

CYPF Scrutiny and Policy Development Committee

Policy Update

JULY/AUGUST/SEPT 2012

1. School funding reform: arrangements for 2013-14

- a) The DfE has published the final school funding arrangements for 2013-14 following a series of consultations on funding reform in preparation for the introduction of a national funding formula in the next spending review period.
- b) The most recent of these set out proposals for the 2013-14 financial year. The main features of the arrangements are:
 - o The introduction of 3 notional blocks through which local authorities will be allocated funding in the Dedicated Schools Grant (DSG) – a **schools block; early years block; and, high needs block**
 - o Maximum delegation of funding to schools
 - o Reduction in the number of factors that can be used in local formulae to distribute funding from 37 to a maximum of 10
 - o Changes to the composition and operation of Schools Forums

Simplification of the local funding arrangements

- c) The development of new local formulae under these arrangements is highly likely to result in changes to each school's budget share
- d) In order to limit the impact of these changes and to provide stability and protection for schools, a minimum funding guarantee of -1.5% per pupil in 2013-14 and 2014-15 will be put in place
- e) Local authorities should work on the basis that services within the notional Schools Block and the funding for them should be delegated to schools in the first instance. In most local authorities, this will mean more delegation to schools than there has been in the past
- f) There are 3 exceptions to this, including some changes to existing exceptions and some further exceptions related to growth in pupil numbers, equal pay back=pay and non SEN places in independent schools:
 - o **Where maintained schools collectively agree** (through the Schools Forum) that a service should be centrally funded because it provides better value or pools risk. Academies can choose to buy into these services by local agreement, and there will no longer be any need for a Local Authority Central Spend Equivalent Grant (LACSEG) calculation. The specified items are:
 - Allocation of contingencies (but only for exceptional unforeseen costs, schools in financial difficulties, and additional costs related to new, reorganised or closing schools)
 - Administration of free school meals eligibility
 - Insurance
 - Licenses or subscriptions
 - Staff costs or supply cover
 - Support for minority ethnic pupils or underachieving pupils
 - Behaviour support services
 - Library and museum services
 - o **Historic commitments** where there has been agreement with the Schools Forum to use the Schools Budget to fund costs which would normally be

- met from general local authority funding (e.g. redundancy costs) or where local authorities have funded capital from revenue (e.g. the capitalised costs of equal pay arrears, or to supplement capital funding), which does not require Schools Forum approval
- o Expenditure on some services related to **statutory functions of the local authority** (e.g. the co-ordinated admissions scheme, the carbon reduction commitment and administration of the Schools Forum) will also be allowed
- g) Two further exceptions will be allowed (with agreement from the Schools Forum): equal pay back-pay (for staff in schools and academies) and non-SEN places in independent schools (where local authorities choose such placements due to pressure on state school places)
- h) In addition, local authorities will be able to create a ring-fenced growth fund from the DSG in advance of allocating school budget shares to support growth in pupil numbers to meet basic need (for the benefit of both maintained schools and academies). They will be required to produce criteria for the allocation of any growth fund (which must be agreed by the Schools Forum) which must also be consulted on the total sum to be top sliced in each phase
- i) The 9 formula factors that can be used for distributing the notional Schools Block are:
- (i) **Basic per-pupil entitlement** (mandatory): at a single rate for primary pupils, but local authorities will be able to apply different age-weighted pupil units for Key Stage 3 and key Stage 4. Initially there will be no minimum threshold for pupil-led factors, but this will be reviewed next year
 - (ii) **Deprivation** (mandatory): to be based on free school meal (FSM) data, IDACI data, or both
 - (iii) **Looked after children** (optional): if used, primary and secondary schools will attract the same rate
 - (iv) **Low cost, high incidence special educational needs** (optional): if applied, this factor will be based on prior attainment. For primary schools there will be 2 thresholds (either all pupils who do not achieve 78 points or all pupils who do not achieve 73 points or more in the EYFS Profile). For secondary schools the threshold will be pupils who fail to achieve Level 4 or above in both English and maths at Key Stage 2
 - (v) **The notional SEN budget** (mandatory): local authorities will be required to give mainstream schools a notional SEN budget from the Schools Block, which might be made up of funding from the basic per-pupil entitlement, deprivation and low cost, high incidence SEN factors. From this notional budget, mainstream schools will be expected to meet the needs of pupils with low cost, high incidence SEN and contribute, up to a level set by the local authority, towards the costs of provision for pupils with high needs
 - (vi) Support for pupils with **English as an additional language** (optional): local authorities will be able to provide support for a maximum of 3 years from when the pupil enters compulsory education in England. They will be able to allocate different rates for EAL pupils in primary and secondary schools
 - (vii) **Lump sum** (optional): local authorities will be able to allocate a lump sum of the same amount to all schools in their area (to support small schools). In 2013-14 the limit of this sum will be £200,000 but this may be changed in 2014-15

