

TO: SCHOOLS FORUM
DATE 26 APRIL 2012

SCHOOL FUNDING REFORM
(Director of Children, Young People and Learning)

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to update the Schools Forum on the latest consultation from the Department for Education (DfE) on proposals for school funding reform that are expected to be implemented from April 2013 together with their anticipated impact. At this stage, changes are focused on local funding arrangements, with the national funding framework to be updated during the next Spending Review period (2014-2017).
- 1.2 Significant and complex changes are proposed, and in order to properly to understand and prepare for the impact from the reforms, a School Funding Review Group will be established, with representation sought from head teachers and members of the Schools Forum.

2 RECOMMENDATIONS

- 2.1 **The proposed DfE school funding reforms and their potential impact are NOTED;**
- 2.2 **The programme and other related matters of the School Funding Review Group, and members from the Schools Forum are AGREED (Annex E);**
- 2.3 **The response, if any, to the DfE consultation is AGREED.**

3 REASONS FOR RECOMMENDATIONS

- 3.1 To ensure that schools and the Council are prepared for the impact of the funding reforms and that change is effectively managed and likely impacts understood.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 These will be considered by the Working Group and suitable options reported to schools and the Schools Forum for decisions to be taken, where relevant.

5 SUPPORTING INFORMATION

Current position

- 5.1 Current arrangements for School Funding were introduced in April 2006, with the main elements of the funding framework being:

1. LAs would be funded for their schools and the other school related budgets -

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known collectively as the “Schools Budget” - by a ring-fenced grant called the Dedicated Schools Grant (DSG) which must be spent on the prescribed purposes of the Schools Budget.

2. Total DSG would be calculated from an individual per pupil amount initially determined for each LA based on actual spend in 2005-06, multiplied by relevant pupil numbers each January. For 2012-13, the Council is forecast to receive £76.110m, with per pupil funding of £4,861;
3. Allocations of DSG are ordinarily made to LAs over multi-year periods, in order give greater certainty over future funding. Schools will also receive multi-year budgets over the same time span as LAs. Announcements of multi-year funding periods generally coincide with the Government’s three year Spending Review cycle.
4. Any in-year under or over spending by the LA against centrally managed Schools Budget items must be held as an ear marked amount outside of the LAs general accounts, to be incorporated into a future year’s Schools Budget.
5. A Minimum Funding Guarantee (MFG) is in place. The MFG is a formula that must be applied to each school’s budget to ensure that it receives the required minimum per pupil increase or does not exceed the maximum per pupil decrease if this is not delivered by the normal operation of the LAs Funding Formula for Schools¹.
6. Most specific grants have been streamlined and undergone aggregation.
7. New powers have been conveyed to Schools Forums² to make decisions on certain budget matters. This most notably covers the power to limit LA proposed increases on centrally managed School Budget items to no more than that proposed for delegated school budgets.
8. School efficiency and financial management is to be improved, including the introduction of national standards that all schools will be required to meet.
9. A range of education related strategic and regulatory functions, together with a number of services considered unsuitable for school management, such as home to school transport, continue to be financed from Formula Grant – the mechanism used by central government to allocate funding to local authorities - with the amount spent on these functions determined by individual LAs.

The attached Annex A provides a brief outline of the current education funding framework.

- 5.2 This funding framework was expected to bring stability to school funding which had previously been unpredictable. It would allow for better planning in the use of resources that would in turn help to raise pupil attainment. Funding the Schools Budget through a ring fenced grant rather than within Formula Grant also ensured

¹ The Funding Formula for Schools is the mechanism used to distribute funds to schools. It uses objective criteria with set units of resource and is applied equally to schools with the same characteristics. The Funding Formula is developed each year through consultation with schools and must be compliant with DfE Funding Regulations and approved by the Schools Forum.

² Each LA is required to establish a Schools Forum to represent Education providers and partners on contract and finance matters. The membership of the Forum has been drawn from head teachers, governors and representatives of the teacher associations, diocesan boards, Early Years Providers in the PVI sector, the 14-19 sector and academies.

that the funding Government intended to be spent on Education, was spent on Education, with no local decision making over setting the minimum level of Schools Budget.

Proposals for change

- 5.3 The government see reform of education funding as a priority and have previously released two consultation papers on the development of a new funding system, with a number of key decisions already having been taken that are designed to:
1. Maintain local discretion over funding;
 2. Ensure as much funding reaches schools as possible;
 3. Maintain and improve the arrangements for equivalence and consistent funding between maintained schools and Academies;
 4. Enable leaders to understand the basis on which their institutions are funded;
 5. Supports the needs of pupils;
 6. Be more responsive to pupil numbers and demand from parents.
- 5.4 On 26 March, a third consultation was launched by the secretary of state for education, building on the decisions taken following previous papers, and seeking views on a relatively small number of areas where uncertainty remained. In terms of the impact at an operational level, the key components of the new arrangements are expected to be as follows, with additional comments where relevant in *italics*:
1. LA Funding Formula for Primary and Secondary Schools³ will be simplified with allowable factors reduced from 37 to 10. Annex B sets out allowable factors and a brief note on the current BF Funding Formula. *This will result in a redistribution of funding between schools as some factors used in the BF Formula will no longer be allowed or will need amending. Whilst there are 37 available factors, a number are open to interpretation and have sub sets which in practice means there are far more than 37 ways being used to fund schools;*
 2. A national standard will be set for primary and secondary schools to fund the first £6,000 of low cost, high incidence SEN from their general funding. Although the £6,000 amount is a DfE recommendation, and not prescribed, the expectation is that a similar level will apply across the country to allow for consistency and comparability. *This will reduce the number of children requiring a formal statement of SEN and most likely require some of the existing funding allocated for named pupils, those funded at up to £6,000, to in future be included in the general delegated budget, allocated through one of the limited list of allowable factors;*
 3. A range of budgets which can currently be retained centrally by LAs will have to be delegated through the Funding Formula (see Annex C for details of the near £2m of relevant BF budgets). This will remove the need for a Schools Budget deduction to fund Academy schools for their additional

