

Update on School Funding Reform Issues – 3rd July 2012 Schools Forum

Introduction

On Friday 29th June 2012 the DfE published a series of documents which provide final details of the school funding reform arrangements for 2013/14 although further information will be provided in some areas. This provides clarity on a number of outstanding issues and removes some of the concerns expressed by the LA in section 5 of today's Schools Forum report.

The LA will therefore make reference to this update during presentation of agenda item 6 "School Funding Reforms – Next Steps Towards a Fairer System".

Overall DSG Issues

a) Funding for Pupils based on October Census

The LA was concerned that Swindon may be disadvantaged by the bringing forward of the DSG calculation to the October census as we have sustained pupil growth each term. DfE have confirmed that the initial October based calculation will be revisited to reflect additional reception pupils in January

- **SF report reference** – page 52 paragraph 5.6
- **Implications** – Swindon should not be detrimentally affected by the bringing forward of the census date (which is used to allocate DSG) to October as there will be a January adjustment.

Retained DSG Issues

a) De –delegation – Scope of Pupil Growth Contingency Funding

DfE have revised the arrangements with regard to providing LAs with scope to set aside funding for pupil growth. Under the previous guidance this was allowed, subject to Schools Forum agreeing de-delegation, but for maintained settings only. There was a vague indication that the EFA would provide funding for pupil growth in Academies but the basis and method was not stated.

DfE have acknowledged that to enable effective school place planning to take place and to help avoid un-coordinated growth each LA needs to propose the retention of pupil growth funding for all settings in a transparent manner. The final guidance requires each LA to agree its policy with the Schools Forum and to treat maintained and Academy settings fairly and on the same basis.

- **SF report reference** – page 36 re contingencies, final paragraph on page 51 and paragraph 3 page 52
- **Implications** – the LA welcomes this change and as explained in the 6th March 2012 report the LA envisaged that the existing policy of funding both planned and unplanned growth above 4% may need revisiting due to

pressures on the overall DSG. As part of the 2012 consultation the LA will recommend that only planned growth is funded from the retained budget in future years. This would mean that more funding can be delegated to all settings but that those schools which experience pupil growth would not receive funding for extra pupils until the following year.

b) De-delegation – Value of Schools in Challenging Circumstances Funding

Although DfE implied that future funding for SICC and Redundancies would be limited to the value shown in the already submitted 2012/13 Section 251 budget statements there would appear to be scope for the SICC funding to be revised. The LAs S251 assumed that £100k in the redundancy budget and 1/3 of the 2012/13 SICC budget (£100k) was being retained to provide support to schools in financial difficulties which would mean that 2/3 of SICC (£222k) would be released for distribution across schools and Academies. Given the flat cash DSG settlement, little immediate prospects of the F40 campaign increasing Swindon's share of DSG and the DfE imposed formula changes the LA anticipates an increasing number of schools may require financial support in 2013/14.

- **SF report reference** –page 51 para 5.5
- **Implications** – the LA will propose at the forthcoming consultations events that the SICC budget and redundancy budgets are combined and that approximately £300k is retained and £122k released to enable greater LA support to be provided.

c) De –delegation - Schools Forum Approval Process

The DfE are now clear that where the LA proposes to retain funding for contingencies etc. the amounts per sector and methodology must be approved by each sectors voting members on the Schools Forum. At present each sector means Primary, Secondary, Special and Early years but assuming the draft Schools Forum Regulations are approved this will be Primary Maintained, Secondary Maintained, Special Maintained, Alternative Provision, Early Years and Academies.

- **SF report reference** –page 37 recommendation is revised
- **Implications** – the LA currently provides planning assumptions for set up costs, trigger funding etc. to support retained budget proposals and does not envisage any problems analysing all contingency proposals by sector.
- **Replacement recommendation** A detailed breakdown of proposed funding by sector will be provided and at this stage the Schools Forum is asked to **agree in principle** that funding should continue to be retained / utilised for the following items;

Item	Scope
1. Contingencies for Pupil Growth - set up costs and trigger funding	All settings all sectors
2. Contingencies for Schools in Challenging Circumstances / Redundancies	Maintained settings only all sectors
3. Costs of opening and closing schools	New Academies all sectors and closing maintained settings only

