Challenging Circumstances £222,000
 - Schools and Learning Interventions £185,000
 - LACSEG recoupment provision £666,000
- Any additional funding delegated will be excluded from the Minimum funding Guarantee (MFG) calculation to ensure settings are not disadvantaged.
- By forcing delegation of these services to all settings the current practise of setting aside DSG for Local Authority Central Services Equivalent Grant (LACSEG) clawback relating to Academy conversions will not be required. All funding for the services previously within the scope of Schools Budget LACSEG will be delegated from the outset.
- In previous years the LA has proposed methods of allocating additional delegated funding which has invariably been pupil related. For 2013/14 it is likely that the LA will need to set aside funds for MFG protection and it is therefore recommended that all funding available from increased delegation is allocated initially as an inflationary uplift across all areas of the new formula.
- Although current guidance is not definitive it is assumed that, after increased delegation, maintained settings and Academies may still choose to pool funds where better value for money or risk management can be obtained from central provision although the range of items may be restricted.

Schools Forum is asked to note those areas of the retained budget which will need to be delegated in 2013/14 and agree that this is allocated initially as an inflationary uplift across all areas of the new formula

- 2.4 An indicative illustration of the LAs estimate of the new DSG blocks reflecting the transfer of existing retained and delegated funding is provided at Annex 2

B) Local Formula Changes

- 2.5 DfE are not introducing a national formula in 2013/14 but will work towards introducing this in the next CSR period which would be from 2015/16 at the earliest. An interim system is however being implemented for 2013/14 and 2014/15 aimed at the simplifying and streamlining of processes involved in the allocation of Schools and Academy budgets so that funding is more transparent. Key requirements are;
- **Mainstream** - The number of factors used by LA's to allocate all school funding via local formulas must be reduced from 37 to a maximum of 10,

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one of which relates only to London. There are also restrictions on how the factors can be measured and allocated. All 2013/14 delegated funding for Swindon Schools and Academies will therefore need to be allocated via a maximum of 9 factors. The scope for local discretion and a consultation process to agree changes is explained later in the report.

- **Early Years** - The local formulas for free early years nursery funding must be reviewed and simplified. Although no major changes are required a limited consultation process will be required.
- **Special Education Needs** - The High Needs Funding Reforms will have major implications for Special Schools, Special Resource Provision and all Alternative provision (AP) settings including the Pupil Referral Unit (PRU).
 - High Needs SEN settings will all be funded via a “place plus” approach whereby each setting receives £10,000 per planned place plus additional locally determined top-up funding allocated by LA’s and other commissioners based on the assessed need of individual pupils..
 - Alternative Provision settings (including the PRU’s, Tuition Service, Hospital Schools etc.) will also attract £8,000 per place funding plus locally determined top-up funding
- These settings will experience the most significant changes which due to the inter LA recoupment arrangements will require a degree of consensus across the region to ensure top up funding is comparable.
- **EFA Approval** - The LA will need to present its local formulas on a standard proforma document which will need to be approved by the Education Funding Agency (formerly the Young People’s Learning Agency (YPLA) and Partnerships for Schools) which will also have observer status on the Schools Forum.
- **The Minimum Funding Guarantee** is to be set at minus 1.5% for both 2013/14 and 2014/15 and although there is some scope for local arrangements to be put in place to limit / cap formula gains. Extensive modelling will be required to determine whether this is required. The MFG will provide protection and therefore a degree of stability to those settings which are detrimentally affected although all funding allocated as MFG restricts the value of funds that can be allocated to other settings which will not receive the full value due to them for a number of years until MFG commitments cease.
- **Consistency** - Uniform funding arrangements are to be applied across the system and all settings (including Academies and Free Schools) will have their funding calculated directly from the new simplified local formulas. Although Academies will still be funded for Academic Years their allocations will be based on the new year formula and not the previous year’s formula as is the case at present.

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C) Pupil Premium

- 2.6 There have been no new announcements but DfE's long term intention to include the Pupil Premium funding as a deprivation element within the DSG as part of a new national formula seems to be confirmed. Based on national funding levels, which suggest substantial stepped increases each year, Swindon settings should still expect increases in 2013/14 and 2014/15 equivalent to the cash increases received in 2012/13. For example a setting which received £10,000 in 2011/12 should have received approximately £20,000 in 2012/13 and could reasonably anticipate receiving £30,000 in 2013/14 and £40,000 in 2014/15. This level of increases is in line with the national Pupil Premium funding allocations throughout the CSR period.