³ The Funding Formula for Schools is the mechanism used to distribute funds to schools. It uses objective criteria with set units of resource and is applied equally to schools with the same characteristics. The Funding Formula is developed each year through consultation with schools and must be compliant with DfE Funding Regulations and approved by the Schools Forum.

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responsibilities through the Local Authority Central Services Equivalent Grant (LACSEG) as the appropriate share of funding will already be in the Formula Budget of Academy schools. *This will require decisions on how the funding should be delegated i.e. amount per pupil / school, whether funds relate to all phases etc.;*

4. If supported by representatives on the Schools Forum, the share of newly delegated budget for primary and secondary schools, but not special schools – *Kennel Lane Special School (KLS) will need to fund relevant services directly from their core £10,000 per place allocation (see point 8. below) - can be returned to the LA for central management. In the first instance, the appropriate funding must be included in the Funding Formula calculation. If not supported by the Schools Forum, decisions will need to be taken regarding whether a traded service is to be offered, which would then require development of SLAs;*
5. There is the potential for funding thresholds being set by the DfE for:
 - a. A minimum percentage of funding that must be allocated on pupil numbers or pupil led factors;
 - b. The relative weighting of funding between primary and secondary schools. *This would result in shifting funds from secondary to primary schools.*
6. The Minimum Funding Guarantee will be set at minus 1.5% per pupil in 2013-14 and 2014-15, and calculated on a simplified basis compared to the current methodology. *This affords a degree of protection to schools as any impact on budgets will be limited for 2 more financial years. Excluding the impact from changes required to the Funding Formula, the simplifications are expected to result in schools receiving less MFG protection as the 80-87.5% marginal funding rate reduction applied to schools with falling numbers on roll will be removed with schools in future having to absorb 100% of the average per pupil funding before receiving a top-up;*
7. School budgets will be based on October pupil count data rather than January. *This will allow for the early determination of an LAs DSG and consequently the issuing of budgets to individual schools;*
8. High cost, low incidence SEN, including special schools, resource units, and PVI providers will all be funded on the same “place-plus” basis. Each agreed place will attract the DfE prescribed amount of £10,000, irrespective of whether it is filled, with top-up funding for individual pupils on the basis of assessed need. *This is intended to remove financial incentives that currently exist for LAs to place children in maintained settings as there is generally a small amount of marginal costs to pay when new placements are made internally, but full costs are incurred if an external placement is agreed. It is also intended to widen choice. Decisions also need to be taken on how KLS is funded, plus the SEN resource units. There is also the question of how can KLS be funded for the Autism Support Unit and any other collaborative or specialist work it currently undertakes for the benefit of other schools as it may be unreasonable to expect this to be funded from the core £10,000 per place funding;*
9. The post 16 SEN grant currently held by the Education Funding Agency will be transferred to LAs. *This will create a more consistent approach to funding post-16 SEN;*
10. Pupil Referral Units (PRUs) and other alternative education provisions will in

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future be funded on a similar basis as establishments supporting high cost, low incidence SEN, but with each agreed place probably funded at £8,000. *PRUs do not currently operate with delegated budgets and will therefore undergo significant change, with current funding levels needing to be validated as appropriate and how current operating costs compare to the core £8,000 per place core funding. How budgets that support small group tuition and home education fit into future funding arrangements is unclear,*

11. Changes to Schools Forums will include allowing smaller membership below the current minimum of 15, restricting LA attendees, and restricting voting on funding formulae changes to school and PVI members only. There will also be a new requirement for Forum papers to be published on a public access website and for Forum meetings to be open to the public. *The BF Forum already operates on the transparent model that will become mandatory.*

With there being no new funding to smooth the implementation of what are expected to be significant funding movements between schools, those losing money, in the first instance up to the limit set by the MFG, will most likely need to be funded by limiting gains to those schools that benefit. In such a scenario, the Forum will need to consider how increases will be capped, and at what level.