4. Free school Meals Eligibility	Maintained settings only all sectors – Academies via buy back
5. Trade Union Facilities staff absence cover	Maintained settings only all sectors – Academies via buy back
6. Travellers Service	All settings all sectors
7. Drove BME Project	All settings all sectors
8. Nylands Primary Behaviour Outreach Support Service	All primary settings

d) **Equal Pay**

Providing that Maintained and Academy settings are treated the same the LA can increase the value retained to above 2012/13 budget levels. The LA was concerned that limiting current LA support when claims remain outstanding would be unfair

- **SF report reference** – page 37 “Exception 2” and page 52 4th paragraph
- **Implications** – the LA will propose the retention of funding to meet annual equal pay budgets to the Schools Forum each year which reflect 50% funding towards school/Academy liabilities whether repaid as loan instalments or lump sum repayments. The LA will continue to allow Academies to repay their commitments as planned and the LA will settle any new claims which are identified prior to conversion and recorded in Commercial Transfer Agreements.

Mainstream Funding Issues

a) **General Principles**

DfE are aiming for a funding formula which is much more pupil led and less reflective of school characteristics as they believe this will promote choice and raise quality. They express concerns that as schools have historically been funded through various grant schemes or because they offered different types of facilities or teaching staff, some settings offer a rich and varied curriculum whilst others only offer the basics. By ensuring that more funding follows pupils they envisage that those schools which attract pupils (either because of their curriculum or ethos or quality of teaching) will also attract the funding they need, thereby leading to pupils having greater choice over better schools.

Following the recent consultation exercise DfE have agreed that 2 further factors can be used in the local formula but they have also specified that only 2 are mandatory. The following items are available;

1. Basic per pupil entitlement	Mandatory
2. Deprivation	
3. Looked after Children	
4. Low Cost high incidence Special Educational Needs	Optional
5. English as an Additional Language	
6. Lump Sum	
7. Split sites	

8. Rates	
9. PFI Contracts	
10. London Fringe Weightings (not Swindon)	
11. Post 16 - NEW where DSG is being used to supplement post 16 funding (not Swindon)	
12. Pupil Mobility – NEW	

b) Secondary per pupil entitlements – Mandatory Factor

DfE have confirmed that different rates can be applied for KS3 and KS4

- **SF report reference** – page 45 last 2 paragraphs
- **Implications** – although only one funding rate can be applied across the primary age group DfE have confirmed that the LA could have two rates in the secondary sector. The LA will recommend during the consultation that this is appropriate. There are currently 4 rates covering years 7 to 11.

c) Basic Entitlements per Pupil – Mandatory Factor

Although they have not set a threshold on the minimum proportion of funding that LA's must distribute as part of the basic entitlement per pupil in 2013/14 this will be reviewed with a view to setting a minimum threshold for 2014/15.

- **SF report reference** – page 46 first paragraph
- **Implications** – In order to minimise the impact of any minimum threshold being introduced in future years it is suggest that during the consultation exercise where there is scope to;
 - transfer existing funding from elements that are not allowed in the new formula – this is moved to “per pupil entitlements” unless there is a very compelling reason to take alternative action.
 - Reduce non mandatory funding and increase “per pupil funding” - this should be done wherever possible

d) Exclusions

In order to minimise perverse financial incentives for Schools and Academies to exclude pupils the following arrangements are to be operated

- Permanent exclusions – Mainstream schools and Academies will lose pupil based funding
- Fixed term exclusions – Mainstream schools and Academies will retain pupil based funding but must pass over “top up funding” to Alternative provision settings on a half termly basis
- Part time placements – Mainstream schools and Academies will retain pupil based funding but must pass over top up funding to Alternative Provision settings on a daily rate basis
- **SF report reference** – page 46 paragraph 2
- **Implications** – Work will need to be done locally to calculate appropriate top up rates for the PRU's

e) Lump Sums – Optional Factor

In her covering letter the DfE's Director of Education Funding acknowledges that the simplified approach to formula funding is causing particular anxiety to smaller schools and maintains that it is not the DfE's intention that any school should suffer undue disruption. DfE expect LAs to make full use of the lump sum option to help smooth the impact of the changes which their modelling suggests should result in **most** schools not experiencing significant shifts in their funding and certainly not in the immediate future.