D) Schools Forums and Communications

- 2.7 Forums are to have clearer responsibilities but no new powers. New regulations are coming into force in September 2012 which;
- Reaffirm the requirement for representation to be broadly proportionate to pupil numbers (Swindon is already compliant and has agreed to review this each September. It is important to note that none of the local formula factors differentiate between maintained settings and Academies and funding values are identical)
 - Cease the requirement for there to be at least 15 Forum Members (Swindon Forum has 23 members and is unaffected)
 - LA Attendance is to be restricted to the Cabinet Member, Director of Children Services and financial or technical advisors. (The Cabinet Member currently attends Forums in a voluntary capacity as does the DCS occasionally. It is assumed that the Head of Commissioning Economy and Attainment will be allowed to attend as the DCS representative or as a technical adviser)
 - The Education Funding Agency will have observer status on the Forum
 - Only school and Private, Voluntary and Independent (PVI) members will be allowed to vote on funding formula issues
 - Require Forum's to be public meetings with published papers and minutes as is current practice in Swindon.
- 2.8 LAs are also asked to review whether communication within groups represented on the Forum can be improved (as was raised by the LA in March) and LAs will be required to demonstrate the effect of modelling all formula changes (with and without MFG protection) to all bodies affected and not just to the Schools Forum. As was the case with 2012/13 formula changes Headteacher Association briefings/consultations are planned regarding 2013/14 and schools online alerts will be posted signposting relevant reports and other documents.

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- 2.9 In the longer term there may be a requirement for an independent secretariat to service Schools Forums

E) Local Authority Formula Grant / LACSEG

- 2.10 At present Local Authority formula grant funding is top sliced to provide additional funding in respect of the non DSG core funded central education services, duties and responsibilities which transfer to Academies from the LA on conversion. This has caused a degree of unrest amongst LA's who feel strongly that the value of funding is very excessive and not commensurate with the actual loss of work. Government is therefore exploring the transfer of funding for relevant central services from LA Formula Grant to the DfE who would then allocate this new grant to LA's and their Academies proportionate to pupil numbers.
- 2.11 This new arrangement would cease the requirement for LACSEG as Academies would have this funding in their annual budgets from the outset and the LA would have separate grant funding to cover its central services costs. This matter is to be the subject of a summer consultation but key implications are;
- Individual Academy central services funding would be more certain from year to year and they could choose to buy back LA services
 - The level of LA grant may not cover costs and would reduce each year (if further conversions take place) making staffing levels uncertain and it is unclear whether in year grant changes would also be implemented adding further risk and uncertainty.

F) DfE May 2012 Consultation and Local Consultations

- 2.12 Although the latest DfE Reform paper was not a consultation paper (the key areas are described as firm commitments and appear to have been decided) it did include 15 questions where detailed options were presented in some areas. Responses were invited by 21st May 2012 and the LA did not feel it was appropriate to convene a special meeting of the Schools Forum or its Sub Group to prepare a joint LA / Schools Forum response when the key decisions appeared to have already been made. An LA officer response was prepared, shared with the Lead Member for Children Services and submitted by the deadline. This is attached for information at Annex 3.
- 2.13 The DfE are likely to issue a further progress update in the summer period and it may be appropriate to schedule Schools Forum and/or Sub Group meetings to progress specific issues. Although the new funding arrangements are much more prescriptive than previous arrangements there is a degree of local flexibility which will need to be the subject of a local consultation process which has been discussed with the Chair of each

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Headteacher Association prior to today's Forum meeting. The key issues requiring local decisions are outlined in sections 3 and 4 below and two initial briefings/consultations have been arranged for all Headteachers and Governors at STEAM on 16th and 19th July.

- 2.14 It is envisaged that further consultation events will be arranged with Headteacher Associations to take place after the summer break during September. The LA is hopeful that the initial events will enable a consensus view to be determined on the appropriate principles to be used to determine the new formula. As soon as principles are agreed the LA will be able to model the financial impact on individual settings which can then be reported back to the next meeting of the Schools Forum on the 9th October and to Headteacher Associations.
- 2.15 At this stage no Schools Forum Sub Group meetings are suggested although this may be necessary if new issues are raised in DfE announcements or if consensus views cannot be determined from Headteacher Association meetings. For information scheduled Forum meetings after today are as follows;
- 9th October 2012
 - 22nd January 2013
 - 5th March 2013
- 2.16 Summarised below is a draft timeline covering the key stages, including consultations leading up to the issuing of 2013/14 funding allocations to Swindon Schools and Academies;

