ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1	Meeting:	Overview and Scrutiny Management Board
2	Date:	27 th April 2012
3	Title:	Department for Education Consultation: School Funding Reform: Next Steps Toward a Fairer System
4	Directorate :	Children and Young People's Service

5 Summary

This report provides detail of the Government's draft proposals for School Funding Reform. A draft response to the consultation is provided.

The deadline for the consultation is 21st May 2012.

6 Recommendations

That the Overview and Scrutiny Management Board:

- 6.1 Notes the content of the consultation document and the current draft response, and
- 6.2 Provide their views on the proposal for consideration ahead of finalisation of the response to the Department for Education (DfE).

7 Proposals and Details

This consultation follows on and builds on two previous documents:

'A consultation on school funding reform: Rationale and Principles' (issued in April 2011)

'A consultation on school funding reform: Proposals for a fairer system' (issued in July 2011).

The consultation sets out the proposed changes for funding schools for the financial year 2013/14.

The proposed changes seek to ensure minimal disturbance for all schools and Academies.

The DfE is consulting on the following areas in respect of the move towards a national funding formula which will be introduced during the next spending review period:

- Simplification of the local funding arrangements;
- Improving the way in which local areas are funded;
- Improving arrangements for funding pupils and students with high needs;
 and
- Simplification of the arrangements for the funding of early years provision.

7.1.1 Key Points

- Local authorities will be required to simplify the funding formula for calculating individual schools delegated budgets from 2013/14. This will involve the creation of 3 'funding blocks'.
- Local authorities will have to introduce one value for Age Weighted Pupil Unit (AWPU) for primary schools and either one value or a Key Stage 3 and Key Stage 4 AWPU in secondary schools;
- Local authorities will have to submit a budget pro-forma in respect of 2013/14 by the end of October 2012.
- The revised funding formula will allow only one value in respect of lump sums for all schools regardless of size.
- Special schools will no longer be funded by a local formula;
- The minimum funding guarantee will remain in place for two years (2013/14 & 2014-15
- Schools Forums will be given more powers on funding decisions in respect of the local funding formula;
- Funding for high needs pupils and students (aged 5-25) in all settings will change significantly from April 2013
- Local authorities will become commissioners in respect of high needs pupils and students aged up to 25.

The changes are aimed at making it easier for Head teachers, maintained schools. Academies and proposers, in respect of Free Schools University Technical Colleges (UTCs) and Studio Schools, to understand the funding system.

7.1.2 Simplification of the Funding Formula

A) The DfE propose to create a simple, more consistent and transparent local funding system that:

- Maintains some local discretion over funding;
- Ensures as much funding reaches schools as possible;
- Maintains and improves the arrangements for equivalent and consistent funding between schools and Academies;
- Provides the Education Funding Agency (EFA) with a sustainable basis for funding Academies;
- Enables all institutions to understand the basis on which they are funded;
- Supports the needs of pupils; and
- Is more responsive to pupil numbers and parental demand.

B) From 2013-14, the Dedicated Schools Grant will be split into three notional funding blocks, a **Schools Block**, an **Early Years Block** and a **High Needs Block**.

i) Schools Block

This is the Schools budget within the Dedicated Schools Grant which comprises delegated budgets plus non-Early Years or High Needs and centrally managed budgets.

ii) Early Years Block

The Early Years Block will consist of the following:

- Provision for three and four year olds in delegated budgets the total in the Early Years Single Funding Formula (EYSFF)
- Early years contingency
- Central expenditure on under 5s
- May exclude High Needs Pupil funding lines

iii) High Needs Block

The High Needs Block will cover funding for education provision for high needs pupils and students from birth to 25. The value of the High Needs Block in 2013/14 will calculated based on the 2012/13 budgeted expenditure on high needs pupils, 2011/12 student numbers and expenditure by FE providers and independent specialist providers on students aged 16-25.

The areas covered by the block, (i.e. what the block will replace in the current system of allocations of funding) will be:

- Delegated budgets of special schools
- Centrally funded provision for individual pupils
- Special Educational Needs (SEN) support services
- Support for inclusion
- Independent special school fees
- Inter-authority recoupment
- Pupil referral units
- Education out of school
- Delegated allocations relating to individual pupils Individually Assigned Resources
- Delegated allocations relating to special units and specially resourced provision in mainstream schools
- Post-16 SEN expenditure
- C) There are <u>three exceptions</u> to this where funding will either be returned to or retained by the local authority for central provision of a service.

