



Walsall Council

Walsall Children's Services

Report to: Schools Forum

Date: 27 September 2011

Subject: School Funding Reform Consultation Document

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Purpose of the report: To inform School Forum of the proposed changes to the national funding system for schools published in the government's paper "A consultation on school funding reform: Proposals for a fairer system" and to share the draft consultation response.

Recommendation: To note the possible changes and their impact and to comment on the draft response.

1. Introduction and Summary

- 1.1 The principal aims of the proposed funding reforms are to remove the historical funding inequities, to have an easy to understand, transparent funding system that allows funding to follow the pupil and provide funding for pupils with additional needs.
- 1.2 The first step of the reforms is already partially in place with the introduction of the first year of the Pupil Premium from the 1 April 2011. The new system aims to:
 - Support the needs of pupils;
 - Be clear and transparent;
 - Enable schools and Academies, sponsors and Free School proposers to make more informed decisions about their provision;
 - Enable schools and Academies to be funded on a broadly comparable basis.
- 1.3 To ensure the continued additionality of the Pupil Premium, it will be kept separate from the formula for the duration of this Spending Review period. The Pupil Premium will also increase in value with extended eligibility criteria to allow more pupils to attract the additional funding in 2012-13.
- 1.4 The new system will maintain a role for local authorities and Schools Forums to manage local pressures and priorities when setting schools and Academies budgets.
- 1.5 The reforms will inevitably require funding to be moved between schools and areas. However, stability in school funding remains a key priority and therefore transitional arrangements will limit the year on year change to schools' budgets.
- 1.6 As the changes will redistribute the national Schools Budget, it is essential that there is sufficient time to consult on the new system and its transitional arrangements. Therefore, the current system will remain in place for 2012-13 to allow the DfE time to undertake this consultation and to establish a date for the move to the new system. A 'shadow settlement' will be produced for 2012-13 to show potential allocation from the reforms.
- 1.7 The new national formula will include the following four elements:
 - A basic amount per pupil;
 - Additional per pupil funding for deprivation;
 - Additional funding to protect smaller schools;
 - An adjustment for areas with higher labour costs.

In addition the consultation includes an option to include additional funding for pupils who have English as an Additional Language (EAL) and sometimes need extra support to help them achieve.

- 1.8 The above factors will be used to calculate the total schools grant for each local authority area. The local authority and the Schools Forum will then agree a local formula to distribute the funding to schools and possibly Academies. However, there is currently a wide variety of local authority schools formulae, and the government intend to simplify local

formulae so as to limit the range of variation, with the aim of still allowing some local flexibility but providing greater consistency between areas.

- 1.9 The national formula could be used to provide local authorities with a total sum for distribution to its schools based upon a single amount per pupil as now, or, by calculating a notional budget per school based upon the national formula.
- 1.10 Academies' budgets will remain funded at the same level as other local maintained schools, and the reforms will ensure Academy representation on the Schools Forum.
- 1.11 The intention of the reforms is to improve the transparency of school funding and make the calculation of Academies' budgets by the Education Funding Agency (EFA) easier, or enable local authorities to calculate Academies' budgets for the EFA.
- 1.12 Local authorities will continue to be responsible for funding high needs pupils, that is children with Special Educational Needs (SEN) and those in Alternative Provision (AP), and will receive funding for those functions.
- 1.13 Local authorities will also remain responsible for the provision of funding to providers of early education and childcare for 3 and 4 year olds in the maintained, private, voluntary and independent sectors, via a single funding formula. However, the consultation includes proposals to simplify formulae in line with schools, or considers whether in time there should be a nationally determined formula to distribute this funding.
- 1.14 The new Schools Budget will have three main blocks of funding:
 - Schools
 - High needs Pupils
 - Early Years

Local authorities will be able to move more funding between these School Budgets blocks to ensure that they are able to meet local pressures, with local checks through the Schools Forum, such as the Central Expenditure Limit provides now.

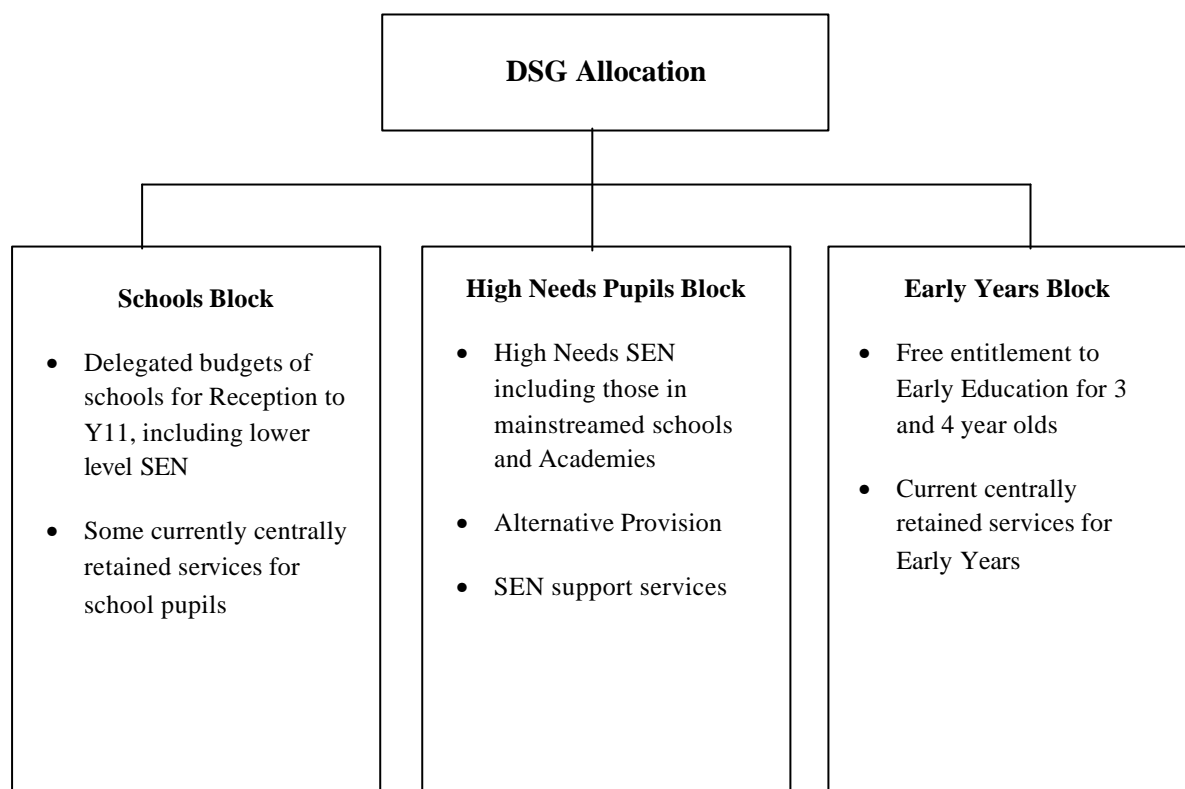
In addition there will continue to be funding provided directly through DCLG Formula Grant for a range of statutory local authority functions, see Appendix 1, LA Block 5 (Formula Grant).