- (viii) **Split-sites, rates and PFI** (optional): local authorities may apply additional factors to reflect the costs of operating on split sites (a cash sum), rates (based on actual costs) and PFI arrangements (a cash sum)
- (ix) **Exceptional premises factor** (by agreement with the Education Funding Agency): local authorities can request that this is included for exceptional premises (i.e. less than 5% of the schools in the local authority) with additional costs (e.g. listed buildings, farm buildings, rented buildings)
- j) Other factors that local authorities will be able to take into account are post-16, where local authorities have used DSG for 6th forms they will be allowed to honour this commitment in 2013-14 but no new commitments or increases in expenditure will be allowed. Also, pupil mobility where local authorities will be able to apply a factor based on the number of pupils entering schools at non-standard entry points
- k) Now that the final formula factors are defined, local authorities can finish developing their local formula and start to consult the Schools Forum and others. The DfE has updated its formula to reflect changes, and a final version will be issued, as will confirmation of the information the DfE will collect on the pro-forma and the more detailed table underpinning it
- l) The timetable for the DSG is unchanged. Local authorities must submit the provisional Schools Budget pro-forma to the Education Funding Agency by the end of October
- m) The minimum funding guarantee (MFG) has been set a -1.5% per pupil for 2013-14 and 2014-15. Post-16 funding, allocations from the notional High Needs Block, including those for named pupils with SEN, and the lump sum will be automatically excluded – in addition, allocations made through the early years single funding formula and for rates will be excluded
- n) Free Schools, University Technical Colleges and Studio Schools opening in 2013-14 will continue to use the 'ready reckoner' to plan 2013-14 budgets. They will be funded in accordance with local formulae and the impact of any difference between planned and realised budgets will be limited by providing a protection of -1.5% on a like-for-like basis
- o) Final details of funding for FE and Sixth Form Colleges which make full-time provision for 14-16 year olds are still being finalised, and further details will be given in the Autumn

Improving the way that local areas are funded

- p) Final arrangements are generally as described in the March consultation paper, but in response to queries from local authorities about children who defer entry to reception classes, the DSG will be uplifted to reflect differences in reception pupil numbers between October and the January counts of the previous academic year, and Regulations will allow local authorities to apply this uplift to all schools with reception classes, reflecting what happened in each school the previous year
- q) The DfE plans to consult later in the summer, alongside the DCLG's consultation on the business rates retention scheme, on options for the transfer of funding for the central education functions currently included in LA Block LACSEG from LA Formula Grant to the DfE. The Education Funding Agency would then distribute this funding as a separate un-ringfenced grant to local authorities and Academies in proportion to pupil numbers

Improving arrangements for funding pupils and students with high needs

- r) The new high needs funding arrangements ('Place Plus') will be introduced for all providers in the schools sector from April 2013, including local authority

maintained schools, special and Alternative Provision Academies. They will be phased in for mainstream Academies by September 2013 (new arrangements for providers in the FE sector will be introduced from the start of the 2013-14 academic year)

- s) The final arrangements are generally in line with those proposed in the March consultation paper. Arrangements which have been clarified following consultation are:
- (i) The DfE will recommend that, when discussing top-up funding for Alternative Provision settings, providers and commissioners will calculate half-termly rates for short-term placements and daily rates for part-time placements
 - (ii) When placing pupils in AP for fixed-term exclusion, early intervention or off-site direction, mainstream schools and Academies will not be required to repay AWPU (as they will in cases of permanent exclusion), but will pay top-up funding to AP settings
 - (iii) A new approach to hospital education from April 2013 will involve top-slicing the current spend on each hospital education setting from the national DSG and passporting the funding to providers through the maintaining local authority, ending the need for inter-LA recoupment, and enabling the Education Funding Agency to fund any providers that convert to Academy status. It is intended to use the same arrangements for hospital education for young people aged 16-18 provided in the 7 secure forensic psychiatric units

Simplification of the arrangements for the funding of early years provision

- t) The DfE will shortly publish short, clear, non-statutory material to help local authorities improve their funding arrangements, best practice examples from local authorities, and even local authority-level data on the funding, take-up, quality and outcomes of early education provision
- u) From 2013-14, all providers of free early education, including Academies currently funded for early education by the Education Funding Agency, will be funded by local authorities on common principles through the Early Years Single Funding Formula (EYSFF)
- v) Currently, the MFG applies to the whole school budget (including early education funding) in primary and infant schools with nursery classes.
- w) In future, the early years budget (based on the January census, not the October one) will be excluded from MFG. Instead, the DfE proposes to introduce a specific MFG for all providers of free early education for 3 and 4 year olds but is supportive of local authorities using the EYSFF to level the playing field between different types of behaviour. So, where necessary, it will be possible for local authorities to apply to suspend the early education MFG (with a presumption that applications that improve the fairness of funding between providers will be approved). The early education MFG will also be set at -1.5% but only the per-hour base rate will be included
- x) The DfE will shortly make a final announcement on the transitional arrangement for 2013-14 that will be put in place ahead of ending the 90% floor funding for free early years education for 3 year olds from 2014-15. A separate consultation will shortly seek views on how funding for early education for 2 year olds could be allocated to local authorities