
Meeting: Children's Services Overview and Scrutiny Committee
Date: 11 December 2012
Subject: School Funding Reforms
Report of: Cllr Mark Versallion , Executive Member for Children's Services
Summary: The report details changes made to Schools Funding in response to requirements from the Department for Education introduced in Summer 2012. The changes come into full effect in the 2013/14 financial year.

Advising Officer: Edwina Grant, Deputy Chief Executive/Director of Children's Services
Contact Officer: Helen Redding, Head of Learning and School Support
Public/Exempt: Public
Wards Affected: All
Function of: Council

CORPORATE IMPLICATIONS

Council Priorities:

1. The report supports the Council to deliver the following priority:

- Educating, protecting and providing opportunities for children and young people

Financial:

2. Funded by Dedicated School Grant (ring fenced)

Legal:

4. Not applicable

Risk Management:

5. Key risks :

School Block pressure has been included in the Medium Term Financial Plan (MTFP) £250k

High Needs Block including Post 16 High Needs risk register, not yet quantified

Early Years – two year old funding?

Staffing (including Trades Unions):

6. Not applicable.

Equalities/Human Rights:

7. Not applicable.

Community Safety:

9. Not applicable.

Sustainability:

10. Not applicable.

Procurement:

11. Not applicable.

RECOMMENDATION:

The Committee is asked to:-

- Consider and comment on the School Funding Reforms

Background

12. Since the beginning of the financial year 2006/07 Councils have received allocations of Dedicated School Grant (DSG) to finance the Schools Budget in each authority. The full DSG received must be applied to the Schools Budget in each Council; although Councils may provide additional resources in support of the Schools Budget should they decide to do so.
13. DSG can be held centrally to fund certain prescribed expenditure for the purpose of the Schools Budget and this is specified in the School Finance Regulations 2012. Central expenditure must not increase as a proportion of the overall Schools Budget. This mechanism is known as the Central Expenditure Limit (CEL) and can only be breached in exceptional circumstances and with the specific approval of the Schools' Forum. In the case of Schools' Forum refusal the Council can ask the Secretary for State to approve the breach.
14. The final Schools' Budget depends on the January census and is determined by the units of funding (no of pupils - FTE) multiplied by the Guaranteed Unit of Funding (GUF). The budget allocation of DSG for 2012/13 is 37,336 FTE multiplied by the GUF £4,658 to give £173.915M.

School Funding Reform

15. The Department for Education held two Consultations in 2011; 'Rationale and Principles' and 'Proposals for a fairer system'. The second Consultation proposed replacing the current schools funding distribution mechanism with the aim for a more transparent, fairer and less complex system. A third Consultation was launched in March 2012 'Next steps towards a fairer system' and built on how a fairer system may be implemented and operated. The final arrangements for 2013/14 were announced on 28 June 2012. These have focussed primarily on the Schools Block element.

Arrangements for 2013/14

16. From 2013/14 the DSG will be split into three notional blocks; Schools, Early Years and High Needs. Authorities are free to move funding between the blocks provided that they comply with the requirements of the Minimum Funding Guarantee (MFG) and central expenditure. The entire Schools block must be delegated to Schools with a few exceptions.
17. There will be no additional funding before at least 2015. The DfE have confirmed they will introduce a national funding formula in the next Spending Review period. The 2013/14 settlement will be based on 2012/13.
18. The Minimum Funding Guarantee (MFG) is set at negative 1.5% per pupil for both 2013/14 and 2014/15. There will be a separate Early Education MFG for all providers for the first time but only for the base rates.

Schools Block

19. In order to support the movement towards a national funding formula, all local authorities are required to simplify local arrangements for distributing funding to schools and other providers. The current School Funding Regulations allow authorities to use up to 37 funding factors within their formulae. Central Bedfordshire's local arrangements operate with 27. From 2013/14 only 12 factors will be permitted, two of which are not applicable to Central Bedfordshire.
20. A number of small school factors (infant class size, small school protection) are not permitted going forward and may have significant impact on small rural schools. Once the protections from existing levels of funding decrease it is possible some schools may need to consider more efficient organisational structures e.g. federating, merging or becoming part of an Academy chain. Schools funded on split sites will still be permitted, in line with the encouragement for schools to merger/federate.
21. The following factors have been agreed by the School Forum for the 2013/14 distribution of DSG:
 - Basic Entitlement for Primary, Key Stage 3 and Key Stage 4
 - Deprivation based on weighted banded IDACI data
 - Lump Sum £120,000
 - Split Site £120,000
 - Rates based on actual cost
22. Funding will be now based on October pupil census, uplifted to reflect the difference between October and January counts.