2. The National Funding System

- 2.1 The proposed national funding system is similar in many ways to the current system. It will retain the existing control mechanisms that police local authority proposals to move funding

between the schools and centrally retained expenditure, such as the Minimum Funding Guarantee and the Central Expenditure Limit.

- 2.2 The Dedicated Schools Grant (DSG) will remain ringfenced funding, but the local authority will be able to move money between the nationally calculated component parts of the grant, to meet local pressures, as is the position now, and subject to the controls mentioned on paragraph 2.1.



- 2.3 The allocation of functions and national spending to each of the of the funding blocks detailed in 2.2 will enable the responsibilities of schools, Academies and local authorities in respect of pupils to be clearly defined and it will set the baseline for the calculation of each block. It will also identify the Local Authority Central Spend Equivalent Grant (LACSEG), the resources which Academies receive to carry out the functions that local authorities perform for maintained schools.

- 2.4 In addition the local authority will continue to receive funding through Formula Grant for other Education services as detailed in Appendix 1. Academies will receive funding for the relevant elements of this block directly through their LACSEG.

- 2.5 Over time the government will move towards a formulaic approach to calculating each block, but as a starting point, the 2012-13 actual expenditure will be used.

- 2.6 The government are consulting on two potential methods of calculating the school block:

- a) A formula based on the schools within the area and the pupils within those schools, and this would produce a notional budget allocation for each school. The local authority would distribute the total grant allocation using its local formula.
- b) A formula based solely on the pupils within the area. This method is similar to the current per pupil Guaranteed Unit of Funding which calculates a local authority

Question 1

Would you prefer the formula to be based on:

- a) A national budget for every school; or
- b) The pupils in each local authority area?

School
level

X LA level

Neither

Not Sure

Comments:

A funding unit per pupil seems the fairest methodology given that the majority of funding being allocated is pupil led. The small schools element and the Area Cost Adjustment are relatively small in comparison to the other two factors.

The calculation of a national budget per school, would not be helpful at a local level as this will not take into consideration the impact of local formula factors reflecting specific issues, all of which will have been formally approved by the local authority and the Schools Forum.

3. The Schools Block System

- 3.1 The Schools Block will contain the majority of funding within the DSG and it is the block that has the potential to create the greatest financial turbulence at both local authority and individual school levels. Transitional arrangements will be put in place to limit year on year increases or decreases in schools' budgets.
- 3.2 The next seven consultation questions relate to how money will be passed to schools and Academies, and the role of local authorities and the EFA.

3.3 Following the initial consultation on a new national education funding system, DfE has accepted that there is a need for some local discretion in the setting of school and Academy budgets. However, as there is currently a diverse range of funding factors used across all local authorities, it is proposed to limit the number of local formula factors:

- a) Basic entitlement per pupil (currently Age Weighted Pupil Units)
- b) Funding for additional educational needs (e.g. deprivation, SEN, EAL)
- c) Rates
- d) Exceptional site factors (e.g. split site, PFI and rent)
- e) Lump sums for schools

Question 2

Do you agree that these factors are the right formula factors to retain at a local level?

X All

Some

None

Not Sure

Comments:

All of the above are needed as an absolute minimum.

Question 3

What other factors, if any, should be able to be used at a local level or could any of these factors be removed?

Comments:

Additional factors to accommodate small schools, single phase schools, premises, and post-16 abatement are needed. Without any Post 16 abatement schools and Academies with sixth forms may be double funded for some elements.

3.4 The DfE will also be proposing to limit the amount of money which local authorities can put through any of the localised formula factors, and there will be more detailed consultation on this issue in due course.

3.5 Local authorities will also have discretion over how funding to schools is weighted. The main factors which are currently weighted are the amount per pupil in the primary and secondary

sectors and deprivation funding. At present local authorities apply different weightings to primary and secondary pupils, with secondary pupils normally drawing down higher funding levels.

- 3.6 The national formula (at local authority level) will fix amounts for primary, secondary and deprivation funding, in accordance with the current national average. These standardised weightings could not be applied across all local authorities without creating significant turbulence. However, in order to achieve its funding principles the government intends to limit the range of differentiated pupil weightings but within a range of allowable ratios, set around the national average, to ensure some national standardisation.
- 3.7 The current national average ratio of funding between primary and secondary stages 1.27. Walsall's current ratio (AWPU only) is 1.33 which is above the national average, therefore there may be a requirement for a shift in funding from secondary to primary over a period of time.

Question 4

Do you think that setting a range of allowable primary/secondary ratios around the national average is the right approach to ensure that there is consistency around the country?

Yes

X No

Not Sure

Comments:

The key role of a local authority and a Schools Forum is to work together to target resources in the most effective way to address local issues and emerging trends. The introduction of the Minimum Funding Guarantee has limited the amount of financial movement possible to address local issues and the introduction of a national primary/secondary funding ratio would further reduce local flexibility.

Inevitably it would demand a shift in funding between sectors in many local authorities, and even with this happening as a managed process over a transitional period, it may not be the best solution to address local education issues.

- 3.8 The amount of money which is currently spent on deprived children also varies across the country. To avoid undue turbulence, local authorities will be allowed to continue to apply their current deprivation weighting. The Pupil Premium will remain outside of the DSG and will be distributed separately and be in addition to local formula funding.

3.9 **Academy budgets** will continue to be based on the local authority formula. DfE has proposed two options for the future of calculating Academies' budgets. Under both options Academies and schools will receive budgets based on the same data, removing the seventeen months time lag for Academies and under both options the EFA would pay the money to Academies.

Option 1

For local authorities to calculate budgets for all schools in their area and then inform the EFA how much Academies should be paid.

Option 2

To constrain and simplify local authorities' formulae and for this information to be recorded on a pro forma. This would make the process for calculating Academies' budgets simpler and more transparent. The EFA could use this information to calculate Academies' budgets.

Question 5

Do you think we should implement option (i) or (ii) when calculating budgets for Academies?

X (i)

 (ii) Other Not Sure

Comments:

Local authorities already have the systems in place and are experienced in producing accurate and timely school budgets. As not all schools will become academies in the imminent future, then local authorities will be preparing school budgets, agreeing local formulae with a Schools Forum that has proportionate Academy representation, therefore there will only be a marginal cost involved in running a full set of school budgets.

Even using a standardised funding pro forma and a simpler local formula, there would be a greater risk of error if the EFA calculate the budgets.

3.10 The government is keen to ensure that Schools Forums are politically independent and truly representative of schools, including Academies. To achieve these objectives DfE are considering:

- whether the main groups on the Forum, that is primary maintained, secondary maintained and Academies should all separately have to approve a proposed formula; and
- Whether the Forum should have more decision making powers, including the power to approve or disapprove funding formulae and allocations.

Question 6

Do you think these options would help to achieve greater representation and stronger accountability at local level?