Table 1 – Draft timeline leading up to 2013/14 funding allocations	
Key Action	Date
LA submits section 251 2012/13 budget statement (which will limit future years spend and help determine 2013/14 DSG block values)	Sent 27 th April
LA submits consultation document to DfE	Sent 21 st May
Letter sent to all settings providing overview to school funding reform implications signposting DfE website	Sent 29 th May
LA provisionally assesses 2013/14 new baseline DSG block values	See Annex 2
Briefing to Headteacher Association Chairs	25 th June
Email alert to all Schools and Academies advising them of link to this report and supporting papers	26 th June
Presentation of this report to Schools Forum	3 rd July
LA Finance and SEN staff attend regional education finance officers meetings to discuss banding etc.	6 th July
Headteacher and Governor briefings	16 th & 19 th July
Headteacher Association consultation events to discuss and agree principles of the new funding formula	Sept TBC

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Early Years consultation event to discuss and agree principles of the new early years funding formula	Sept TBC
LA to determine indicative number of high need SEN and Alternative Provision places that will be required in 2013/14 and will attract place funding – advise EFA	31 st August
LA models new formulas for; <ul style="list-style-type: none"> • Early years • Mainstream settings (incl. Special Resource Provision) • Special Schools • Alternative Provision 	June to September
EFA confirm LA DSG baseline values	September
Letter sent to all settings requesting prompt return of October census via LA Performance and Information Team	September
LA assesses impact (likely loss) of LA formula grant arising from LACSEG removal after summer announcement	September
Schools Forum constitution, membership and operations revised in light of new regulations	1 st October
Report to Schools Forum proposing structure of new mainstream funding formula	9 th October
Provisional mainstream formula proforma issued to EFA including any requests for “exceptional funding factors” and/or “MFG exclusions” (none envisaged)	October
Revised governance and financial management arrangements introduced to establish AP settings to operate within formula funding	June to March
Schools and Academies submit 4 th October census data ASAP – database closes 28 th November	15 th October
LA proposes SEN and AP banding values – ideally regionally	October
October PLASC verified – EFA confirms 2013/14 Schools Block / High Needs Block / Indicate Early Years Block (although subject to termly updates based on take up)	December
Local formula proforma updated for October pupil numbers	January
Final funding proposals recommended to 22 nd January 2012 Schools Forum	22 nd January
LA submits final School Budget proforma including any proposed formula changes to EFA	31 st January
2013/14 Allocations finalised – position reported to 5 th March Schools Forum	5 th March
Schools notified of 2013/14 financial year funding allocations	March
Academies notified of 2013/14 academic year funding allocations	March

School Forum Members are asked to note the timeline leading up to the issuing of 2013/14 funding allocations to Schools and Academies and consider/approve the proposed consultation plan

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3. Constructing a new local formula – Mainstream Settings

- 3.1 The range of factors that can be used to allocate mainstream funding in the new formula are to be intentionally constrained by DfE to simplify allocation methods by reducing them from a maximum of 37 under the existing School Finance Regulations to the following ten;
- **A basic per pupil entitlement** – a single unit value for all primary age pupils and one or two unit values (KS 3 and 4) for secondary age pupils (other “age weighted” funding is not allowed)
 - **Deprivation** – measured by FSM eligibility and /or Income Deprivation Affecting Children Index (IDACI)
 - **Looked After Children** – not currently used in Swindon
 - **Low cost high incidence SEN** - Prior Attainment can be used as a proxy for SEN as follows;
 - Primary pupils which in their Early Years Foundation Stage Profile results achieve fewer than 78 points
 - Secondary pupils which achieve a level 3 or below in English and Maths in Key Stage 2 assessments-
 - deprivation may also be used to measure this funding
 - **English as an Additional Language** – for a maximum of 3 years after a pupil has entered the school system
 - **Standard lump sum per school** – with an upper limit between £100,000 and £150,000
 - **Split sites** – relates to Swindon Academy only
 - **Rates** – based on actual costs as is current practise at Swindon
 - **PFI Contracts** - based on actual costs as is current practise at Swindon
 - **London fringe weightings** – not applicable to Swindon
- (NB – LA’s can submit requests to introduce factors for significant and uncommon “exceptional circumstances” relating to premises such as listed buildings although none are envisaged at this stage for Swindon)
- 3.2 Attached at Annex 4 is a summary of how all existing delegated funding is allocated in the 2012/13 local formula. There are currently 19 factors used in Swindon’s mainstream formula and this Annex shows the overall values allocated by each factor in each sector indicating whether or not they are permissible in the new formula together with available options. In some areas the factor is allowable but the method of distribution needs to be reviewed.
- 3.3 Key issues identified for mainstream settings which will need to be the subject of consultation as decisions taken are likely to result in redistribution of funding across settings are;

