

DERBYSHIRE COUNTY COUNCIL**SCHOOLS FORUM****12th September 2012****Report of the Strategic Director for Children & Younger Adults****Formula changes for April 2013 - update****1. Purpose of the Report**

To update the Schools Forum on the work to date in devising a new LMS formula for 2013-14.

2. Information and Analysis**2.1 Background**

On 26th March 2012 the Secretary of State for Education published a DfE consultation "School Funding Reform: Next steps towards a fairer system." The consultation, which ran until 21st May 2012, set out a range of proposals to reform schools' funding over the short to medium term.

As previously reported to the Schools Forum the government intend four major changes to take effect from April 2013, namely:

- (i) the delegation framework across local authorities will be placed on a more consistent footing;
- (ii) the LMS formulae for mainstream schools will be simplified, with a maximum of 12 nationally prescribed indicators;
- (iii) a standardised national approach to special schools' funding will be implemented; and
- (iv) there will be delegated budgets for Support Centres (Pupil Referral Units).

The government's final decisions on the funding regulations for 2013-14 were published at the end of June and largely confirmed the original proposals. In brief, and by way of a reminder, the mainstream proposals are as follows:

2.2 Mainstream

Only 12 (previously ten) formula factors will be permitted, namely:

- 1. Per Pupil (mandatory) - *Flat rate for all primary aged pupils; separate KS3 & KS4 rates allowed, all budgets to be based on the October census;*
- 2. Deprivation (mandatory) - *Via a straight FSM count, Ever 6 FSM and/or the use of Income Deprivation Affecting Children Index (IDACI);*
- 3. Looked after Children (optional) – *number of children looked after;*

4. Low cost, high incidence SEN (optional) - *Primary: Early Years Foundation Stage Profile; scores below 78 or 73; Secondary: KS2 results; Level 3 or below in both English and Maths;*
5. English as an Additional Language (optional) - *Named pupils; max 3 years from entry to compulsory education;*
6. Lump sum of a limited size (optional) - *The same block allowance must be used for **all** primary and secondary schools and **must not exceed £200k**;*
7. Split site (optional) – *cash sum;*
8. Rates (optional) – *actual costs;*
9. Private Finance Initiatives (PFI) contracts (optional) – *actual costs;*
10. London fringe costs - *(N/A for Derbyshire);*
11. Pupil Mobility(optional) (*new*) – *extra support for schools with high levels of pupil mobility; and*
12. Post 16 (optional) (*new*) – *cash amount (per pupil) capped at 2012-13 levels.*

In addition, a range of new budgets have to be delegated to schools from April 2013, also using the above indicators. These were subject to consultation in May of this year and the results reported and considered in an earlier report to this meeting.

Decisions on the final shape of the LMS formulae for 2013-14 are a matter for the Authority, having consulted with the Schools Forum and schools. However, the discretion of the Authority is limited as the framework prescribes the formula indicators that may be used. The only real flexibility is whether or not to use all of the indicators in the national list and to determine the relative importance of the ones chosen i.e. the value of the multipliers.

The final shape of the mainstream LMS formula has to be agreed by 31 October 2012 and details submitted to the Education Funding Agency. As a result of this deadline mainstream schools' funding has been the focus of work over the summer. Within the confines set down by the DfE, the formula analysis has endeavoured to:

- Minimise the transfer of resources between phases i.e. infant, junior, secondary, post 16;
- Minimise turbulence at individual school level;
- Ensure that the percentage of pupil led funding is broadly in line with DfE expectations; and
- Keep the Minimum Funding Guarantee (MFG) cost at a manageable level.

It should be noted that schools which lose funding will, in the medium term, be protected by the Minimum Funding Guarantee (MFG). The MFG rates for 2013-14 and 2014-15 have been set at minus 1.5% per pupil. Thus, irrespective of the final shape of the formula, a school with constant pupil numbers cannot see a year on year reduction in budget of more than 1.5%. However, this safety net does **not** apply to newly delegated budgets which will have consequences for schools. This issue is discussed in more detail in the next agenda item.

Notwithstanding the MFG protection arrangements, there is likely to be significant turbulence in the budgets of many individual schools budgets when the new and existing formula allocations are compared. Work to date based on current delegation levels excluding rates, PFI, split site and high cost SEN has been regressed against block, pupil numbers, free school meals counts and Low Cost High Incidence SEN data. The highest gains from this model were ~£58k (primary) and ~£200k (secondary) and the largest losses of £30k (primary) and £68k (secondary) after MFG protection.

The Authority will shortly be publishing further information to schools setting out the proposed revised formula including the amount of additional funding for each newly delegated budget/responsibility. Schools will be invited to comment on the proposals and the Forum will have an opportunity to formulate its views at its meeting on 9th October 2012. Cabinet will be asked to approve the final formula at its meeting on 6th November 2012.