Yes

X No

Not Sure

Comments:

The proposal that all school groups should have to formally accept formula changes presents possible issues at a local level if all sectors defend their own resources rather than objectively representing the best overall local interests of pupils. Where Academy representatives are part of a wider Sponsor organisation which operates nationally or regionally, another set of non-local issues may be involved in the local decision making process.

The Schools Forum already informally agrees formula changes before they are formally ratified by the local authority. The current system works well and as there remains a role for local authorities in managing the Dedicated Schools Grant there is no need to change the system. The Secretary of State already has the power to adjudicate if local issues arise. This function could be part of a compliance role for the EFA in the future.

3.11 DfE also want to have local authority controls and checks within the school funding system. Proposals to achieve these objectives are:

- i. Requiring local authorities to complete a Formulae Pro-forma for formal approval by the Schools Forum, to be sent to the EFA to assure compliance with the criteria set out.
- ii. An additional review function of the EFA, where schools and Academies could raise concerns if they feel that decisions taken by their local authority have been taken without due consultation or are unfair or biased.

Question 7

Do you think that we should implement one or both options, or neither, regarding compliance and review?

(i)

(ii)

Both

Neither

X

Not Sure

Comments:

Local authorities will submit budget pro formas detailing the operational formula factors applied locally, in accordance with the new regulations. These formulae will have been scrutinised and agreed by Schools Forums, the membership of which is now very experienced in detailed school finance issues, and which will be fully aware of the new local flexibility. The undertaking of further compliance checks by the EFA appears to be an unnecessary and costly layer of bureaucracy that could be avoided.

The EFA could undertake the role of a review body on behalf of the DfE to address potential local disputes, but further information is needed to give a fully informed view.

3.12 Free Schools are currently funded using a simplified local formula which applies an average unit cost per pupil and an average unit cost per deprived pupil, to allow such schools to construct their business cases. University Technical Colleges and Studio Schools will be funded as Free Schools, with separate pre-16 and post-16 funding.

The proposals within the consultation document would allow Free Schools to be funded using the same local formulae applied to maintained schools and Academies, to meet the DfE's longer term aim. However, DfE recognise that some anomalous outcomes may be produced as these new schools grow one cohort at a time, therefore, DfE are consulting on the timing of the full formula funding implementation for Free Schools.

Question 8

If we introduce the new system in the spending review period, do you think that Free School should remain on the Free School methodology for 2013-14 and 2014-15 or move straight away to the overall funding system?

(i)

X (ii)

Not Sure

Comments:

Free schools should be included within the overall funding system.

To achieve the principle of a fairer and more transparent funding system all schools should be funded via the standard funding framework to remove any inherent funding advantage or disadvantage at the earliest opportunity.

As Free Schools are independent like Academies, they will also receive Local Authority Central Services Equivalent Grant (LACSEG).

The only exception to these arrangements is where a Studio School is within another institution such as a maintained school or Academy.

4. Schools Block Formula Content

4.1 This section of the report relates to national formula to be applied to distribute funding to local authorities via the Schools Block.

4.2 The main formula elements being proposed are:

- **A basic pupil element.** This is the core per pupil funding which will vary dependent on the age of the pupil to reflect the different stages of the national curriculum.
- **Deprivation.** The new system will reflect the existing resources in the system which support deprived pupils, as well as the additional funding rated through the Pupil Premium. The longer term aim of the government is to include all deprivation funding within the Pupil Premium, therefore its preference is to use a Free School Meals indicator. Options under consultation are **Free School Meals, Ever Free Schools Meals, Benefits Data and Income Deprivation Affecting Children Index.**
- **Small School Protections.** A factor to protect the viability of small primary schools with higher unit costs will be included. The method adopted will depend upon whether a national school level or local authority level formula is introduced. The report concludes that evidence suggests there is no need for a secondary school to require small school protection to deliver the curriculum. The options for protecting small primary schools are a **fixed lump sum**, which could be used in either of the national formula options or a sparsity measure to be used in a local authority level formula only. A government study indicates that if all primary school receive a lump sum of £95,000 this would be sufficient to ensure that even a small primary school could remain financially viable.

The proposal for calculating small school protection through a **sparsity measure** is to use pupil data from the annual School Census to calculate the pupil population per square kilometre, based upon Middle Super Output Areas, to provide greater consistency.

The current threshold for awarding sparsity funding distributes funding across almost two-thirds of local authorities, and this does not include Walsall. The government are consulting as to whether this funding should be more focused and benefit 300,000 pupils as opposed to 1 million pupils.

- **Area cost adjustment.** The purpose of this formula element is to compensate those areas of the country where employment costs and living costs are high. As expected, London boroughs receive the most funding through this factor, but many other areas, including Walsall do receive a small element of their funding from the Area Cost Adjustment.

There are anomalies within the current system, the General Labour Market (GLM) approach has over compensated some London authorities and it has affected others as it does not align with teachers pay band areas.

The DfE wishes to consult upon alternative methodology, a combined approach which would use a Specific Cost approach for the proportion of funding spent on teachers, and a GLM approach for the proportion spent on other staff. This approach removes the anomaly in the system in respect of teacher pay band area alignment. Walsall is likely to continue to receive a small proportion of its funding from either Area Cost Adjustment methodologies.

- **English as an Additional Language (EAL) and Underperforming Ethnic Groups (UPEG).** Detailed analysis of the performance of pupils with EAL or who are only from UPEGs has concluded that they perform better than deprived children. The government has confirmed that additional funding for economic deprivation is the key priority.

However, pupils who cannot initially speak English often require some additional support until they become fluent in the language, but once they can speak English they go on to achieve well.

An EAL factor is being considered to provide extra support for those pupils with no English for the first three or five years of entry to the school system.

4.3 The following consultation questions relate to the Schools Block formula content.

Question 9

Are a basic pupil entitlement, additional funding for deprived pupils, protection for small schools and an area cost adjustment the right factors to include in a fair funding formula at a national level?

Comments:

In the current financial climate the allocation of funding between the elements need to be carefully

considered. Sufficient funding needs to be available via the basic pupil factor to allow all schools to deliver their services. Considerable new and additional money is being channelled through the Pupil Premium and this needs to be factored into the deprivation factor so as not under or over compensate individual local authority areas.

EAL is an important factor in the delivery of education to those authorities with large and/or transient ethnic populations and therefore this element should be included in a national funding formula.

Question 10

Do you agree that we should use Ever FSM to allocate deprivation funding in the national formula? Should this be Ever 3 or Ever 6?

X Ever 3

Ever 6

Neither

Not Sure

Comments:

Free School Meals is a simple proxy measure that all parties understand. Of the two options, Ever 3 would provide the most current data and would probably be the easier option to administer. Ever 6 could be difficult given the transient nature of some school populations, cross border pupil movements and primary/secondary transfers.

Clarity is needed as to how LAs or the EFA could access an accurate data source to check this element of their allocation.