These are:

Exception 1 - Where maintained schools agree that a service should be provided centrally. For Rotherham this will be:

- a) Support for schools in financial difficulties
- b) Contingencies;
- c) Free school meals (FSM) eligibility;
- d) Insurance:
- e) Licences/subscriptions;
- f) Support for minority ethnic pupils or underachieving groups;
- h) Behaviour support services

Exception 2 – Historic Commitments

Individual schools rather than the Schools Forum will have to agree whether centrally retained funding for certain historic commitments should continue e.g. funding for combined services, transport for pupils with SEN and redundancy costs.

Exception 3 – Statutory Functions of the Local Authority

There are some services that have traditionally been met from the DSG which relate to statutory functions of the local authority, such as the school admissions scheme, the Carbon Reduction Commitment (CRC) payments and the administration of the Schools Forum. Expenditure on these items will continue to be allowable but only up to the amount budgeted for 2012-13. Over time, funding will be released to schools as a one-off or time limited central expenditure comes to an end.

C) Formula Factors

At present, school finance regulations give local authorities the power to apply **37** different formula factors when distributing the Schools Budget. These regulations will be amended so that funding can only be distributed based on 10 factors. (Appendix 1 gives details of the current Rotherham School Funding Formula and the DfE proposals)

7.1.4 Budget Pro-Forma

The DfE will introduce a new pro-forma for local authorities to complete for 2013/14. The Education Funding Agency will use this information to calculate budgets for Academies within the local authority which will be calculated on the same basis as LA maintained schools.

7.1.5 Minimum Funding Guarantee (MFG)

Individual schools' budgets are subject to a minimum funding guarantee. It is based on the current year's budget as allocated at the start of the year with a fixed % uplift, an adjustment for changes in pupil numbers and a limited number of exempt items.

To dampen the changes in budgets that may be experienced by some schools as a result of new simplified local formulae and to give schools sufficient time to plan for the effects of any budget reductions, the Minimum Funding Guarantee (MFG) will **continue at minus 1.5%** per pupil in 2013/14 and 2014-15.

The DfE intend to simplify the arrangements for applying the MFG, which are set out in their consultation.

7.1.6 Powers of Schools Forums

The DfE do not intend to change the powers of the Schools Forum for 2013/14 but will amend the arrangements to:

- Remove the requirement to have a minimum of 15 people on the forum;
- Limit the number of other local authority attendees from participating in meetings, unless they are a Lead Member, a Director of Children's Services (or their representative) or are providing specific financial or technical advice (including presenting a paper to the forum);
- Confine the voting arrangements to only allow school members and providers from the private, voluntary and independent sector (PVIs) to vote on the funding formula;
- Require local authorities to publish Forum papers, minutes and decisions promptly on their websites; and
- Require Forums to hold public meetings.
- The EFA will also have observer status at School Forum meetings.

7.1.2 Impact on Rotherham and Rotherham Schools

If the proposals are accepted and the finer detail of the proposals determined. There will be an immediate need for Rotherham Schools in conjunction with the Local Authority and the Rotherham Schools Forum to commence a review of the schools funding formula. It is intended that the Local Authority will model the proposals and compare budget allocations under the current and proposed systems of allocation. Only then can we fully understand the impact at individual and local authority level.

Overall the re-distribution of funding will see more funding allocated directly to schools in the first instance, enabling schools to have the choice whether or not to continue to fund services which are currently managed by the Children and Young People's Services. Although this gives schools greater autonomy and the responsibility for ensuring their spending is value for money, there is a risk that if centrally managed services cannot respond to schools needs they will seek alternative providers of those services.

7.1.3 Consultation Response

The proposed response to the consultation is attached at Appendix 2 and provides the context for Rotherham as appropriate.

8. Finance

Finance details are included in section 7 above.