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- **Primary Pupil Values** - DfE are stipulating that all primary pupil values must be the same whereas Swindon currently has 5 values one of which specifically provides higher funding at reception stage. Current rates, which reflect increases in 2012/13 arising from the redistribution of former Standards Funds and Ministerial Priority funding are as follows;

Table 1 – Current Primary Sector AWPU Values			
KS	Yr Groups	Current AWPU Value	2013/14 AWPU Value?
F	Reception	£2,926.33	Value to be locally determined but must be the same in all year groups
1	Yr 1 and 2	£2,629.72	
2	Yr 3	£2,669.73	
	Yr 4 and 5	£2,541.86	
	Yr 6	£2,544.87	

- Based on the overall level of funding allocated during 2012/13 the average primary Age Weighted Pupil Unit (AWPU) rate would have been £2,641. For settings with similar pupil numbers in each year group the move to a single AWPU value should have minimal impact. Junior schools are however likely to see a fortuitous increase to their funding arising from the enforced harmonisation of funding rates whilst Infants schools may see a reduction. (The LA's consultation response suggested that more than one AWPU rate should be available for primary settings).
- **Secondary Pupil Values** - DfE are strongly implying that secondary pupil values should all be the same rate but the May 2012 consultation sought views on whether different values at Key stage 3 and Key stage 4 were appropriate. Swindon currently has 4 different secondary sector AWPU funding values as follows;

Table 2 – Current Secondary Sector AWPU Values			
KS	Yr Groups	Current AWPU Value	2013/14 AWPU Value?
3	Yr 7 and 8	£3,476.82	Value to be locally determined but likely to be the same in all year groups or possibly two
	Yr 9	£3,557.42	
4	Yr 10	£4,103.33	
	Yr 11	£4,452.62	

- Based on the overall level of funding allocated during 2012/13 the average secondary AWPU rate would have been £3,813. For settings with similar pupil numbers in each year group the move to a single or double AWPU value should have minimal impact. (The LA's consultation response suggested two rates should be available for secondary settings).

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- **Primary to Secondary AWPUR Ratios** – DfE may limit the ratio between sector funding values but this will not be until 2014/15 at the earliest and alternative approaches are being considered i.e. whether this will relate to pupil funding rates only or, more likely, total average sector funding per pupil. (The LAs consultation response suggested that this should be left for local determination and not be prescribed).
- **Exclusions** - The practise of removing pupil value funding for permanently excluded pupils will remain
- **Lump Sum Base Allocations** – DfE are imposing a single lump sum regardless of the size or type of setting with an upper limit of between £100,000 and £150,000. As illustrated at Annex 4 Swindon currently provides different levels of flat rate funding which together with Small Schools Protection (see below) provides what is felt to be a proportionate level of fixed funding to all settings. Primary settings currently receive between £59,732 and £93,614 (reflecting differences in pupil numbers) whilst all secondary settings are similar sizes and receive approximately £245,000. It is suggested the standard rate should be set sufficiently high so that small schools receive adequate funding of approximately £85,000. Although some primary and all secondary settings will receive reduced lump sum funding it is envisaged that the balance remaining in each sector will be redistributed by enhancing pupil values. (The LA's consultation response suggested that a tiered approach should be adopted so that different levels of flat rate funding was paid depending on school size)
- **Small Schools Protection** – The current local formula provides specific funding in tiers to those smaller primary settings which have less than 140 pupils but this is not allowed in the new formula. The lump sum funding levels above will therefore need to be sufficient for all small schools.
- **Deprivation Funding** – We currently use FSM take up to fund the cost of meals taken and FSM eligibility and Index of Multiple Deprivation (IMD) data to allocate general deprivation funding. A substantial amount of former Standards Fund and Ministerial Priority funding was reallocated via deprivation measures in 2012/13. For primary settings IMD was used (in accordance with the views of Swindon Association of Primary Heads (SAPH)) whilst for secondary settings 50% of funding was via FSM and 50% via IMD (in accordance with Swindon Association of Secondary Heads (SASH)). FSM take up does not appear to be allowed in future and, although FSM eligibility can continue, DfE are stipulating that IDACI data rather than IMD must be used in future although the two measures are linked. There is local discretion in the weightings of each factor and scope to use FSM (current) or FSM (ever 6) as is used by DfE to allocate the Pupil Premium.