There is still an argument that FSM is not the best measure of deprivation to reflect local authority levels of deprivation. Further work in this area is needed to ensure that the resources are targeted effectively.

Question 11

If we have a school-level formula, do you agree that £95,000 is an appropriate amount for a primary school lump sum?

Yes

X No

Not Sure

Comments:

The graph included in Annex B of the consultation document indicates a higher concentration of schools being below the regression line which could create unnecessary turbulence.

Small school protection is important, but this issue can be addressed better at a local level through the local formula flexibility as a lump sum.

Question 12

Do you agree that the lump sum should be limited to schools with Year 6 as the highest year-group?

Yes

X No

Not Sure

Comments:

See question 11.

Question 13

If we have a local authority-level formula, should we use the primary school lump sum or sparsity measure?

Primary School lump sum

Sparsity Measure

Neither

Not Sure

Comments:

The sparsity measure is a fairer option for dealing with the issues arising in areas where smaller schools are essential.

Question 14

If we have a sparsity measure, do you think we should narrow the sparsity threshold?

Yes

No

Not Sure

Not sure. The key objective is to ensure that sufficient funding is received by local authorities and small schools to ensure that their services remain affordable.

Question 15

Which option should we use to calculate the Area Cost Adjustment, the current approach or the combined approach?

GLM Approach

Combined Approach

Other

Not Sure

Comments:

This approach addresses the current anomalies.

Question 16

Do you agree that we should use an EAL factor in the national formula?

Yes

No

Not Sure

Comments:

Yes, see response to question 9. It is important that schools are the beneficiaries of this funding therefore a local factor will be required to target funding.

Question 17

Do you agree that this should cover the first few years only? How many years would be appropriate?

X Yes

No

Not Sure

Comments:

Two years.

- 4.4 The move to a new, national funding formula may cause turbulence to the budgets of some schools. Damping arrangements will be put in place to minimise the turbulence and provide schools with assurance that they will not see hard and fast reductions to their budgets. If the reforms were introduced during the current spending period, the transitional arrangements would have to be cost neutral.

If the DfE chose to maintain a negative 98.5% Minimum Funding Guarantee for the remainder of the current spending review period, the maximum increase affordable would stay at 1%. Progress to a new formula would therefore be very slow.

The alternative would be to move faster by reducing the MFG so that schools could move onto the new formula more quickly. A 1% plus or minus to the current Walsall DSG is circa £2m.

Question 18

Do you think we should:

- (a) Continue with a maximum decrease of -1.5% per pupil each year and accept that this will mean very slow progress towards full system reform; or
- (b) Continue with a -1.5% per pupil in 2013-14 but lower it thereafter so that we can make

X (a)

(b)

Neither

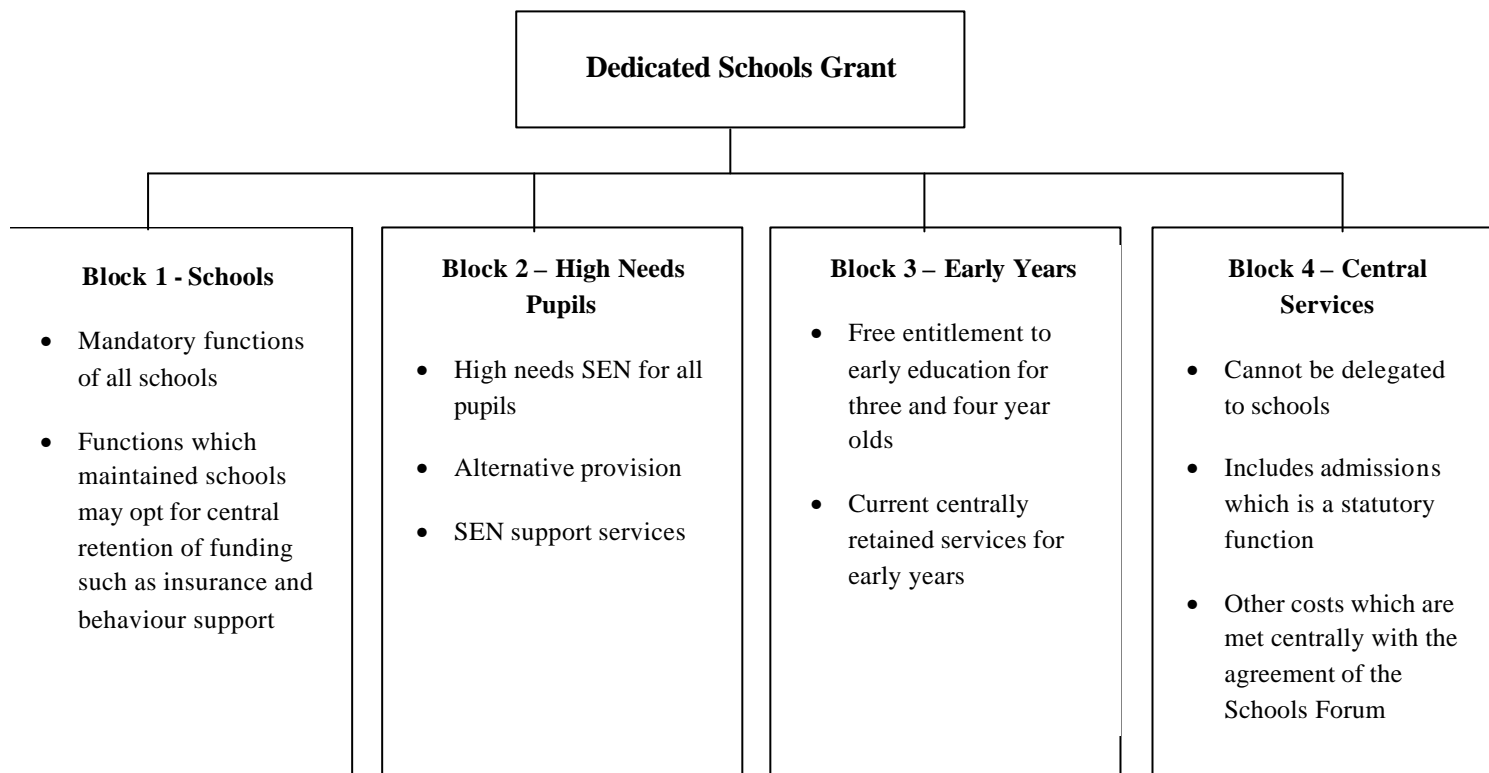
Not Sure

Comments:

Schools are managing a lot of radical change and therefore it is important that the transition to the new funding system is sensitively managed. Significant changes to post 16 funding arrangements will exacerbate the funding issues arising from the pre 16 changes for secondary schools and Academies.

5. Central services and defining responsibilities

- 5.1 The new system is aiming for greater transparency and the facilitation of accurate Academy budgets. This will involve clear definitions of the responsibilities of maintained schools, Academies and local authorities. These responsibilities will be reflected in the funding Blocks detailed below.