9. Risks and Uncertainties

The exact impact on individual school budgets is not yet known, but there is a risk that some schools will lose funding as a result of the re-alignment of funding and others will gain.

The impact on schools budgets at individual level and the increased delegation of funding away from the Local Authority to schools will put pressure on services currently managed centrally if they are not able to respond to schools needs and offer value for money.

10. Policy and Performance Agenda Implications

11. Background Papers and Consultation

DfE Consultation Paper: School Funding Reform – Next Steps Towards a Fairer System (issued in April 2012)

DfE Consultation Paper: A consultation on school funding reform: Rationale and Principles (issued in April 2011)

DfE Consultation Paper: A consultation on school funding reform: Proposals for a fairer system (issued in July 2011).

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The Current Rotherham School Funding Formula (2012-13)

The formula is currently made up of **25** factors or 'heading's i.e 25 different methods of allocating 25 amounts which total the whole amount of budget available to distribute as follows:

- 1. **Age-Weighted Pupil Unit** funding allocated on the basis of pupil numbers based on PLASC
- 2. **Small Schools Allocation** additional support to small schools defined as 230 pupils for a primary, 700 pupils for a secondary.
- 3. Lump Sum every school receives a lump sum
- 4. **Social Deprivation** based on the number of pupils on free school meals and pupils from an ethnic minority background
- 5. Place LED Funding allocated to Special schools based on places
- 6. **Units Attached** schools with attached special needs units which are not funded centrally receive an additional allocation
- 7. **Premises** funding allocated on floor/wall area, pupil numbers and a lump sum
- 8. **Grounds** based on grass area and number of sports pitched
- 9. Caretakers based on m2 and lump sum.
- 10. **Special Items** specific items not funded at an appropriate level by the rest of the formula
- 11. Link Course Travel two schools receive this for courses taken at neighbouring colleges.
- 12. Free School Meals allocated on the numbers of pupils on free school meals
- 13. Infant Class Size Primary schools with Reception and KS1 pupils receive an amount per class of 30
- 14. Learning Support Service based on numbers of pupils on free school meals and a lump sum
- 15.3% Ceiling on Budget Share if a schools budget falls by more than 3% from the previous year to the current that school will receive an additional amount to limit the loss to 3%
- 16. **Delegated SEN** based on an amount per pupil not achieving, free school meals, looked after, mobility, IMD score, lump sum and exceptional needs top up.
- 17. **EYSFF Abatement** with the introduction of the Early Years funding formula this adjustment is for the funding the school would have received under the old methodology.
- 18. **EYSFF** early years pupils funded on hourly rate
- 19. **Threshold** Lump sum allocated on teaching staff eligibility.
- 20. Former Grants allocation based on pupil numbers and historic values of former grants (i.e Specialist schools, Standard Funds, SSG)
- 21. Addit £90 per pupil Former Grants
- 22. Roma Slovak Premium allocated on Roma/Slovak pupils numbers
- 23. Former Extended Services allocated 50% FSM, 50% pupil numbers

24. **SEN Adjustment** - Retrospective adjustment for SEN pupils not accounted for at previous years PLASC eligible for exceptional needs funding, 25. **Rates**

DfE Proposed List of Factors within an LA's Funding Formula

The regulations will be amended so that funding can only be distributed based on the following **9** factors:

- 1) A basic per-pupil entitlement which allows a single unit for primary aged pupils and either a single unit for secondary pupils or a single unit for each of Key Stage 3 and Key Stage 4
- 2) **Deprivation** measured by FSM and/or the Income Deprivation Affecting Children Index (IDACI)
- 3) Looked after children;
- 4) Low cost, high incidence SEN;
- 5) **English as an additional language (EAL**) for 3 years only after the pupil enters the compulsory school system;
- 6) A lump sum of limited size; with an upper limit between £100,000 and £150,000
- 7) Split sites;
- 8) Rates; which may be at actual cost
- 9) Private finance initiative (PFI) contracts

Draft Response to the Consultation

Simplification of the local funding arrangements

Basic per-pupil entitlement

In paragraphs 1.3.10 and 1.3.11we discuss the basic per-pupil entitlement. The difference between providing education for Key Stage 3 compared to Key Stage 4 is sometimes significant due to the additional costs of practical work and examinations incurred in the latter Key Stage.