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- All measures of deprivation are imperfect, and, as proved the case when assessing the 2012/13 redistributions, some individual settings, particularly faith schools, receive different funding shares depending on which measure is used. In principle the LA would suggest that IDACI is more appropriate for general deprivation funding allocations on the basis that the Pupil Premium only recognises FSM which will exclude funding for pupils who may not be sufficiently deprived to qualify for eligibility or may choose not to. This area of funding is, at £9.8m very significant and will therefore need to be very carefully modelled in consultation with Headteacher Associations.
- **Looked After Children** – LAC are not currently recognised as a funding factor in the Swindon formula and although these pupils do attract Pupil Premium Funding, local formula funding could also be allocated
- **Low Cost High Incidence SEN funding** – Secondary funding to notionally cover needs up to 15 hours per week has been delegated for a number of years using historic low attainment data. Delegated primary funding was increased to a similar level in 2011/12 to supplement prior attainment data with additional 5 hours of funding to meet needs previously funded up to Band D from Special Educational Needs Resource Allocation Panel (SENRAP). The new formula requires funding to be allocated based on low prior attainment although DfE only provided details to enable funding to be allocated based on results for the latest cohort. The LA and others expressed concerns that these results may not be representative of all pupils in school in the consultation responses and DfE are to provide information covering whole schools
- **High Needs SEN funding** – The LA will need to assess the level of funding after which mainstream settings will receive funding from the High Needs SEN block for pupils in school or in Special Resource Provision. DfE indications that this will be required for individual pupil costs above £6,000 per year and the LA has commenced consultations on a new banding scheme linked to the model recently established for special schools.
- **English as an Additional Language (EAL)** – whereas the existing Swindon formula provides funding for as long as a pupil is recorded on Pupil Level Annual School Census (PLASC) as having EAL the new funding scheme can only recognise this for 1, 2 or 3 years after a pupil enters the school system. This will therefore reduce the number of pupils eligible for EAL funding in 2013/14 although the values per pupil could be increased to maintain overall EAL funding values. However funding values per pupil must be the same in all settings
- **Existing Delegated Services** – Swindon has already delegated funding to specific mainstream settings for specific services which do not fit into any

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of the new funding factors. It is expected that these arrangements can continue as follows;

- **The Education Support Service** - It is likely that the ESS funding which is allocated to a number of settings services will need to be classified as being an LA commissioned service within the High Needs SEN Block.
- **Drove BME** – It is likely that the Drove BME project will need to be reclassified as a centrally retained “Minority ethnic / under achieving group” service which can continue subject to Schools Forum agreement.

3.4 Clearly, despite the new DfE constraints there are still a range of options on how mainstream funding can be allocated in 2013/14 which will have implications for individual settings. Although the MFG arrangements will minimise funding losses to no more than 1.5% per pupil per year it is suggested that a key principle should be to minimise turbulence unless there are overriding reasons why this is not appropriate. It is relevant to note that it is highly likely that further nationally imposed changes will be implemented from 2015/16 and those settings which gain from local changes implemented over the next 2 years may lose out in future and vice versa.

4. Constructing a new local formula – High Cost SEN & Alternative Provision

- 4.1 Although the special school funding system was rationalised in advance of 2012/13 funding allocations being issued, further major changes are required for 2013/14 which will result in these settings receiving a relatively low amount of fixed place based delegated funding plus variable needs based “top up” funding from their respective Commissioners relating to actual placements. This is aimed at ensuring that funding for high needs provision is arranged on an equivalent basis across different types of providers - although this cannot relate to independent settings. This change is likely to create a more difficult financial environment for all special schools.
- 4.2 The recent LA review was aimed at alleviating these problems and full details of how top up funding and transitional protection will operate are required before the impact on individual Swindon Special Schools (and Special Resource Provisions (SRPs)) can be determined. These settings will be adversely affected financially if occupancy is low or volatile and although this is not currently the case in Swindon this may change as a consequence of moving to a more market led education system. Effective arrangements will need to be put in place to ensure commissioners can monitor pupil progress and provider quality without causing undue administrative burdens for providers. This is particularly relevant where they are located in a geographic area or are providing specialist facilities which are used by a

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number of different LA's as the existing inter authority recoupment arrangements will cease on 31st March 2013.