<p>Block 5 – Local Authority Non-DSG Funded Services</p> <p>(a) Services carried out or paid for by the local authority for all maintained schools and Academies, for example home to school transport.</p>
<p>(b) Functions which must be done for maintained schools by the local authority but are within an Academy budget, for example financial accounts and audit and school improvement.</p>

5.2 The funding blocks will be calculated by DfE using the most recent Section 251 Statements. The same block format would be used to establish a baseline for each local authority for transitional purposes.

Question 19

Do you agree that some of the services in the Schools Block could be retained centrally if there is a local agreement by maintained schools?

Yes
 No
 Not Sure

Comments:

There may be instances where it is more cost effective and efficient for schools to have the facility for some funds to be retained, such as insurance.

However, DfE need to be careful when looking at school specific contingencies as part of the LACSEG as some LAs will include funding such as mid-year statementing which must remain with the LA to allow it meet its responsibilities.

Question 20

Do you agree that the split of functions between the blocks is correct? If not what changes should be made?

Completely Correct

Broadly, but some changes required

No

Not Sure

Comments:

Which block would the LA costs for High Needs commissioning be situated? Block 5a does not include this function, and this function may have a high cost associated with it.

There is a concern in the LA that schools intending to convert to Academy status will try to deal with all potential redundancy costs before applying to the DfE, and will create an extraordinary burden on the resources. Following conversion, such schools will then take a proportion of the LA resource with them, but may then have little call on the resources for a period of time.

The current power for 0.1% of the ISB to be retained within central expenditure is not included in either Block 1a or 1b. Is this correct? There are items of expenditure which the LA and the Schools Forum may agree and therefore we would wish to retain such a facility within Block 1b.

5.3 Appendix 1 shows the provisional split of responsibilities between the blocks.

6. Future arrangements in respect of Local Authority Central Spend Equivalent Grant (LACSEG)

6.1 LACSEG comprises two elements:

- i. The Schools Budget element which compensates Academies for relevant expenditure retained centrally.
 - ii. The local authority budget element provides funding for local authority responsibilities transferring to Academies for areas such as school improvement, asset management, HR audit and finance, etc.
- 6.2 The consultation considers the two LACSEG elements separately. The **Schools Budget element** varies widely between local authorities due to the differential levels of delegation and levels of spending across centrally retained budgets. To remove these differentials one option would be to delegate the relevant funding to all schools and Academies, with maintained schools being given the opportunity to have this funding de-delegated if appropriate. The main service areas affected by this proposal are behaviour support services, insurance and primary school meals.
- 6.3 Ministers also believe that Academies should receive a fair proportion of funding retained for contingencies and schools in financial difficulties. Under this proposal local authorities will need to ensure that only relevant contingencies are distributed to Academies. For example funding retained for mid-year statements of SEN and Early Years Education must remain with the local authority to allow it to meet its responsibilities.
- 6.4 This full delegation model can be achieved through either of the national funding models, that is school level or pupil level. For the pupil level methodology, a local authority would need to calculate a formula allocation for all services which are currently centrally funded.
- 6.5 For the **local authority budget** element which is part of the Formula Grant, the government believe that this could be given to Academies on a formulaic basis. This would be a simple per pupil basic element and a deprivation element. Currently S251 budget returns are used to calculate this element of the LACSEG.
- 6.6 The other consideration is how reductions to local authority formula grant are administered. Currently a national top slice of £148m was retained to fund local authority LACSEG. This methodology penalises most local authorities with few or no Academies to the benefit of those with high numbers of Academies. However, this methodology which will be applied through to 31 March 2013 provides certainty of funding to local authorities.
- 6.7 The alternative approach for local authority LACSEG is to reflect more accurately the numbers, location and growth of Academies. This would involve more regular and variable transfers of funds from local authorities to reflect the growth in Academy numbers. This is the methodology applied currently to reductions to the Schools Budget LACSEG.

Question 21

Do you think the funding for local authority LACSEG should be moved to a national formula basis rather than using individual Local Authority Section 251 returns?

Yes

X No

Not Sure

Comments:

A national funding formula would not be appropriate. A national basis could reward or penalise schools for becoming academy and put them in a different position to other schools in the local area. Clearly formula grant is un-ringfenced and authorities may have found ways to deliver high quality services at low cost. Removing funding on a basis of allocation rather than actual use as in the Section 251 could penalise efficient authorities.

Question 22

Do you think the distribution mechanism should be changed to one that more accurately reflects the actual pattern of where Academies are located?

Yes

X No

Not Sure

Comments:

Local authorities like schools need certainty in funding. Constant removal of funds and volatility will reduce certainty and potentially increase governance and bureaucratic costs dealing with these changes. Reduction in funding invariably mean reduction in cost, following legal process on staffing reductions and increased administration. It is a more pragmatic process to reduce funding levels as part of the settlement process and allow structured change.

7. Children and young people requiring high levels of support

- 7.1 The funding of children and young people with high needs is a complex area. This becomes even more complicated when considering the provision for 0-25 year olds, the range of providers and the future commissioning roles for local authorities and individual budget holders.
- 7.2 DfE has set out 10 general principles to be applied to providing funding for high needs pupils.
1. The funding provided should meet the impartially assessed needs of the child or young person for whom it is provided.
 2. So far as practicable, the preferences of the parents or young person should be followed in the placing of the child.
 3. The interests of the taxpayer require that funding and resources should be used efficiently and to best effect.

4. The funding should not be seen as fixed, but subject to review, and may change as the child or young person's assessed needs change.
5. Where children or young people have social care needs or health needs, appropriate contributions should be made from those budgets.
6. The commissioning body (usually the local authority) should meet the cost of educational provision, in order that proper regard is given to financial considerations.
7. The commissioning body should have an open and transparent system for the allocation of high needs resources, which makes use of expert advice and is consistently applied.
8. The commissioning body should monitor the effectiveness of the provision, and that it achieves relevant and appropriate outcomes for the child or young person.
9. Because of the specialist nature and high cost of premises and staffing, funding systems need to provide some protection to institutions in which all places are not filled. But this does not mean that indefinite protection should be given to unsuccessful institutions.
10. Pupil Premium and equivalent Post-16 disadvantage funding is additional to all other sums allocated.

Question 23

Is this the right set of principles for funding children and young people with high needs?

X Yes

No

Not Sure

Comments:

With the exception of the principle relating to funding unfilled places to protect existing provision needs careful consideration in the current economic climate.

- 7.3 The government wish to remove perverse incentives for the commissioner, such as a local authority filling an empty place in a special school with no marginal cost, if this is not the most suitable place for the child or young person. They propose to do this by paying institutions a basic sum per place or per pupil, with top up funding from the commissioner for individual pupils.
- 7.4 The consultation document identifies a sum of £10,000 as an appropriate sum for the basic sum per pupil, based upon work done previously by Price Waterhouse Coopers. The £10,000 is comprised of £4,000 for the basic education costs plus £6,000 to meet lower level SEN, which is already notionally included in the budgets of mainstream schools.
- 7.5 In addition to this, all institutions would receive funding based on individual pupils' needs from the local authority as commissioner.