- 5.5 The consultation also sets out how LAs will be funded for education services and confirms the continuation of the existing 3 elements of DSG, Formula Grant and the Pupil Premium. The Pupil Premium will remain unchanged as a specific grant outside DSG, targeted mainly towards pupils eligible to a Free School Meal, although with the introduction of the Universal Credit between 2013 and 2017, change is likely to be required here in the near future. The Pupil Premium is the only source of funding for schools that is increasing, with national allocations planned to increase by 25% in 2013-14. BF schools are expected to collectively receive around £1.363m in 2012-13.
- 5.6 There is no immediate move to a national funding formula, so the calculation of the DSG will remain similar to the current process, although it will be split into 3 notional funding blocks to better reflect what is expected in the national funding formula. There will be separately identified, but not ring-fenced funding elements for schools, early years and high needs pupils. Funding for each block will be based on 2012-13 planned spend in each LA, as recorded on the national expenditure returns LAs are required to make to DfE under Section 251 of the Apprenticeships, Skills, Children and Learning Act 2009. The census point for DSG funding will move to October from January, so will require some resetting of per pupil funding levels to ensure the 2012-13 funding baseline remains unchanged. This change will allow for school budgets to be calculated and distributed earlier than at present.
- 5.7 In terms of funding received through Formula Grant that supports education services outside the Schools Budget, as part of the Government's proposals to introduce a business rates retention scheme from April 2013, there may be proposals to transfer the funding into a DfE budget. The DfE would then administer the money as a separate grant on a national basis, to be paid to LAs and academies proportionate to the number of pupils for which they are responsible. More details on this proposal will be available in the summer.
- 5.8 Whilst there is a clear commitment from the government for change, the secretary of state recognises that "because of the complexity of the current system and the size of the existing inequalities, we need to take care in how we proceed. At a time of constrained finances, we need to make gradual progress towards reform. But the direction of travel is clear and the first steps we are taking are significant."

A range of documents, including the full consultation (89 pages) can be downloaded from:

<http://www.education.gov.uk/consultations/index.cfm?action=consultationDetails&consultationId=1817&external=no&menu=1>

Implications

- 5.9 At this stage, it is not possible to establish the impact from all of the proposed changes. These will become clearer once the detailed work is undertaken and the DfE issues further guidance and clarifications as uncertainty exists in a number of areas.
- 5.10 As set out above, the overall effect of these changes on individual schools will be minimised over the next 2 financial years to the end of 2014-15 due to the impact of the MFG, which will limit annual per pupil losses in funding to no more than minus 1.5%. However, there is the potential for significant changes in funding over time, dependent on both local and national decisions, making it important that the right decisions are now taken, and that the likely implications are known.
- 5.11 The changes are likely to return education funding to a more equitable basis in respect of the level of funds community and academy schools receive. Whether this will have an impact on the number of future academy conversions is unclear.
- 5.12 Elements of the BF Funding Formula for Schools will no longer be allowed and a full review is needed to establish the extent of required change and the potential medium term impact for each school. Some of the changes that will be needed include requiring one fixed lump sum allocation to be paid to schools – the BF Formula currently has 4 different values for different school types – having one per pupil funding rate for primary and another for secondary aged pupils (although there may be the option for separate KS3 and KS4 rates) instead of the current position of generally having separate rates for each age and ensuring schools receive sufficient notional SEN funding to meet the first £6,000 of support that will in future be required. Meeting this last requirement is likely to result in more of the funding currently allocated to schools for named pupils being allocated as part of the general school budget, through the limited range of allowable factors, with top-ups only for the children with the most expensive support needs. This is likely to reduce the number of children receiving statements of SEN.
- 5.13 Simplifying the Funding Formula for Schools will have an effect on the way the Council charges schools for bought back services. The current arrangements are based on charging schools for most bought back services at the same amount as the funding they receive for them through the Funding Formula. The required simplification of the Funding Formula will result in a different distribution of funding for these services to schools which may no longer accurately reflect the cost of providing services to each school.
- 5.14 The advent of Academy schools, and the likelihood of such schools being more inclined to use providers other than the Council reinforces the need to review the charging policy to ensure it reflects the cost of delivery and is comparable with other trading organisations.
- 5.15 The requirement of additional delegation will also have an impact on school budgets as each new service will need to distribute funds to schools through the simplified

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Funding Formula. There is the potential for de-delegation for primary and secondary schools if agreed by relevant members of the Schools Forum which would allow for the continuation of a centrally managed service and the return of relevant funds. If schools chose to have further delegation, they will need to make their own arrangements for future service delivery for those services, where they are needed. Schools will need to comply with the Council's rules on procurement if they make their own purchasing arrangements.

- 5.16 Furthermore, if certain services are delegated and not returned to central management, a decision will need to be taken regarding whether a traded service should be offered to schools. If there is low interest from schools, trading may prove uneconomic which could result in the withdrawal of support services which would then be more difficult and costly to provide if a need occurred at a later date.

Annex C sets out the current budgets that will be subject to future delegation.