De-Delegation

23. The entire School Block must be delegated to schools with a few exceptions, one of which is where Schools Forum agrees that a service should be provided centrally. Funds are allocated through the Schools

Individual Formula in the first instance. De-delegation only applies to the Maintained sector and has therefore removed the need for the DSG Local Authority Central Spend Equivalent Grant (LACSEG) for Academies. Where a service is to be provided centrally, School Forum approval must be given for each individual phase.

24. The two services that were included in Central Bedfordshire's consultation were Facilities Time (Union representation at meetings etc) and School Contingency (closing and re-organising schools, schools in financial difficulty etc).

Growth Funds

25. Funds can be retained from the Schools Block before allocating formula, with agreement of School Forum, for funding significant pre-16 pupil growth and expenditure incurred in order to make provision for extra classes (to comply with School Admissions (Infant Class Sizes) Regulations). Funds must be used on the same basis for the benefit of both maintained schools and Academies.
26. Any funds remaining at the end of the financial year must be added to the following year's DSG and reallocated to maintained schools and Academies through the local formula.
27. Local Authorities are required to produce criteria on which any growth funding is to be allocated, and set out the circumstances in which a payment could be made and a basis for calculating the sum. The criteria will need to be proposed to the Schools Forum and again its agreement before growth funding is allocated. The Council will also need to consult on the total sum to be top-sliced from each phase and must regularly update the Schools Forum on the use of the funding.

Early Years Block

28. The DfE are not proposing major changes to the main elements of the Early Years Single Funding Formula (EYSFF). Different base rates for different types of provision and specific factors for quality, flexibility and sufficiency will still be permitted. There will be a mandatory deprivation factor based on child level definitions of eligibility.
29. Factors allowed in the main formula are also allowed in the EYSFF but without prescribing the datasets that should be used. LA's are required to review their formulas and remove factors which are no longer allowed.
20. Early Years will be calculated based on three January counts e.g. 2013/14 estimates based on Jan 2012, updated for Jan2013 in the summer 2013 and adjusted at year end for Jan 2014 count.
21. The MFG will apply to the EYSFF for all providers for the first time, but only for the base rates.
22. Councils are responsible for funding all Academies for their early year's provision.

High Needs Block

23. The DfE recommend that mainstream schools will fund the first £6k towards Special Educational Needs (SEN) provision from their delegated budget, which is broadly in line with the current expectation that schools fund the first 12 hours of support. Schools were comfortable with this in their response to the Consultation initiated in September 2012. Pupils with statements of SEN will receive additional support against assessed needs from the High Needs Block as they do now.
24. Funding for Specialist Provisions in schools will be based on the required number of places, as it is currently. This will be made up of £10k base funding plus per place and top up to the current agreed level per pupil. Appropriate means for doing this for any 'empty' places within the context of the funding regulations are being considered.
25. There are currently 2 Lower Schools which have resourced Language Provision (St Andrews in Biggleswade and Heathwood in Leighton Buzzard). The pupils all have statements of SEN and are based in the mainstream classes and receive additional specialist support for their specific language/communication need from staff and a Speech and Language Therapist provided by the Health Service. Places/pupils are currently funded at £8,280 (Band D statement) which meets their needs so a top up would not be required. We are considering ways of managing the fact that these fall below the £10k base rate for specialist provision places.
26. Special Schools will no longer have delegated budgets on the same basis as other schools. The factors previously allowable for Special Schools and those still allowable for mainstream schools are not allowable from 2013/14. The expectation is that the costs currently within the additional factors in a school's budget must be targeted against the pupil/place element. This means for example there will be no option for a Lump Sum, no element for split site etc. The pupil/place element will therefore have to include the costs of running and managing the school. The base funding for a Special School will be £10k per pupil/place, plus top up against agreed criteria/guidance.
27. Currently, Special Schools are funded on the number of pupils on roll as at January Pupil Level Annual Schools Census (PLASC) date. The Council charges other Councils retrospectively for costs of pupils they have in our schools, and are charged by other Councils for any pupils placed by us in their schools.
28. From 2013 funding for special schools will be based on £10k per number of required places based on numbers reported in 2012/13, plus a top up provided by the commissioning Authority which will link to an assessed need of the pupil. Where the pupils are Central Bedfordshire pupils, this will be provided as part of the school's budget share, and where the pupils belong to other Councils, the school will invoice the commissioning Council in advance for the top up element at the agreed level. If there is a requirement in future to increase place numbers, detailed evidence will