Question 24

Would it be appropriate to provide a base level of funding per pupil or place to all specialist SEN and LD/D settings, with individualised top up above that?

Yes

No

 Not Sure

Comments:

May develop into a costly bureaucratic exercise, with inherent problems over a multi-year budget period. Will the local authority receive additional grant in Block 5a to meet such costs?

Question 25

Is £10,000 an appropriate level for this funding?

Yes

No – too
highNo – too
low Not Sure

Comments:

All special school and unit funding in this authority is greater than £10k and would require a base of £10k plus locally commissioned top-up. Difficult to comment on how this would meet the needs of a diverse market of providers.

- 7.6 The government want the same funding principles to apply pre and post 16 and across both schools and Further Education (FE) sector providers, which is not the current position.

The YPLA provide local authorities with a Post 16 SEN Block grant to pay for SEN pupils in maintained mainstream and special schools, non maintained and independent special schools. For many local authorities, including Walsall, this grant does not meet the actual cost of the provision.

FE sector providers receive Additional Learning Support (ALS) funding to meet the needs of individuals up to £19,000 per year. The YPLA LD/D placement budget pays for ALS costs above £19,000 on an individual learner basis.

- 7.7 The YPLA is already working towards providing local authorities with a single budget for high needs learners with SEN or LD/D up to the age of 25 from 2013-14. This would give local authorities discretion and allow them to build Alternative Provision (AP) to provide choice for parents and young people, if required.
- 7.8 The proposal is for a revised post 16 National Funding Formula to cover learners attracting a low level of additional learning support only. The costs of high needs learners to be funded through a baseline budget of £10,000 paid directly by the Education Funding Agency (EFA) to providers (via the local authority for maintained schools) and topped up by the local authority as required, as the commissioner.

Question 26

Is the idea of a base rate of funding helpful in the post 16 context?

X Yes

No

Not Sure

Comments:

For ease of understanding and simplicity for both LAs and providers it would be better to have a common system pre and post 16 funding.

Question 27

Should local authorities be directly responsible for funding high level costs over £10K for young people in post-16 provisions in line with their commissioning responsibilities?

X Yes

No

Not Sure

Comments:

Would provide continuity for the young person and provide a more streamlined commissioning function. However LAs need to have sufficient funding to undertake this task. Currently many LAs, including Walsall, have to top up the their YPLA allocations for post 16 high needs pupils. In this authority there is a currently a £0.5m shortfall for places in maintained special schools.

LAs would need to be given to be given sufficient funds to achieve this and any funding be delivered in a clear and transparent way.

Question 28

Do the proposed funding arrangements create any risks to any parts of the post-16 sector?

Yes

No

X Not Sure

Comments:

Unable to comment as there are new and emerging markets.

- 7.9 The consultation considers the merits of funding providers for high needs learners on the basis of places or pupils. Place funding provides stability and continued high quality provision, but if there are a considerable number of unfilled places it does not represent the best use of public money. Conversely, pupil numbers can fluctuate or as numbers fall, schools or AP providers could end up in financial difficulty.

The document considers the four options below:

- a) Given that special schools (other than non-maintained special schools and independents) and some AP providers are not used to being paid for the numbers they actually attract, it would be possible to continue funding places in the short term but declare an aim to move to actual numbers over time. This could either be on the basis of moving over to actual numbers from a particular date for everyone, or on the basis that new providers would be funded for a certain period of time on places to give them a start, but then switch to actual numbers.
- b) Another possibility is to fund on places, but reduce the number of places automatically if there is a high percentage of unfilled places for a certain period – this could be one year, as for most post-16 provision now, or it could be a longer period such as two or three years.
- c) A further variant would be to fund the larger providers on pupil numbers on the basis that they should be more able to cope with fluctuations, while leaving the smallest schools and units on a planned place basis.

- d) Another option would be to give the base funding of about £10,000 on a per place basis, while giving additional funding only for actual pupils.

Question 29

Should institutions providing for high needs children and young people be funded on the basis of places or pupil numbers?

Places

X Pupil Numbers

Not Sure

Comments: Pupil numbers should be used as the norm. There may be exceptional cases where place protection is needed on a short term basis.

Question 30

Are any of the options a-d desirable?

(a)

X

(b)

(c)

(d)

None

Not
Sure

Comments: (b) would encourage the expansion of good providers.

Need a definition of large in respect of (c).

- 7.10 The funding of Special and Alternative Provision Academies and Free Schools presents a number of new issues going forward. For the period ending 31 March 2013, short term measures will need to be put in place. For the longer term a new system which is compatible with the rest of the funding proposals will need to be established.

- 7.11 For maintained special schools becoming Academies up to March 2013, funding will be based upon local authority budgets, with local authorities being subject to YPLA recoupment and then having to continue to recover any monies due from other local authorities for out of borough pupils attending the Academies.

By 2012-13 the first Free Special Schools, AP Academies and AP Free Schools will be open. AP providers are not currently formula funded, and new Special Free Schools may not have an equivalent in the local authority where they are located, so that it will not be possible to calculate a local authority equivalent budget for them. The government will need to work out temporary solutions to deal with these issues in 2012-13.

- 7.12 In the longer term the government favours the system whereby Special and AP Academies and Free Schools receive a basic sum of £10,000 per pupil from the EFA, with the commissioner paying top-ups for individual pupils.

Question 31

For the longer term, should we fund Special and AP Academies and Free Schools:

- a) with all funding coming direct from the commissioner?
- b) with all funding coming through the EFA and recouped from the commissioner?
- c) through a combination of basic funding from the EFA and top-up funding for individual pupils direct from the commissioner?

(a)

(b)

X

(c)

Neither

Not Sure

Comments: For consistency across the systems.

Question 32

If we go for the combination funding approach, should we pass all funding through the EFA for a limited period while the school is establishing itself before moving to this approach?

X Yes

No

Not Sure

Comments: Seems a sensible approach but only if the period determined is reasonable and LAs do not face unreasonable expectations from such schools once they are included in the overall system, at the expense of other High Needs Pupils.

- 7.13 The funding for high needs pupils will be included in the High Needs Block of the local authority's DSG. The current formula is based on the resident child population, income support to reflect deprivation and low birth weight, and was introduced in 2003. Since then the amount spent on high needs pupils has grown rapidly and the new block will contain about £1bn more than in 2003.

The consultation document discusses research completed by Price Waterhouse Coopers which has led to the conclusion that the High Needs Block should contain a much smaller deprivation element, which would be more heavily linked to AP rather than SEN, as the link between deprivation and high needs is no longer valid. There is a possibility that the numbers of resident young people in the relevant age group and the rate of the resident young people in receipt of Disability Learning Allowance could be two primary indicators to determine proxy measures.

Question 33

Given there is no absolute method of determining which pupils have high needs, and given local variation in policy and recording, is this approach to determining proxy variables acceptable?