- 4.3 Changes to the funding arrangements for Alternative Provision settings will be even more radical as they will need to operate with delegated formula based funding for the first time.
- 4.4 The table below summarises how funding for pre 16 high cost pupils will operate from 2013/14 onwards;

<u>Table 3 – Illustration of High Needs Provision Funding under “Place Plus”</u>		
<u>Element</u>	<u>Mainstream settings</u>	<u>Specialist settings</u>
1 Core Funding	Mainstream per pupil funding	Base funding per planned place as determined by host LA and reviewed every 2 years but with national funding rates as follows; - SEN @ £10,000 - AP @ £8,000 This is deemed to be equivalent to the level up to which a mainstream provider would have contributed to additional support provision of a high needs pupil
2 Additional Support Funding	Contribution of £6,000 towards additional support required by a pupil with high needs from the notional SEN delegated budget	
3 Top up Funding	“Top up” funding payable by the commissioner(s) to meet the needs of each pupil or student placed in the setting which in most cases will be the LA in which the pupil lives although Schools, Academies and PRU’s will have to work directly with a pupil’s home LA to secure “top up” funding for non Swindon pupils.	

- 4.5 Attached at Annex 5 is a summary of how all existing delegated funding is allocated to special schools in the 2012/13 local formula. The Annex shows the overall values allocated by each factor. Key issues identified for high needs settings are;

- **SEN Place Based Funding** – Special schools and SRP's will no longer receive delegated budgets intended to cover all operating costs but will receive £10,000 per year per planned place. The LA currently provides part year funding for additional places which are known or strongly expected to be required from September. This does appear to be allowable under the new arrangements as “average” places across the year can be agreed in advance. There is a minimum requirement to

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review places every 2 years. (This was raised in the LA's consultation response).

- **SEN Top up funding** – In addition further “top up” funding will be allocated by relevant LA commissioners for individual places based on assessed need. In the absence of a national banding system values will however vary between LA's depending on their level of DSG funding and mainstream pressures.
- **Alternative Provision / Pupil Referral Units** – After determining the number of AP places required the LA will need to allocate £8,000 per place – plus top up funding to meet individual pupil needs which will need to be locally determined.
- **Other Nylands Campus Services** – It is expected that funding for the Child and Adolescent Mental Health Services (CAMHS) and Primary Behaviour Support Service (PBST) will be able to continue but will need to be moved to a formula rather than cost based funding arrangement
- **Recoupment** – The practise of inter authority recoupment will cease as funding will be allocated directly to special schools and AP settings by LA commissioners.
- **Post 16** – LA's will take on greater responsibility for funding post 16 high need pupils/students with effect from September 2013 working with EFA to agree appropriate levels of top up funding.

5. Conclusions and LA Concerns

- 5.1 The latest DfE funding reform papers make it clear that the DfE is firmly committed to a national formula but that this is now a longer term goal. The LA broadly welcomes the further simplification of local fair funding formula which, once established, should be easier to maintain. It remains to be seen whether this will continue to be an LA function.
- 5.2 Despite sustained lobbying by the F40 group of low funded LA's the government has not announced any steps to redistribute funding across LA's and Swindon will remain the 25th lowest DSG funded Authority in England for at least the next two years. DfE appear to have fully acknowledged the long standing unfairness of the existing DSG distribution system but do not feel it is appropriate to implement changes at this time - although there is a suggestion that this may be reviewed with effect from 2015/16.
- 5.3 The annual value of DSG is currently relatively easy to calculate as this is basically a single calculation of total DSG eligible pupils each January multiplied by the Guaranteed DSG funding per pupil as set by DfE. This will need to change to cover 3 areas and the implications of moving to separate but un-ringfenced blocks will need to be carefully assessed. Although the Schools block funding will be based on an annual pupil count and High Needs Funding will be determined by 2012/13 budgeted spend, the Early Years Block will be subject to in year changes which will create uncertainty.

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In addition the LA is facing a potential loss of funding when DfE remove the provision of funding up to a maximum of 90% of three year olds.