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

X Yes	No	
7 1 16 5		

Comments: Separate rates will enable schools to make more informed judgements about the relative costs associated with choices of group size at KS4 and the relative cost-effectiveness of sustaining small examinations groups where this is felt desirable to maintain the breadth of pupil choice. Separate rates will also ensure that the relative costs of KS3 and 4 provision are clearly understood, helping to prevent 'subsidy' of costly KS4 curriculum design – progress of pupils in years 7-8/9 and the degree of choice available to pupils at KS4 could be impaired if this balance of funding is not set effectively or at all.

In para. 1.3.13 we consider setting a minimum threshold for the basic entitlement. There is an interaction between the amount of funding that goes through the basic entitlement and the amount remaining for other factors, such as deprivation and low-cost SEN. There are three options available:

- 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

Question 2 : Do you think we should implement option a, b or c? Not X (a) (b) (c) None Sure Comments: A or B are in line with current % allocation. There are some advantages to A in that it would possibly allow us a greater degree of flexibility to factor in weightings for local priorities – in practice the scope for this may be limited if we wish to avoid disruption to current funding levels. **Deprivation** In paragraphs 1.3.15 to 1.3.23 we discuss deprivation funding and the issue of banding. Our preference is to allow banding only for IDACI under a new system, and to keep it as simple as possible, 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. Question 3: Do you agree with our proposals on banding? How do you think they might be applied locally? X Not Sure No Yes Comments: A combination of FSM and IDACI data would potentially drive deprivation funding more appropriately – especially at KS4 where FSM is less reliable (though now improved through

A combination of FSM and IDACI data would potentially drive deprivation funding more appropriately – especially at KS4 where FSM is less reliable (though now improved through ever 6). The flexibility to target deprivation funding to pupils where relative deprivation is higher would be welcome (though complex) and would appropriately increase the degree of accountability for how the funding is used in support of pupils in each 'band' within schools.

Lump Sums

In paragraphs 1.3.38 to 1.3.42 we discuss the issue of lump sums. Many local formulae currently allocate a lump sum to schools. We want to set the upper limit on the lump sum 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. We think that the upper limit should probably fall somewhere between £100k and £150k, and is certainly no higher than £150k.

Question 4: Where within the £100k-150k range do you think the upper limit should be set?						
£100k £110k £120k £125k £130k						
£140k L150k None X Not Sure						
Comments:						
Retaining the lump sum allocation makes sense currently – but there may be a risk of cross subsidy where small school costs are disproportionately high – a lower level upper limit would focus attention of this but may impact too quickly if a small school is adversely affected by a change in pupil numbers.						
Free Schools, University Technical Colleges (UTCs) and Studio Schools						
In paragraphs 1.8.12 to 1.8.14 we discuss the funding of Free Schools, UTCs and Studio Schools. We 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.						
Question 5: What sort of information do Free School, UTC and Studio School proposers need, and at what stages, to enable them to check viability and plan effectively?						
Comments:						
Not able to provide a useful view on this. What do they receive now?						
Improving arrangements for funding pupils with high needs						

In Section 3 and Annex 5a, b and c we discuss the new arrangements for funding pupils with high needs. In Section 3.8 we discuss the roles and responsibilities under the new place plus approach, specifically those of providers, commissioners and the EFA, We want to ensure that unnecessary bureaucratic burdens are not placed on providers and that there is clarity as to the respective roles and responsibilities of the EFA and local authorities.

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?
Comments:
The response is being developed to this question.
In section 3.9 we discuss transitional protection for providers. We want to ensure that the transition from the current funding system to the new arrangements is as smooth as possible. In the document we set out a number of ways we intend to provide support through the transitional period and enable commissioners and providers to become accustomed to the new approach 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?
Comments: The response is being developed to this question.
In Annex 5a, paras 38 to 41 we discuss the level of base funding for AP settings and suggest that £8,000 would be an appropriate level of base funding. 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?
Yes No X Not Sure
Comments: The concept of place-plus where the level of funding above base is paid 'close to real time movement of the pupil' is attractive in that it is sensitive to both need and circumstance. However, the 'mechanisms' for funding transfer between comissioner and provider would have to be simple and robust. The contention that the repayment of AWPU is a 'well-established feature of existing funding arrangements' is subject to some degree of argument in practice.