- 5.17 The change in funding low incidence, high cost SEN providers will result in changes to the current funding arrangements for KLS and the three schools with attached SEN Resource Units. There will also be an impact on invoicing and bills payment from the changes in arrangements for high cost SEN provisions. Other than children placed in these establishments from their home authority, individual schools will in future need to calculate the cost of top-ups and then invoice the relevant placing organisation and ensure income is received. Income collection is outside the standard Finance SLA as schools do not tend to generate significant funds that require invoices to be raised through the General Ledger.
- 5.18 The DfE expects top up funding for pupil placements to “move in or close to the real-time movement of the pupil or student, and will move directly between the commissioner [LA] and provider [school]”. The impact from this is likely to be more complex and time consuming administrative arrangements for schools and the Council.
- 5.19 It will be important that the base level of the number of low incidence, high costs SEN planned places are set at the right number as each will attract £10,000 and any over statement will result in paying for empty spaces. This will also need to take account of any planned in-year growth and the need to provide funding stability to providers to ensure sufficiency of supply as this will change in-year. The same issue arises for setting the number of funded places at College Hall PRU, which is expected to be set at a core £8,000.

Potential outcome if the consultation proposals are implemented

- 5.20 At this stage, the financial implications arising from the education funding reforms are unclear, however, for schools, in November 2011, the Institute of Financial Studies (IFS) published an analysis of the second DfE consultation on school funding reforms (released in July 2011) on a range of options and assuming changes are implemented from 2014-15. Using their “low disruption” option which attempts to moderate the switch from primary to secondary schools to reduce significant movements in funding, and a range of variations on the Area Cost Adjustment (ACA, which is a method used to allocate additional resources to LAs in high cost areas, most typically in London and the South East, including Bracknell), the following has been modelled as a potential impact for Bracknell. In all of the main scenarios, BF schools were predicted to receive increases in funding.

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Low disruption – unchanged ACA		Low disruption – combined ACA		Low disruption – updated GLM ACA	
Primary Change	Secdry change	Primary Change	Secdry change	Primary Change	Secdry change
10.2%	7.4%	5.6%	2.9%	12.1%	9.2%

- 5.21 It should be noted that this analysis includes FIS moderation to some of the DfE proposals to reduce funding turbulence. It also shows an average position, so for some schools it would be better, others worse. Key decisions have not yet been taken on the national distribution of funding through the DSG, including dealing with the ACA, so this analysis needs to be seen as a useful guide to possible changes, but at this stage it is speculative.
- 5.22 Overall, the IFS believed that changes would be concentrated on a number of LAs, with some facing gains or losses of 10% or more. It also believed that any transition period of less than a decade would involve significant, sustained losses for some schools. It estimated that if a transitional period lasted 6 years, some schools would incur annual cash terms losses of up to 5%.
- 5.23 This latest consultation has further changes which will impact on the FIS analysis, however, the pace of change felt in school budgets in the first instance will be slow due to the effect of the MFG which will limit per pupil funding reductions to individual schools to 1.5% to the end of financial year 2014-15. However, over time, if the proposals are fully implemented, there is likely to be a significant redistribution of funding between local authorities and individual schools. Changes made now to the Funding Formula to comply with the new requirements are therefore not expected to have a significant effect for at least 2 more financial years.

Next steps

- 5.24 Further guidance and modelling tools are due to be provided by the DfE to LAs which will help in making preparations for the changes and in the establishment of the full financial implications.
- 5.25 The Director of CYPL and Borough Treasurer are formulating a response to this latest consultation which is focused on a limited number and range of questions. A draft response will be circulated at the Forum meeting. For reference, the consultation questions are attached at Annex D.
- 5.26 The DfE expects to commence consultation on the finance and forum regulations which will set the statutory duties in July / August 2012. At this point there is expected to be greater clarity on all the changes.

5.27 The DfE has issued the following outline timetable for key actions:

Mar-Apr	LAs complete national budget statements to set out planned spend on education services – the S251 return
Apr-Jun	LAs undertake detailed modelling of new formula in conjunction with schools forums
May-Sep	LAs able to requests exceptional factors and MFG exclusions to Education Funding Agency ⁴ (EFA).
Jun-Oct	Consultation with all schools and Academies on new formula
By July	Reconstitution of schools forums where necessary
To Sept	EFA will confirm baselines with LAs once section 251 statements have been submitted
End of Oct	LAs submit pro-forma of Funding Formula to EFA
Dec	Census data and schools/high needs blocks confirmed
Mid Jan	LAs submit any final changes to pro-forma of Funding Formula to EFA

5.28 Clearly, there will also be a significant, one-off increase in workload as the Council will need to update the Funding Formula and produce school budgets to a much earlier timeframe than is currently the case. A new set of data will also need to be collected and verified and new SLAs may need to be developed as more budgets get delegated to schools. The change process will need to involve service managers, schools and the Schools Forum, and will require a significant amount of financial modelling and analysis before the end of June to help inform consultations required with BF schools. It is therefore intended to establish a School Funding Review Group to guide completion of the actions with the majority of the detailed work needing to be completed before the summer break.

5.29 Draft proposals of the School Funding Review Group are set out in Annex E.

5.30 Once options for change have been identified, a consultation will be undertaken with all schools to gather views on the best way forward. The Schools Forum will be asked to make final decisions on relevant matters at its meeting on 18 October.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

6.1 The relevant legal provisions are set out in the body of the report.

Borough Treasurer

6.2 At this stage, the financial implications arising from this report are unclear. Any proposals for change arising from the work of the Working Group will need to be reported to the Schools Forum and considered as part of the overall financial arrangements to be put in place from April 2013.