Whilst the views of schools and the Schools Forum are welcome, it should be noted that the framework limits the flexibility of the Authority and that what may seem like relatively minor changes can have significant impacts on the distribution of funding. For example if there was a feeling that the block allowance should be varied by +/- £10,000 this would move ~£4m (396 schools x £10,000) between formula factors. Thus the impact of any suggested changes will have to be considered carefully before being incorporated.

2.3 Special Schools/ERS

The proposed funding of special schools (and ERS provision) is completely different to the model envisaged for mainstream schools. The key points are as follows:

- Special schools' funding will form part of the new High Needs Block
- Core funding will be based on a nationally set rate of £10k per place, provided by the host LA
- A top up per pupil funding will be payable by the commissioning LA

The top up funding will have to include an element to cover the additional delegation to schools e.g. catering, free meals, special staff costs, etc. Unlike the mainstream sector, there is no provision in the regulations for funding to be re-pooled for special schools. The Authority will, though, seek to offer special schools the option to buy back into services which, for other sectors, can be re-pooled.

In simple terms, the anticipated basis for calculating a special school's allocation is as follows:

- a. Determine 2012-13 baseline budget (formula plus share of central items)
- b. Determine number of places purchased for 2012-13
- c. Multiply places in b. by £10k
- d. Compare budgets in (c) and (a) and divide the difference by the number of pupils to determine the per pupil top up
- e. Adjust the top up as appropriate to account for the fact that some SEN profiles cost more than others

Under this methodology, if the number of pupils and places remains constant between 2012-13 and 2013-14 then the special school's budget would also remain unchanged. However, the pupil top up rate would be by agreement between the school and the commissioning LA and would follow the pupil in "real time" i.e. reflecting the movements of children between schools on at least a monthly basis.

Unlike the mainstream formula there is no 31st October 2012 deadline to finalise the formula. However, it is clearly in everyone's interest to agree a formula as soon as possible so that schools can begin to plan ahead financially. The intention is that details of the likely LMS formula will be shared with special and ERS schools later this term.

2.4 Alternative Provision (AP) (i.e. Pupil Referral Units (Support Centres))

The model for AP is similar to that for special schools in that each AP will be funded on the basis of an agreed number of places at a proposed rate of £8,000 per place with a top up from the commissioner. The commissioner could be a local authority or a school and the amount payable would reflect the real time movements of the pupil.

The anticipated basis for calculating a Support Centre's allocation is as follows:

- a. Determine 2012-13 baseline budget (formula plus share of central items)
- b. Determine number of places purchased for 2012-13
- c. Multiply the places in (b) by £8k to arrive at base entitlement

The difference between the base funding and the current spend (around £11k per place) will be reflected in a top up per pupil. This funding can be retained within the High Needs Block for the Authority to use as commissioner of provision. This is likely to be the outcome for 2013-14 to ensure that provision is maintained. However, longer term, funding may be delegated to mainstream schools through the formula to encourage schools to take on more of a commissioning role.

The Education Act 2011 provides for Support Centres to have delegated budgets from April 2013 with control placed in the hands of the relevant management committee. Final regulations relating to delegated budgets and control over staffing for Support Centres will be published later this year and come into force in April 2013.

3. Early Years

The DfE have now confirmed that LAs can retain the Index of Multiple Deprivation (IMD) as an indicator within their Early Years Single Funding Formulae (EYSFF). As such Derbyshire's EYSFF can remain unchanged for 2013-14. One further point to note is that the government has determined that funding for early education for two year olds will transfer to the Dedicated Schools Grant (DSG) from 2013-14. Details will be provided later in the year about how the funding will be distributed amongst LAs.

4. Other matters

Clarification has also been sought from the DfE on some further matters. The first relates to the support given to the capital programme from the Dedicated Schools

Grant. Currently around £4m is taken from the DSG to fund planned maintenance projects. The DfE guidance was ambiguous on the future treatment of this funding, one interpretation being that once the current commitments have been honoured the funding cannot be re-committed to new projects but must be released into the ISB (delegated). The DfE have confirmed that this is indeed the case and, as a result, the funding will be included in the formula allocations for 2013-14. The Authority is now reviewing its offer to schools and the split of LA/school responsibilities in the light of this further delegation.

Similarly the funding of redundancy costs from the DSG was originally unclear. The guidance suggested that whilst the current (2012-13) costs could be met, the funding must be released to the ISB from 2013-14. This interpretation has now been confirmed and the relevant DSG funding (~£0.6m) will have to be delegated to schools. It should be noted that, in normal circumstances, the responsibility for making redundancy payments relating to schools (not academies) remains with the local authority and thus this change in treatment will result in an additional non-DSG pressure for the Council for 2013-14.

4. Other Considerations In preparing this report the relevance of the following factors has been considered: prevention of crime & disorder, equality of opportunity, finance, human resources, legal & human rights, environmental, health, property and transport considerations.
5. Background Papers Government consultation “School Funding Reform: Next steps towards a fairer system”.
6. Strategic Director's Recommendations

That the Schools Forum

- (i) Notes the report and offers its views; and
- (ii) Agrees to consider a more detailed report on the proposed formula changes at its meeting on 9th October 2012.

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