X Yes

No

Not Sure

Comments:

Question 34

Do you agree that deprivation is linked more to AP rather than the wider SEN needs?

Yes

No

X Not Sure

Comments: The consultation leads to this conclusion but without further evidence unable to have a definitive view

- 7.14 Any formula applied to High Needs Block will fail to closely reflect the current spending of each local authority for a number of reasons. It is proposed that actual allocations to local authorities received after damping will be closely based on what each local authority has been spending, to avoid destabilising the system.

Question 35

Do you agree that in the short term we should base allocations to local authorities for the High Needs Block largely on historic spend?

X Yes

No

Not Sure

Comments: High Needs are expensive and time is needed to plan for any significant funding changes at all levels.

- 7.15 The proposal above relates to pre-16 funding only. In principle the government wants a single funding system with pre and post-16 High Needs funding brought together and channelled through the local authority to meet its statutory responsibility to secure provision. However, issues are emerging as the YPLA works through this issue. On the one hand some local authorities may have concerns that the funding formula will be inadequate and some providers are concerned that local authorities will cease to make the current levels of placements and choose more local provision. These sensitivities need to be worked through and may lead to post-16 transitional arrangements for some years.

Question 36

Do you agree that post-16 funding should also become part of the local authority's High Needs Block over time, but that there might be a particular need for transitional arrangements?

X Yes

No

Not Sure

Comments: One coherent system needed for the benefit of young people.

Question 37

What data should ideally underpin the funding allocations both initially and for a high needs block arrangement?

Comments: Data that most closely represents the levels of activity and appropriate costs.

- 7.16 Alternative Provision (AP) is included within the High Needs Block along with SEN, although the nature of the provision is different. AP is intended to be short term, therefore pupil numbers can fluctuate vastly making funding focused on actual pupils problematic. AP services offered can range from a Pupil Referral Unit to a placement in a FE college, which is a cheaper option, and sometimes these will be commissioned directly by a school rather than the local authority.

Despite these issues, the DfE think AP should continue to be classed with SEN as high need for funding purposes.

Question 38

Should AP continue to be treated alongside high needs SEN for funding purposes? What differences between them need to be taken into account?

X Yes

No

Not Sure

Comments: AP is expensive as units tend to be small with high pupil:staff ratios and placements in FE or training providers are costly.

Question 39

What differences between them need to be taken into account?

Comments: Difficult to comment as a placement in a PRU can be as expensive as a place in a Special for pupils with Emotional, Behavioural and Social Disabilities.

8. Early Years

- 8.1 The DfE intends for local authorities to continue to operate the Early Years Single funding formula (EYSFF) with some local discretion. However, there is a question as to whether the EYSFF should be simplified, as there are a wide range of formula models across local authorities.
- 8.2 Possible options for simplifying the formula are:
- To remove supplements, other than the disadvantage supplement and remove or limit banding
 - To consolidate all funding into a single base rate and deprivation supplement and enable local authorities to allocate other funding, perhaps through clearly identifiable lump sums.
 - To revise guidance to state that local supplement should be clear and simple with a clearly communicated purpose.

Question 40

Do you agree we should aim for a simpler EYSFF? If so, how?

Yes

X No

Not Sure

Comments: The EYSFF in this authority is much simpler than the mainstream formula. It is based on actual needs and costs, as required. We have a range of hourly rates dependent upon the size of the nursery. To have a single base rate would disadvantage some making them economically unviable and advantage others at the expense of good value for money.

- 8.3 Local authorities are required to include a deprivation supplement within their EYSFF and the new system will retain this feature. However, predictably, there is a wide national variation in eligibility criteria and amounts but most local authorities have opted for geographical measures, for example, Income Deprivation Affecting Children Index (IDACI)
- 8.4 The government's intention is to make the support provided for disadvantaged system more consistent. Options suggested are:
- A centrally determined value of the supplement either in cash terms or as a percentage of overall free early education spend.
 - Align the disadvantage supplement more closely with the eligibility criteria for free early education for two year old and the Pupil Premium, using either child level or geographical based criteria.
 - Focus resources at setting level that is investing in settings in the most deprived area.

Question 41

How could we refine EYSFF so that it better supports disadvantaged children?

Comments: The EYSFF is new and has been through full consultation and all LAs have included a deprivation supplement to meet their needs. One way of better supporting disadvantaged nursery children would be to include this cohort within the eligibility criteria for the Pupil Premium.

- 8.5 The calculation of the Early Years Block of the DSG is fundamental as to the level of funding turbulence introduced at local authority level. However, DfE will introduce damping arrangements so that if significant change was introduced, it would take place over a manageable period.
- 8.6 The options for calculating the Early Years Block are the spend plus system, which protects the current level of spend on early years at local authority level or a formula. This formula option would be consistent and treat each local authority fairly, but causes the most turbulence.

Question 42

Do you agree we should allocate funding to local authorities on the basis of a formula?

X Yes

No

Not Sure

Comments:

- 8.7 Any formula introduced to allocate Early Years funding to local authorities would be cost neutral. It is expected that any such formula would be largely derived from the school formula, that is child numbers plus deprivation funding and an area cost adjustment. Consideration of a sparsity factor will also feature in formula development work. However, DfE is not proposing to calculate notional budgets for early years settings using a national formula.

Question 43

Do you agree a formula should be introduced based largely on the same factors as the schools formula?

X Yes

No

Not Sure

Comments: Currently funding is passported to LAs via the Guaranteed Funding Unit within the DSG which mirrors the Schools Block, seems sensible to retain this relationship.,

- 8.8 Finally the government wish to bring greater transparency to free early years funding. DfE are looking at ways of enabling comparisons across local authorities and undertaking more detailed benchmarking of EYSFF rates.
- 8.9 Local authorities will be asked to complete a standardised pro-forma explaining how their EYSFF formula operates, including details on any supplements. The intention will be for this information to be published by each local authority.

Question 44

We would be grateful for views on whether anything else can be done to improve transparency.

Comments: No comment.

9. Pupil Premium

- 9.1 From 1 April 2012, the Pupil Premium will be increased in value and coverage. The government are supportive of Free School Meals (FSM) as an appropriate indicator as it

reflects the characteristics of an individual and evidence clearly shows that FSM pupils do not achieve as well as non-FSM pupils. The proposals to extend coverage are:

- To include pupils eligible for FSM in one of the last three years (known as 'Ever 3'), or
- To include pupils eligible for FSM in one of the last six years (known as 'Ever 6')

9.2 The Ever 3 measure will award a further 250,000 pupils the Pupil Premium, whilst Ever 6 will attract a further 500,000 pupils. DfE has confirmed that the quantum is sufficient to allow for an increased number of eligible pupils and an increase in the value of the Pupil Premium. However, the local authority increases using an Ever 6 measure range from 15% to 60%. Ever 6 would cover a Y6 pupil through to the end of Y11.

Question 45

What is your preferred option for determining eligibility for the Pupil Premium for 2012-13?
Should it be based on the Ever 3 or Ever 6 measure?