⁴ The EFA is a new executive agency of the DfE that from April 2012 will be responsible for capital and revenue funding for education and training for 3-19 year olds. It will fund academies, free schools and LAs. It will also be responsible for the distribution of capital funding and advice on capital projects.

Impact Assessment

- 6.2 DfE has undertaken a full impact assessment and considers the proposed changes have the potential to reduce the barriers and inequalities that currently exist. The document can be found at:

<http://www.education.gov.uk/consultations/downloadableDocs/School%20funding%20reform%20-%20Equality%20Impact%20Assessment.pdf>

Strategic Risk Management Issues

- 6.3 A range of impacts are expected to arise from this consultation, as set out above in paragraphs 5.9 to 5.19, with the most significant issues being:
1. the redistribution of funding between schools may result in a number of schools receiving real terms reduction to their funding for a number of years. This could have an adverse impact on pupil attainment. The budget to support schools in financial difficulties would be available to support relevant schools, provided it is returned for central management.
 2. Additional delegation of services to schools could result in them ceasing to be provided. If there is low interest from schools, trading may prove uneconomic which could result in the withdrawal of support services which would then be more difficult and costly to provide if a need occurred at a later date.
 3. The review of charging schools for traded services may have an impact on future take up of services by schools. Lower take up may require services to be restructured or withdrawn, with either scenario likely to result in additional one-off costs.

7 CONSULTATION

- 7.1 Not appropriate at this stage.

Background Papers

Various DfE guidance notes on School Funding

Contact for further information

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Education Funding – 2012-13

Government funding for Education is divided into 2 separate budgets; the Schools Budget and the LA Budget. From April 2006, the Schools Budget has been fully funded from a specific grant called the Dedicated Schools Grant. As this is a grant, there are restrictions on what the money can be spent on, and this is set out in Regulations. Each LA is funded through a fixed amount of per pupil funding, determined from spending levels in 2006, so there is a different unit of resource for each LA. The 2006 original per pupil amounts have been adjusted for subsequent budget changes which have targeted additional resources to Ministerial priorities, mainly around disadvantaged pupils and developing the 14-16 curriculum, with the current BFC funding rate set at £4,861 per pupil. LAs, therefore have no control over the minimum size of the Schools Budget as it is determined by multiply the DSG per pupil amount by the number of pupils on roll each January.

The LA Budget

The LA Budget will continue to be part funded from Government grant, Council Tax and Business Rates. As such, funding for these items will be considered through the LAs normal budget setting process. The LA budget funds strategic planning and management, school improvement, pupil transport, assessing pupils for SEN, Education Psychology, parts of Early Years, including Children's Centres, Education Welfare and the Youth Service.

The Schools Budget

The Schools Budget mainly covers delegated school budgets and services to pupils managed by the LA. The items managed by the LA cover provisions such as SEN, Early Years (PVI providers), Education out of School and pupil behaviour. Increases in planned spending on the overall Schools Budget need to be contained within the grant allocation provided by the Government for this purpose and other specific income streams, such as the Education Funding Agency funding of school sixth forms.

The funding Regulations fix the minimum increase / maximum decrease in annual per pupil that a school can receive, with the current level set at a maximum decrease of 1.5%. After this sum has been calculated, there will be a balance of funds available that LAs are generally free to allocate to wherever they chose within the Schools Budget, subject to consultation with the Schools Forum. This unallocated funding is commonly known as the budget "headroom". There is a complication in that the government limits increases to some of the LA managed budgets to no more than the increase in delegated school budgets. However, there is provision to allow for the Schools Forum to agree greater increases in centrally managed budgets at the expense of delegated school budgets. The Schools Forum also has to agree that the DSG can be used to support services jointly funded with the Council. These "combined services" must have an educational benefit to be eligible for DSG funding.

The elements of the Bracknell Forest Schools Budget, with their initial level of funding for 2012-2013 are set out below.

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Budget item	2012-13 Provisional Budget
<u>Delegated School Budgets:</u> (Includes Pupil Premium Grant and EFA sixth form grant)	
Primary	£34,001,460
Secondary	£32,227,080
Special	£3,672,900
	£69,901,440
<u>SEN provisions and support:</u>	
External pupil placements	£5,018,530
Sensory impairment support to schools	£115,000
Teaching and support services	£743,110
Language and Literacy Service	£130,360
In-year allocations to schools	£301,000
Traveller Education	£75,140
	£6,383,140
<u>Combined Services:</u>	
Procurement Specialist	£32,680
Margaret Wells Furby Resource Centre	£156,850
Young people in sport	£18,050
Attainment of LAC	£133,590
English as an Additional Language	£128,740
Common Assessment Framework	£42,470
Maintaining LAC in BFC	£42,890
Education Health Partnerships	£30,000
Family Intervention Project	£100,000
Families subject to domestic abuse	£6,000
	£691,270
<u>Education out of school:</u>	
Pupil Referral Service	£747,230
Home and group tuition	£324,090
	£1,071,320
<u>Pupil behaviour:</u>	
CMCD	£31,870
Behaviour Support Team and others	£495,060
	£526,930
<u>Early Years:</u>	
PVI Providers	£2,768,060
SEN Co-ordinators and others	£224,140
	£2,992,200
<u>Other items:</u>	
Official staff absence	£357,880
Licence fees	£109,730
Practical learning options	£220,360
School Specific Contingency	£303,750
Premature retirement costs	£53,650
School Admissions	£157,690
Schools in financial difficulty	£304,470
Carbon Reduction Commitment	£80,000
Other	£73,780
	£1,661,310
<u>Income:</u>	
Brought forward from previous years	-£230,000
EFA sixth Form Grant	-£4,991,740
EFA post 16 SEN Grant	-£542,070
Pupil Premium	-£1,363,800
DSG	-£76,100,000
Total Income	-£83,227,610
Net Spend	£0