In order to give additional flexibility to LAs they have increased the maximum value of the lump sum funding to £200,000 which they believe is sufficient to cover the average fixed costs of any school. This limit will be reviewed again for 2014/15 with a **strong hint that it will be lowered** and it is relevant to note that **MFG protection will not be provided in 2013/14 to cover any loss of lump sum funding.**

DfE state that small rural schools can play an important role in local communities and they remain committed to supporting them **wherever they represent an efficient use of a local areas funding.** DfE are continuing the policy of "presumption against closure" but acknowledge that some schools may need to consider operating more efficiently by for example federating, merging or joining an Academy chain. They state that it is unfair to allow subsidies to continue to be paid to those schools with a few pupils at a significant cost to the schools with the majority of pupils.

- **SF report reference** – page 46 third and fourth paragraphs
- **Implications**
 - A lump sum of £200,000 will cover the fixed costs of most schools which DfE define as the costs of a Headteacher, Caretaker and Admin Support.
 - However as shown at Annex 4 to the SF report the current cost of lump sum and small schools protection across Swindon is £7.575m. The cost of funding all 71 mainstream settings at £200,000 would be £14.2m and could only therefore be afforded by reducing pupil based funding, thereby contradicting DfE's general principle that funding should be more pupil based. This increased limit is therefore unaffordable and unhelpful.
 - The current average lump sum funding per Swindon school is £106,700 and the LA would suggest that a figure between £85,000 and £110,000 would be appropriate.
 - Moving to an average of £106,700 would however represent a significant transfer of funding from the secondary to primary sector and would be unfair as summarised below;

	Primary	Secondary	Total
Current flat rate / lump sums	£4.860m	£2.457m	£7.317m
Small schools protection	£0.258m	-	£0.258m
Total current funding	£5.118m	£2.457	£7.575m
No of settings	61	10	
Average funding	£83,900	£245,700	
Impact of moving to £106,700	61 @ £106,700 £6.509m	10 @ £106,700 £1.067m	

Sector change	+ £1.390m	- £1.390m
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- Final proposals will be included in the consultation papers but to avoid the above transfer between sectors it is suggested that the values attributed to pupil based funding are;
 - Reduced across primary settings to release £1.39m
 - Increased across secondary settings to retain £1.39m

f) Deprivation Funding – Mandatory Factor

LAs are still required to allocate funding for deprivation based on FSM, FSM ever and / or IDACI. For IDACI an additional 6th band is being provided which DfE feels better recognises the needs of LAs with higher levels of deprivation. Information has been provided based on the post codes of pupils in each settings which shows their % of pupils across the following six bandings.

Band	IDACI Score Lower Limit	IDACI Score Upper Limit	Funding per pupil in each band – Primary	Funding per pupil in each band - Secondary
1	0.2	0.25	TBC	TBC
2	0.25	0.3	TBC	TBC
3	0.3	0.4	TBC	TBC
4	0.4	0.5	TBC	TBC
5	0.5	0.6	TBC	TBC
6	0.6	1.0	TBC	TBC

Deprivation values can be the same or different in each sector and it is for each LA to determine the funding per pupil in each band

- **SF report reference** – page 46 final paragraph and page 47 first paragraph
- **Implications** – As emphasised in the covering report any change to the method of allocating deprivation funding is likely to have major funding implications for individual settings and will need to be very carefully modelled. DfE seem keen to move towards IDACI and the LA supports this in principle.

g) Looked After Children – Optional Factor

This factor is still allowed but DfE require funding per pupil to be the same in all sectors

- **SF report reference** – page 47 second paragraph
- **Implications** – The LA does not currently recognise LAC in the local formula and is not intending to recommend this given the DfEs planned increases of Pupil Premium funding.

h) Low Cost High Incidence SEN Funding – Optional Factor

DfE are now providing LAs with the latest results for all pupils in each setting and are allowing 2 options on how to measure low prior attainment in the primary stage which

are to recognise Early Years Foundation Stage profile results for all pupils in each setting which have a valid test result ;

- Lower than 78 points
- Or
- Lower than 73 points

(Secondary level low prior attainment is to be measured as those pupils who achieve less than level 4 in both Maths and English

- **SF report reference** – page 47 third paragraph
- **Implications** – The LA will consult on which of the above is felt to be most applicable as a measure of SEN funding but would initially suggest that funding should be allocated below 73 points as this will more effectively target under achievement. There is local discretion on the values of funding per pupil which can be different in primary and secondary settings

i) English as an Additional Language – Optional Factor

This factor is still allowed but DfE expectations is that either the same funding rate is applied across all sectors or a higher rate is payable for secondary sector pupils. Although EAL can still only be funded for up to 3 years DfE have re base lined the data so that only pupils in years 1 to 6 for primary schools and years 7 to 11 for secondary schools are recognised i.e. any time spent in nursery settings is excluded.