need to be provided to the Education Funding Agency (EFA) to substantiate this.

29. Pupils are admitted into special schools at any point in a year. Children's Services Officers have looked at historical pupil increases in each school and estimated the number of potentially required places across the financial year for each school. In order to keep stability in the budget for these places, the process by which schools can be allocated indicative banding levels for top up across these places which represent the profile of need at that school will need to be agreed.
30. Following discussions with Special School leaders, consideration is being given to cease holding Pupil Premium (PP) centrally as previously approved by Schools Forum. This was approved on the basis that Special Schools received funding against levels of need of a pupil already. While it is set out within the current School Finance Regulations that PP can be retained centrally for Special Schools
 - a. since Weatherfield became an Academy, they receive PP directly from the EFA which provides disparity across the schools;
 - b. within the new Ofsted Framework schools are inspected and judged on the use of their allocated PP
31. The Pupil Referral Unit (PRU) will be funded in the same way as a Special School, but with a base unit of £8k. The Academy of Central Bedfordshire (The Alternative Provision Free School) which will open on 1 September 2013 would be funded differently as an Academy Free School via the Education Funding Agency (EFA). The base funding for Alternative Provision is £8k per place. The Council would fund any top up required when commissioning provision from the school as an alternative to permanent exclusion.
32. Special School leaders have been meeting regularly and are continuing to meet with the Council in order to consider the options for models of funding that are open and transparent and are within the current costs of special schools.
33. Following those discussions, additional modelling is being carried out in order to enable funding to be consistent across types of school but in ways which capture the specific contexts of these schools, i.e. Area Special Schools which operate across two or more sites (Chiltern and Ivel Valley), a Moderate Learning Difficulties (MLD) School (Weatherfield Academy), and a Behavioural, Emotional and Social Disabilities (BESD) School (Oak Bank).
34. The banding descriptors which describe the level of need of pupils are being reconsidered during November in light of the above, which will impact on the values of all bands. The base value for Band 1 must be a minimum of £10k

35. Funding is allowed to be held centrally and allocated accordingly for any extended role of a special school such as commissioned work for Outreach and other services. Chiltern, Ivel Valley and Oak Bank are currently commissioned to carry out an Outreach role, and from January 2013 Chiltern and Ivel Valley have been commissioned to deliver the Early Years Children With Disability Service. This will be recommended to continue.
36. Recoupment is the process by which Councils receive and pay costs of pupils with statements who are educated in another Council's school (mainstream or special). Income overall is usually at similar levels to expenditure.
37. Under the new funding arrangements, schools will be required to take on responsibility for the charging of the top up element to the commissioning Council for pupils with statements in their schools. In Mainstream Schools this will be top up beyond the £6k, and in Special Schools and Specialist Provisions within Mainstream Schools this will be top up beyond the £10k.
38. From 2013 the Council will be required to pay in advance for pupils where they have named another Council's school on the Statement of SEN. DSG from the High Needs Block will need to be retained centrally to fund this.
39. It was raised at the Schools Forum meeting on 22 October 2012 that a means of funding required growth in Special Schools and specialist provision to accommodate the growing population who might require special school or specialist placement should be considered by the School Forum.

Appendices:

None

Background papers and their location: (open to public inspection)

None