Allowable factors for LA Funding Formulas

The simplification of the Funding Formula means that only the following 10 options are available to distribute funding to schools for the items subject to delegation, of which 7 are relevant to BFC. A comment on the current BF Formula is added where relevant in *italics*. Comments provide a guide to the current BF Funding Formula and not a complete description:

1. Per pupil amount. This must be a flat rate, which can be different for primary and secondary aged pupils, but can no longer be weighted by age. There is a possibility that secondary per pupil funding can differentiate between KS3 and KS4. *Current rates for BFC Funding Formula are as set out below and some aggregation will be required:*

Reception. Pre Rising 5's as at Jan	£2,099.13	Primary Age
Reception. Rising 5's as at Jan	£2,099.13	
Reception. Statutory pupils as at Jan	£2,636.33	
Year 1	£2,636.33	
Year 2	£2,669.16	
Year 3	£2,692.76	
Year 4	£2,692.76	
Year 5	£2,692.76	Key Stage 3
Year 6	£2,724.75	
Year 7	£3,172.77	
Year 8	£3,178.47	Key Stage 4
Year 9	£3,267.69	
Year 10	£3,715.09	
Year 11	£4,033.58	

2. Deprivation, measured by Free School Meal (FSM) and/or Income Deprivation Affecting Children Index⁵ (IDACI) only. *BFC Formula only uses FSM eligibility on a banded basis. This will no longer be allowed, and will need to move to actual eligibility, Ever 6 as used in the Pupil Premium or IDACI flat rate or IDACI banding. A combination of allowable factors is also permissible.*

To recognise the additional social needs of some pupils, funding is allocated to primary and secondary schools according to eligibility of pupils for FSM as a percentage of the statutory number on roll. Relevant data is taken from the most recent January school census, and funding is weighted through thresholds for each phase with the standard per pupil weighting of 1 attracting £300 in a primary school and £600 in secondary. Funding thresholds start at 6.1% in primary and 3.1% in secondary.

3. Looked After Children (LAC);

Funding for Looked after Children is based on DfE data. Due to publication being after the start of a financial year, funding is allocated on LAC numbers from the previous year. Schools are only funded for LAC who are the responsibility of BFC

⁵ An IDACI score is the measure of probability that a child living in a defined area will be deprived. A child with an IDACI score of 0.2 has a 20% chance of coming from a deprived background. IDACI can measure degrees of deprivation whereas FSM eligibility is a fixed yes or no and therefore with no sense of severity.

Unrestricted

and have been looked after continuously for 6 months. The funding rate is £404 per LAC. No change is required to this factor.

4. Prior attainment as a proxy measure for SEN;

The Pupil attainment data reflects an aggregate of test results from all pupils in school who have taken the relevant tests when they were at the appropriate age. The analysis incorporates results from the most recent summer tests. There are 3 bandings in both primary and secondary, with funding in primary ranging from £59 to £236 per relevant pupil and £131 to £523 in secondary. A review of funding thresholds will be required to ensure compliance with prescribed DfE measures. Funding for able pupils may need to be deleted as it is not mentioned as an allowable factor.

5. English as an Additional Language (EAL), for a maximum of 3 years after the pupil enters the school system;

Funding for pupils with EAL is based on the January School Census. The funding rate is £54 per EAL pupil. This will need to be amended to reflect only the first 3 years after a pupil enters school.

6. Fixed lump sum. Which is likely to be capped at between £100k and £150k per school;

A number of factors are currently used to allocate fixed lump sum payments to schools, some of which are limited only to schools meeting certain conditions. There is standard rate for each school type (4 different values), a unique cash value for each school to reflect funding previously received through education related grants, such as the Standards Fund, and a further allocation to schools maintaining a Learning Support Unit and those undertaking their own admissions appeals (voluntary aided schools). Funding currently ranges in primary schools from £122k to £307k and from £560k to £828k in secondary. Clearly, even if the maximum allowable £150k is adopted for the future, a significant amount of funding – approximately £3.9m - will need to be distributed through alternative measures from April 2013.

7. Rates;

It will be permissible to continue to fund schools on the basis of estimated actual costs which is the current method in BFC, so no change required.