Ever 3

Ever 6

Neither

Not Sure

Comments: Unclear as to how LAs/schools/Academies will be able to access accurate data due to reasons stated in Question 10. As this is a proxy measure and the funding is not assigned to the individual child then Ever 3 may be the most accurate data. It would better help those schools/pupils that are experiencing additional issues as a result of the recent economic downturn.

9.3 The Pupil Premium is currently £430 per pupil year, which is a simple and transparent methodology. For the longer term, the government want to ensure that this funding is targeted accurately and has the impact of raising the attainment of deprived pupils. Consideration will be given to an alternative option to distribute the funding via the system which already recognises existing differences including the Area Cost Adjustment. Schools in areas of higher deprivation would receive greater levels of funding under this approach.

Question 46

What is your preferred approach for calculating the Pupil Premium?

Comments: A flat rate is fair and equitable. Reflecting the differences in the current DSG proposals assumes that these are correct, and if that is not the case, then it would be adding to the impact of an imperfect system.

10. Timing for implementation

- 10.1 The government does not intend to rush through these changes to the school funding system. The importance of full consultation with local authorities, schools and Academies is recognised, along with allowing sufficient time to plan for the reforms. The options are to implement the new system from 2013 – 14 or wait until the next spending period, which is from 2015 – 16.

Question 47

Do you think we should implement the proposed reform in 2013-14 or during the next spending period?

2013-14

Next
Spending
Period

Neither

Not Sure

Comments:

The Consultation Document makes it clear that a number of changes will be made to the process in 2013-14 as an interim measure. These changes will aid transparency and start the process. Therefore, even aiming to start the changes in the next spending period will see substantial change in the near future. A better view of a time for implementation will be able to be taken in Spring 2012 when a lot of the work to necessitate change will have taken place and a clearer view of the changes and potential volatility of funding can be seen.

- 10.2 Should the decision be taken to implement the reforms during the next spending review, 2015-16, the government will bring in a number of interim measures to improve current system and more towards the new system.

- Restrict the use of allowable formula factors.

- Require local authorities to put their formula in the pro-forma detailed in the Consultation Document to allow inter-authority and school comparisons.
- Fund Academies through the Education Funding Agency using the local authority pro-forma.
- Remove the 17 months time lag for Academies.
- Amend the School Finance Regulations to delegate funding to all schools that currently sits within central expenditure as detailed in the document.
- Make changes to the calculation of the local authority LACSEC
- Establish the base unit of funding for high needs setting and develop the methodology for funding special and Academies and free schools.

10.3 The intervening period through to 2015-16 would then be utilised to consult further and support planning processes.

Appendix 1

Proposed functions within each block The consultation seeks views on which functions will be in each block outlined in chapter 4. (Those items in italics are currently within the schools budget).

1. Schools Block	
<p>Block 1a</p> <p>Responsibility of Schools and Academies</p> <p><i>Staff costs*</i> <i>Premises costs*</i> <i>Learning resources*</i> <i>Supplies and services*</i> <i>Finance*</i> <i>HR*</i> <i>Payroll*</i> <i>ICT support*</i> <i>Legal services*</i> <i>Caretaking and cleaning*</i> <i>Building maintenance*</i> <i>Day to day health and safety compliance* Training and professional development* Governor training*</i> <i>Grounds maintenance*</i> <i>Staff absence cover* (except for limited central retention)</i> <i>Premature retirement costs (unless agreed otherwise by LA)</i> <i>Funding threshold and performance pay**</i> <i>14-16 practical learning options**</i> <i>School meals**</i> <i>Extended services/community facilities (other than joint use)**</i> <i>Admissions authority functions (where a school is its own admissions authority) Securing careers guidance Support for pupils with low cost high incidence SEN below the threshold</i></p>	<p>Block 1b</p> <p>Could be delegated or centrally retained for maintained schools, but would be within academy budgets</p> <p><i>Support for schools in financial difficulties</i> <i>Allocation of contingencies</i> <i>Free school meals eligibility Insurance</i> <i>Licences/subscriptions</i> <i>Supply cover – long-term sickness, maternity</i> <i>Support for minority ethnic pupils or underachieving groups</i> <i>Support for low cost high incidence SEN</i> <i>Behaviour support services</i> <i>Library and museum services</i></p>
Block 2	Block 3

<p>High Need Pupils</p> <p><i>Provision for pupils above threshold - individually assigned resources (can be delegated)</i></p> <p><i>Special schools (delegated budget) Special units in maintained schools (delegated budget)</i></p> <p><i>Pupil Referral Units</i></p> <p><i>Independent special school fees</i></p> <p><i>Inter-authority recoupment</i></p> <p><i>Support services for high cost low incidence SEN (could be contracted to special schools/special units)</i></p> <p><i>SEN support for children under five</i></p> <p><i>Education out of school and other alternative provision</i></p>	<p>Early Years</p> <p><i>Early Years Single Funding Formula</i></p> <p><i>Central expenditure on under 5s</i></p>
<p>Central Services block (Block 4)</p> <p><i>Co-ordinated admissions scheme</i></p> <p><i>Servicing of schools forums</i></p> <p><i>Supply cover for LA-wide trade union and other public duties</i></p> <p><i>Carbon Reduction Commitment</i></p> <p><i>Schools forum approved DSG funding of non-schools budget items:</i></p> <ul style="list-style-type: none"> <i>Contribution to combined budgets</i> <i>SEN transport</i> <i>Termination of employment costs</i> <i>Capital expenditure funded from revenue</i> <i>Prudential borrowing costs</i> 	

5. LA block (Formula Grant)

Block 5a	Block 5b
<p>Responsibility of local authority for all maintained schools and Academies</p> <p>Mainstream home to school transport Strategic capital and school place planning Management of PFI contracts (including academies which have converted since the contracts were signed) and landlord premises functions for relevant academy leases Education Welfare service – prosecutions for non-attendance, tracking children missing from education Responsibilities for home educated pupils Pupil support Co-ordination of early years provision and other duties under the Childcare Act Commissioning of children’s centres Strategic planning of children’s services including DCS Inherited ongoing termination of employment costs Provision for disabled children Specialist equipment Educational Psychology service (this does also support other pupils) Statutory assessment procedures SEN monitoring and quality assurance Securing information and mediation services, including Parent Partnership SEN home to school transport</p>	<p>Responsibility of local authority for all maintained schools, but within Academy budgets (LACSEG)</p> <p>School improvement Asset management (other than strategic capital planning) including health and safety Other landlord premises functions (in the case of community schools) Education welfare service (excluding prosecutions) Redundancy costs (unless good reason to charge to school) Internal and external audit Financial accounting requirements – including accounts, returns, VAT returns Financial assurance Procurement advice and compliance Teachers pension returns and local government pension scheme administration Strategic HR employer functions (in the case of community schools) Appointment of LA governors Joint use arrangements Music services Visual and performing arts Outdoor education</p>

- * already within delegated budgets
- ** currently optional central retention