- 5.4 The requirement to consult and implement changes to determine 2013/14 allocations is going to be extremely challenging, particularly with reduced LA staffing levels. The peak in workload for the LA finance and data teams is currently from December through to early March and this will need to be substantially brought forward as October PLASC data will determine future years DSG levels.
- 5.5 The LA was required to complete the statutory Section 251 2012/13 budget return by the 31st March 2012 which was 5 days after the latest reform paper was issued. The format of the return was substantially changed from the previous year although guidance remained vague in many areas, requiring local judgement and interpretation on the calculation of planned spending. The Section 251 return has been required for a number of years but the return has never been subject to external audit. Historically this return was primarily completed to ensure the centrally retained expenditure limit was not breached and to provide high level benchmarking information on spending demands across Children Services on both DSG and Core funded services. The LA remains concerned that there may be implications on future levels of funding arising from this return as 2012/13 values are to be used to control future funding allocations. For example
- The LA reduced the retained **redundancy budget** to £100k in 2012/13, partly in response to Academy conversions and partly to reflect the fact that under a revised interpretation of the policy, the LA will only fund redundancy costs in those schools which are unable to meet them directly without adversely affecting their sustainability. The DfE's new DSG rules stipulate that the 2013/14 redundancy budget cannot be higher than 2012/13 when the enforced formula funding changes may place more schools in a position where they cannot fund their own redundancy costs. It is unclear how any spending above £100k will be met in future although there may be scope to carry forward unspent retained funds from 2011/12 to mitigate against this risk in the short term.
 - Similarly whilst the LA can still retain funds for **significant pupil growth** (set up costs and trigger funding) with Schools Forum support the values in future years cannot exceed the 2012/13 budget of £1,399,000. Although it seems somewhat illogical to artificially limit a demand led budget the current year provision includes funding for the new Croft school and is relatively high. Despite continued pupil growth this limit should not be a problem for Swindon and although basing the Schools Block DSG on October rather than January will require increased trigger funding to be paid, the LA must not retain any such funding for Academies. The EFA will make separate arrangements for Academies facing significant

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increases in costs due to pupil growth which it is assumed will be in line with LA arrangements given that the reform programme is aimed at improving consistency.

- The LA is currently able to secure planned expansions in appropriate settings with a degree of certainty although this falls short of being a guarantee of additional funding. If this becomes weaker in any way Schools may not wish to take on the risk of agreeing expansions. Quite how the LA could negotiate pupil expansion without being able to provide any funding if the Schools Forum refused this remains to be seen.
 - The requirement for LAs to only set aside pupil growth funding for maintained settings will add complexity to longer term planning where the LA will know that expansion is required in an area of the Borough but may not know the exact setting or therefore whether additional funding will be needed in a maintained setting or an Academy. There would appear to be a financial incentive for the LA (and all its maintained settings) if all expansion occurs in Academies as funding for this will not come from Swindon's DSG.
 - It is envisaged that the retention of **equal pay** funding will fall into the allowable category of "historic commitments". The LA's 2012/13 provision was based on meeting 50% of existing commitments only which would not provide scope to part fund new claims. However, as reported elsewhere on today's agenda, a satisfactory 2011/12 outturn position allowed the LA to match fund lump sum equal pay repayments made by some schools which reduces future years commitments. This fortuitously should allow the LA to continue to provide 50% of any new equal pay claims that are settled.
- 5.6 As an area of sustained pupil growth the LA is concerned that the bringing forward of the census date from January to October may add further financial pressure as there will be an increased time delay before new pupils are recognised in the DSG schools block calculation. This is likely to require the LA to, subject to Schools Forum agreement, set aside and retain a greater share of DSG for in year allocation as set up costs and trigger funding when the DfE are critical of LA retaining funds.
- 5.7 Bringing forward the key census date for DSG funding purposes from January to October could be problematic as the October census only allows 8 weeks to complete whereas the January census allows 15 weeks. The LA's Performance and Information Team are however confident that they can collate information needed to calculate DSG pupil numbers providing all Schools and Academies return their information promptly via the LA.