8. Split sites – **not relevant to BFC**;

9. Private finance initiative contracts – **not relevant to BFC**;

10. London fringe allowance adjustment where some but not all schools are within the London fringe area – **not relevant to BFC**

There will be a process by which LAs can request the inclusion of additional factors in their Funding Formula for exceptional circumstances. The regulations will restrict the additional factors which may be approved; they are expected to only apply to cases where the nature of the school premises gives rise to a significant additional cost greater than 1% of the school's budget, and where such costs affect fewer than 5% of schools. *This may be relevant to the joint use of sports facilities factor currently in operation, but further clarifications are required.*

By process of elimination, there are a number of factors in the current BF Funding Formula that are not expected to be allowed from April 2013, and therefore will need to be removed, with funding distributed through alternative allowable measures.

Unrestricted

The factors identified at this stage as needing to be deleted are:

1. Small school protection - £245k
2. Joint use of sports facilities - £85k
3. Induction of newly qualified teachers - £211k
4. Protected staff salaries - £6k
5. Rental agreements - £1k
6. School buildings repair and maintenance via floor area measurements (includes caretakers houses and school kitchens) - £273k
7. Property insurance - £202k
8. High pupil turnover - £18k
9. Various fixed lump sum allocations (point 6 on previous page) - £3.9m

This indicates that around £5m of funding – around 9% of total funding – will need to be distributed to schools through alternative methods. This excludes the redistribution effect from:

- aggregating the current age weighted pupil units into single phase amounts;
- revising the allocation of funds for deprivation;
- revising the allocation of funds for low prior attainment.

Furthermore, the impact of changes to SEN funding will also need to be calculated and taken into account. This specifically relates to the need for schools to fund the first £6,000 of costs associated with pupils with SEN from their general funding, rather than from top-ups. This implies that a proportion of funding currently allocated to schools for named pupils will in future be allocated through other measures, with top-up funding only provided to those pupils with the highest cost support needs.

Items subject to delegation from April 2013

S251 Line	Cost Centre Description	Early Years £	Primary £	Secondary £	Special £	Total £
1.1.1	<u>Support to schools in financial difficulties</u> Schools in Financial Difficulty	10,000	130,000	150,000	14,470	304,470
1.1.2	<u>Contingencies</u>					
	Early Years Specific Contingency	120,000	0	0	0	120,000
	LMS Contingency	0	106,722	61,136	15,842	183,750
1.3.2	<u>Behaviour support services</u>					
	Local CMCD Programme	0	0	31,870	0	31,870
	Behaviour & Education Support Team	0	328,730	0	0	328,730
	Primary Resource Centre	0	76,810	0	0	76,810
	Anti-bullying co-ordinator	0	15,254	9,773	793	25,820
	Social & Emotional Aspects of Learning	0	71,190	0	0	71,190
1.3.4	<u>14-16 more practical learning options</u> Practical learning Options 14-16	0	0	200,360	20,000	220,360
1.4.1	<u>Support to underperforming ethnic minority groups and bilingual learners</u>					
	English as an Additional Language	0	75,829	48,580	3,940	128,349
1.5.1	<u>School meals/milk - nursery, primary and special schools</u>					
	Free Milk	15,970	7,500	0	7,500	30,970
1.6.4	<u>Licences / subscriptions</u>					
	SIMS and other licences	0	53,274	34,130	2,768	90,172
	C.L.E.A.P.S.S.	0	0	1,280	0	1,280
1.6.7	<u>1.6.7 Staff costs supply cover (including long term sickness)</u>					
	Maternity Leave	0	187,840	111,440	9,200	308,480
	Union Duties	0	11,733	7,517	610	19,860
	Magistrates Duties	0	780	560	40	1,380
	Jury Service	0	1,090	480	100	1,670
	Council Members	0	2,440	2,320	480	5,240
	Staff Suspensions	0	9,630	9,590	2,030	21,250
	Total	145,970	1,078,872	669,036	77,773	1,971,651
	Less income					-27,250
	Net planned spend subject to delegation					1,944,401

Subject to agreement of the Schools Forum, all of the above budgets can be de-delegated and returned to the LA for central management, with the exception of:

- 1.3.4 14-16 more practical learning options, and
- 1.5.1 School meals/milk - nursery, primary and special schools

For these two items it would be possible to trade under an SLA, but the full budget cannot be returned for central management.

Summary of DfE questions on school funding reform for April 2013

Simplification of the local funding arrangements

Basic per-pupil entitlement

Question 1: Should local authorities and Schools Forums be able to agree separate rates for Key Stage 3 and Key Stage 4?

Question 2 : Do you think we should implement option a, b or c?

- a) *To require a minimum percentage to go through **the basic entitlement only** (and we think that 60% represents a reasonable starting point);*
- b) *To require a minimum percentage to go through **all of the pupil led factors** (so would include the basic entitlement, deprivation, looked after children, low cost SEN and EAL). We think that 80% represents a reasonable amount for this threshold.*
- c) *To not set a threshold at all and accept that there will be inconsistency in some areas*

Deprivation

Question 3: Do you agree with our proposals on banding? How do you think they might be applied locally? *For example by only allowing a certain number of bands with a fixed unit rate applied to each and a minimum IDACI threshold. We do not propose to allow banding for FSM*

Lump Sums

Question 4: Where within the £100k-150k range do you think the upper limit should be set? *the upper limit on the lump sum [should be set] at a level no higher than is needed in order to ensure that efficient, small schools are able to exist where they are genuinely needed. [There would be one uniform lump sum for all schools]*

Free Schools, University Technical Colleges (UTCs) and Studio Schools

Question 5: What sort of information do Free School, University Technical Colleges (UTCs) and Studio School proposers need, and at what stages, to enable them to check viability and plan effectively? *DfE have decided that Free Schools, UTCs and Studio Schools, like other Academies, should move across to be funded from 2013/14 through the relevant local simplified formula. One consequence of this is that confirmed funding levels for new schools will not be available until the spring prior to a September opening*

Improving arrangements for funding pupils with high needs

Question 6: What are the ways in which commissioners can ensure responsibilities and arrangements for reviewing pupil and student progress and provider quality can be managed in a way that does not create undue administrative burdens for providers?