Question 6: What are the ways in which commissioners can ensure responsibilities and

In Annex 5a paras 42 to 46 we discuss the top-up funding for AP settings. For short-term and part-time placements, we propose that appropriate pro rata arrangements would be put in place for calculating top-up funding and that it would be sensible to calculate top-up funding for short-term placements on a termly or half-termly basis, while part-time placements could be calculated on a daily rate. For very short-term placements, for example those that lasted less than ten days in an academic year, we would 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 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?

Termly	Half-termly	X Not Sure				
Comments: Half-termly would encourage flexible and responsive utilisation of AP placements						
Question 10: Do you agree that it would be sensible to calculate pro rata topup payments for part-time placements in AP on the basis of a daily rate?						
Yes	x No	Not Sure				
Comments:						
This would further complicate matters when the overall aim is to simplify funding calculations.						
In practice most part-time pupil placements in AP should be a component of a planned programme of additional support or re-integration and should be costed on this basis. Local arrangements for costing on the basis of a pro-rata programme will discourage potentially ill-considered or inappropriate use of AP.						

In Annex 5a paras 47 to 52 we discuss hospital education. Hospital schools occupy an important place in the education system and we need to think carefully about how hospital education is funded within the parameters of a new approach to high needs funding. Hospital education is not an area where commissioners plan education provision and where pupils and their families exercise choice about the institution in which they will be taught. In funding terms, our aim must be to ensure that high-quality education provision is available whenever a pupil has to spend time in

hospital.

that would enable	<u> </u>	h hospital education could be funded ontinue to offer high-quality education nospital?
Comments:		
The response is beir	ng developed to this question.	n.
providers. Under the responsibilities and adjusting the allocation components of this Question 12a: Do	ne place-plus approach the I transparent information, fo ation of base funding for sp process are set out in the you agree with the propo	base level of funding for specialist here will be a simple process, with clear for reviewing and, if appropriate, specialist placements. The key e document. posed process for reviewing and a specialist settings receive base
x Yes	No	Not Sure
Comments:		
This would seem a r	easonable basis on which to i	o initiate base funding allocation
		n which this process could be ic and takes account of local need

Simplifying arrangements for the funding of early years provision

In paragraphs 4.5.1 to 4.5.5 we discuss the 90% funding floor for three year olds. Current funding for three year olds is based on the actual number of three year olds who take up their entitlement to free early education or an amount equivalent to 90% of the estimated three year old population doing so, whichever is higher. We now think the time is right to phase out the floor so it is removed entirely from 2014-15. We also think it is right that we use 2013-14 as a transition year. Removing the floor from 2014-15 will require a level of transition support for local authorities, enabling them to increase participation levels. There are various options for how this transitional protection could operate but we think the most obvious way is to lower the floor in 2013-14 from 90% to 85%.

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?

Comments:

Comments:

Rotherham has increased its early years participation to above the 90% floor (i.e. current funding is based on the actual number of 3 year olds who take up the free entiltlement or an amount equivalent to 90% of the estimated 3 year old population doing so, whichever is higher)

The DfE propose to remove the floor completely in 2014/15, with 2013/14 being a transition year where the floor will reduce to 85%.

If our participation has increased to 90% floor or above the change in the floor arrangements will not affect Rotherham,

In paragraphs 4.6.1. to 4.6.3 we discuss free early education provision in academies. A small number of Academies with early years provision which existed prior to September 2010 continue to be funded by the Young People's Learning Agency (YPLA) through replication. We believe there is a strong case to be made for bringing together free early education funding for three and four year olds for all providers. This would mean that wherever a child accesses their free early education they would be funded and paid by local authorities through the EYSFF. This would further support simplicity and transparency in funding for free early education.

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

Rotherham currently do not have any Academies providing early years education but if we did we would prefer the funding to go through the LA.

Question 15: Have you any further comments?

Comments:

The timing and short deadline for the consultation was not helpful given the subject matter i.e. financial year end for all Local Authorities and Schools and Easter Closure.