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- 5.8 The rationalisation and redistribution of former Standards Fund grants and ministerial priority funding implemented from 2012/13 should have removed any major historic anomalies in the local formula although reducing the number of factors to a maximum of 9 will inevitably lead to further winners and losers. Under the new arrangements small school protection funding is not allowed and the LA will need to very carefully reconstruct the new formula in order to provide as much stability as possible to Swindon Schools and Academies. Those settings which are adversely affected will however be protected via MFG although DfE have yet to issue definitive guidance on the treatment of lump sum reductions and other factors which could have very long term implications. It is possible that those settings which benefit from the redistribution may be reluctant to increase spending on provision due to the risk that any gains could only be short term given that further changes are inevitable when a national formula is introduced.
- 5.9 As a result of the new arrangements DfE's view is that funding will follow pupils more closely and those with additional needs will more clearly attract additional funding. Announcements imply that schools will have earlier notification of their annual funding (although this does not appear to be the case) and more clearly know how their funding is calculated and be able to expand due to greater financial certainties. The LA is concerned at the impact that this financially motivated local competition together with freedoms for Academies over admissions and changes to the School Admission Code may have on the following;
- Sustainability of and potential closure of less popular schools and the resulting deficits that may be left
 - School place planning and achieving value for money on the schools capital programme will become more difficult to manage. Additional infrastructure capacity may need to be provided at short notice in an expanding setting where there is surplus capacity in neighbouring schools.
 - Home to School transport provision may become more volatile and therefore costly
 - The LAs Admissions Team is currently able to meet very high levels of first preferences which may prove more difficult.
- 5.10 The requirement for all Academy funding to be more closely linked to the LAs formula is welcome particularly with regard to Swindon Academy as both LA and Academy staff have repeated difficulties gaining DfE clarification regarding recoupment and payment issues. As this Academy was initially established under a sponsored arrangement most of its activities (Pinehurst Primary and Headlands Secondary) are funded outside Swindon's DSG although the converter element (Penhill primary setting) is included in Swindon's DSG and therefore local formula. This is a unique position which causes unnecessary confusion and inconsistencies and the LA had hoped

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that this anomaly would be removed. However, although there should be a stronger link between the Academies funding and the local formula in future this will continue to operate outside Swindon's DSG. The LA assumes that funding for the new Croft Academy will also be linked to the LA's formula but will not be included in Swindon's DSG.

- 5.11 Also welcomed is the removal of the current arrangements for Academy funding to be based on the previous year's LA formula which effectively produces a 17 month time delay before Academies are affected by local formula changes. For example the redistribution of former Standards fund grants was implemented in 2012/13 but was not expected to affect Academies until 2013/14. Similarly the one-off transitional protection funding allocated to Academies in the 2012/13 local formula would, under existing arrangements actually be paid to them in 2013/14. If Academy funding for 2013/14 is to be based on the LAs 2013/14 formula, 2012/13 would become a lost year and there is uncertainty over when or whether an Academy would receive their share of transition protection funds allocated in that year. The LA has lodged this query with the EFA and would hope that satisfactory arrangements can be made to ensure Academies are not detrimentally affected by the DfE timing changes.
- 5.12 The LA is most willing to liaise with the EFA after proposals have been developed following the consultation process with Headteacher Associations and the Schools Forum to ensure the new local formula is in compliance with the new requirements as this should provide assurances of fairness and ultimately lead to greater equity of funding across the country. The LA is however unclear on the EFAs role in investigating potential unfairness in local formulae given that they will not have been present during consultations. If for example an individual setting remains unhappy with a change that is made which reflects the consensus view of their sector or the Schools Forum, will an EFA investigation cause undue delays in the finalisation of funding allocations?

Alternative Options

The LA is required to implement the changes detailed in this report from 2013/14 and any scope for local discretion has been highlighted throughout the report.

Risk Management

Financial and Procurement Implications

- These are set out through the report and in the Annexes attached. .

Legal / Human Rights Implications

- There are no direct legal or human rights implications arising from this report

Links to Corporate Plans and Policies (in particular One Swindon Priorities)

- Scheme for Financing Swindon Schools and the local fair funding formula

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Diversity Impact Assessments

- The DfE School funding reform is aimed at simplifying fair funding and although funding changes at individual settings are inevitable the DfE believes that the Minimum Funding Protection scheme will be sufficient.

Consultees

The Board Director – Finance, Benefits, Revenues and Property (Section 151 Officer)
Director of Law and Democratic Services (Monitoring Officer).

Background Papers and Annexes

1. Annex 1 - Impact of reform changes on centrally retained budgets
2. Annex 2 - Indicative Model of new DSG funding blocks
3. Annex 3 - Consultation response submitted on 21st May
4. Annex 4 - Summary of existing mainstream local formula factors and the values distributed across each sector during 2012/13
5. Annex 5 – Summary of existing special school funding formula factors and the values distributed during 2012/13