Question 7: Are there other ways that we can help to ensure a smooth transition for commissioners and providers to the reformed funding approach for high needs pupils and students?

Question 8: Do you agree that £8,000 per-planned place would be an appropriate level of base funding for AP settings within a place-plus funding approach?

Question 9: Do you agree that it would be sensible to calculate pro rata top-up payments for short-term placements in AP on a termly or half-termly basis? *For very short-term placements, for example those that lasted less than ten days in an academic year, DfE envisage that AWPU would not be repaid by a commissioning mainstream school and that the commissioner would pay an appropriate level of top-up funding to reflect this.*

Question 10: Do you agree that it would be sensible to calculate pro rata top-up payments for part-time placements in AP on the basis of a daily rate?

Question 11: What are the ways in which hospital education could be funded that would enable hospital schools to continue to offer high-quality education provision to pupils who are admitted to hospital?

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

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

Simplifying arrangements for the funding of early years provision

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

Question 14: Do you have any views on whether free early education in all Academies should be funded directly by local authorities?

Question 15: Have you any further comments?

DRAFT Proposals for School Funding Review Group**Draft Terms of Reference:**

1. Reporting

Minutes will be taken and reported to the Schools Forum. Individual Forum members are responsible for updating their representative bodies and gauge views as progress is made.

A formal outcome report will be presented to the Forum for consideration on 18 October in advance of the 30 October deadline to inform the Education Funding Agency of the revised Funding Formula. This meeting will therefore need to decide the changes required to the Funding Formula and other relevant matters, taking account of the views of schools that will be gathered through consultation.

2. Process

1. Review relevant guidance and national data;
2. Understand BFC position;
3. Identify areas for change and improvement;
4. Identify impact of any proposals on individual schools and potential mitigations.

The process will ensure that:

- (a) The allocation process complies with relevant legislation.
- (b) There is no unplanned redistribution of funds between primary, secondary and special schools
- (c) As far as possible, and where it can be established, the required redistribution of funds targets resources to schools in proportion to their need to spend e.g. maintaining protection for small schools.
- (d) Options are identified to cap schools gaining through the changes to the level needed to fund schools losing and receiving funding top-ups through the MFG.

Draft MembershipCore LA Officers:

Chief Officer: Strategy, Resources and Early Intervention	1 (Chair)
Head of Departmental Finance	1
School Funding Officers (job share)	2
Chief Adviser	1

Other Officers to attend as required, e.g. to support SEN specific issues etc

Forum Members

Primary head teacher representatives	2
Secondary head teacher representative	1
Primary governor representative	1
Secondary governor representative	1
Academy representative	1

Other representatives

SEN: Head teacher, Kennel Lane Special School	1
School Bursar	1

Total	13
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Representatives will be permitted to send substitutes.

Draft Work Programme

Day and time of meetings to be agreed, but expect two each in May and June, with a possible September meeting to sign off final report to the Schools Forum. Each meeting to take place at Seymour House and to last no more than 90 minutes.

April

1. Review relevant guidance and national data.
2. Understand BFBC position, identify required changes and formulate options for consideration by the Working Group.

May

3. First presentation of issues on the Funding Formula, potential changes and financial exemplifications to individual school level for comment by Working Group.
4. Second presentation of issues, potential changes, including items subject to delegation for the first time and financial exemplifications to individual school level for comment by Working Group

June

5. Consider SEN aspects for mainstream schools, KLS and attached Resource Units. Present matters requiring a view other than those relating to the Funding Formula
6. Present final proposals for change, building on the work and decisions from previous meetings
7. Agree relevant factors to distribute funding and their relative weighting for recommendation to schools through consultation
8. Agree options to cap funding increases to individual schools to finance the cost of losers, if required.

July

9. Commence Consultation with all schools on proposed changes – 9 July 2012
10. End of Term – 20 July 2012

September

11. Start of term – 3 September 2012
12. Head teacher / governor briefing(s) at the Education Centre – week commencing 10 September 2012
13. Final meeting of Working Group (if required) – date tbd
14. End of Consultation with Schools – 28 September 2012
15. Analyse outcomes and prepare recommendations for report to Schools Forum

October

16. Draft report to Schools Forum on proposed changes to be agreed by CYPL DMT – 9 October 2012
17. Schools Forum considers proposed changes – 18 October 2012
18. Deadline for submission of 2013-14 Funding formula to the Education Funding Agency – 31 October 2012

The draft work programme may need to be amended as work is undertaken and potential outcomes and impacts identified.