- **SF report reference** – page 47 5th paragraph
- **Implications**
 - Prior to 2012/13 the LA formula paid higher EAL funding values per pupil as the overall EAL school population % increased. A more simplified flat rate funding approach was introduced when an element of former Standards fund grant previously distributed via EAL data was mainstreamed which has resulted in per pupil EAL funding being much higher in primary settings.
 - The LA will need to consult on whether EAL should be recognised for 1, 2 or 3 years as well as the funding value per pupil.
 - As with lump sum funding decisions will need to be taken on whether sector funding for EAL is to be retained. Raising the secondary values to current primary values would be expensive and would require identification of reduced funding in other areas. Reducing primary values at the same time as the EAL population is reducing could see a significant funding reduction across primary settings.

j) Pupil Mobility – New Optional Factor

This new factor is allowable to provide funding to those settings which experience significant pupil movements and data is being provided on the number of pupils in each setting which started school in the last 3 years but not in August or September. Different values are allowed in primary and secondary settings.

- **SF report reference** – Not applicable
- **Implications** – This factor does not exist in the current formula and the LA does not envisage introducing this as an optional factor when DfE are seeking simplification

High Needs and Alternative Provision

The latest DfE papers provide little new information and moving from “place” to “place plus” is to be implemented for all high needs and Alternative Provision settings. Updates are;

- With effect from April 2013 Independent and Non maintained special schools (INMSSs) are to be funded by EFA on the same basis as special Academies – which the LA assumes will be very similar to maintained settings
- To simplify the process by which specialist the number of SEN places are determined the EFA will be coordinating a national annual process through which commissioners and providers will discuss allocations of funded places and notify any adjustments to the EFA. This is to encourage planning at a “supra LA level”.
- DfE have clarified that the value of top up funding is a matter for local determination and that LAs may choose to use local banding frameworks. This funding must reflect a pupil’s needs and the cost of provision they receive in different settings – this means that **different levels of funding may be payable for similar needs in different settings.**
- With regard to Hospital Education DfE will be consulting with each LA to build up a picture of provision in each area from which they will determine current spend on each hospital education setting. This value will then be top sliced from the national DSG and passported to providers via the maintaining LA.
- **SF report reference** – Section 4 pages 48 to 50
- **Implications** - Unclear

Role of the EFA

DfE have provided greater clarity regarding the oversight role of the EFA which is described as;

- a. **A right to send an observer to Schools Forums** – this is aimed at giving DfE a national perspective although an EFA representative will not attend every meeting.
 - b. **Reviewing each LAs pro forma to ensure the formula is compliant** – in undertaking this task EFA will take account of any representation it has received from schools or Academies in the area who feel they will be unreasonably funded
 - c. **Ensuring local formulae have been constructed in a reasonable way** – EFA will not consider general representations from individual settings that have lost funding but will monitor the impact on different types of schools by looking at things like sector ratios and trends.
- **SF report reference** – Section 5 page 54 paragraph 5.12
 - **Implications** – The LA is partially reassured that the role of the EFA will add value without causing delays or unnecessary investigations to be undertaken if an individual setting was unhappy with democratically agreed decisions

Related Grant Changes

2 year old nursery funding

With effect from 2013/14 funding for disadvantaged 2 year olds to access up to 10 hours per week of free nursery provision (which is currently allocated to LAs as part of their un-ringfenced Early Intervention Grant) will move to be included within the Early Years DSG block.

Although this will remove local flexibility on managing the SBC core budget, the move is welcome given the link to the universal provision of 3 and 4 year old free nursery entitlement which has always been part of the DSG.

LA Central Services LACSEG

Although Schools and Academies will not be directly affected the LA remains very concerned that an as yet unspecified amount of formula grant notionally relating to central education services will be transferred to DfE and distributed by EFA between the LA and individual Academies proportionate to pupil numbers.

The LA acknowledges that a reduction in central service costs is appropriate but that the value must be commensurate with the actual workload reduction on LA staff. LAs across the country felt strongly that Academies were being very significantly over funded in 2011/12 and 2012/13 and DfE's original top slicing approach was acknowledged as being unfair.

Under the new approach the impact of the new grant and approach to central services LACSEG will be incorporated into the reform of business rates and remains to be seen.