

School funding reform: Next steps towards a fairer system
Consultation and operational guidance from the DfE
(received 26 March 2012, response deadline Monday 21 May 2012)

The Department for Education has issued a consultation document setting out the school funding arrangements for 2013/14 and 2014/15. Although called a consultation, it mostly contains 'firm intentions' and there are only 13 questions about some of the finer points. This should not prevent responses covering other issues of concern if need be. Therefore we need to:

- 1) Respond to the consultation
- 2) Prepare for change
- 3) Build a new school funding formula for 2013/14

Below are set out the key highlights of the proposals. A link to the full document can be found at the end of this item. The government has also issued a companion document with clarification of various areas following queries from local authorities.

Timing

There will be no change to school funding arrangements for the current financial year 2012/13 – the same procedures for adjustments and payment will continue.

Education Funding Agency (EFA)

The EFA is a new organisation opened on 1st April 2012 and a department of the DfE. It is responsible for providing the DSG to local authorities, approving funding formulae, funding academies and providing Post 16 allocations. It has taken over much of the work of the arms' length organisation the Young People's Learning Agency (YPLA) which closed on 31st March 2011.

Government proposals

Overall, the responses to the July 2011 consultation seem to have been heard by the DfE. Despite the government's assertion that the current system is inequitable, too complex and inconsistent, there is recognition that local discretion should continue for longer and that schools need stability. The Dedicated Schools Grant (DSG) for local authorities will continue, ring fenced for education, until the next spending review. It will be calculated in a similar way as now with a flat cash settlement for both years. The difference is that it will have three (non ring-fenced) blocks – Schools, Early Years and High Needs Pupils.

The DSG (and school budget shares) will now be based on the October school census (not January) and finalised in December, although at that stage the Early Years block will be an estimate as it will continue to be based on January data. This earlier allocation will mean schools receive their budget shares by the third week in January. The National Funding Formula for schools which we expected for 2013/14 has been deferred until after 2014/15, partly because the consultation responses in July 2011 urged caution and sensitivity in the move from current arrangements. The next two years are a preparation period during which all primary and secondary schools (maintained, academies, free schools etc) in a local authority will be funded by a single common, but local, funding formula.

Allowable factors: Local funding formulae for Reception to Year 11 must be simplified with the number of allowable factors reduced from 37 to 10, of which 3 are not applicable to Barnet. The remaining 7 are

1. a small lump sum
2. a per pupil amount (AWPU)
3. deprivation (free school meals and / or IDACI)

4. additional needs factors (prior attainment)
5. EAL (first 3 years of schooling only)
6. business rates (NNDR)
7. split sites.

In Barnet we started the simplification process last year and the changes will not be as difficult as in some authorities, but we will be holding a major consultation with schools and the Schools Forum this term as the new formula must be submitted for approval by the EFA by the end of October 2012. The consultation with schools on the new formula is planned to run from 20th June until the end of term.

A particular problem we have is that there no longer appears to be a way of targeting funding at underachieving groups or school specific circumstances. In particular we believe we will lose the ability to fund schools for

- Excellence in Clusters (EIC)
- LIG (a former standards fund, the Leadership Incentive Grant),
- Newly Qualified Teachers (NQTs),
- Advanced Skills Teachers (ASTs),
- Ethnic Minority Achievement,
- mobility
- swimming pools
- insurance
- internal and external school areas
- caretaker's rent
- Every Child Counts
- 6th form abatement (negative)

AWPU: Only one AWPU rate will be allowed for primaries (Reception to Year 6) and one, or maybe two for secondaries (Years 7-11), however, there will be no requirement for a fixed ratio between primary and secondary rates.

Minimum Funding Guarantee: Primary and secondary schools will continue to be protected by the Minimum Funding Guarantee (MFG) at the rate of -1.5% for 2013/14 and 2014/15. The MFG itself is to be simplified. There may be a need for a maximum funding cap if some schools benefit particularly highly in comparison to other schools.

Delegation: From April 2013 the whole of the Schools Block is to be delegated to schools, including those elements which were formerly in the centrally retained but excluding those which will become part of the High Needs pupil block. However, with the agreement of the Schools Forum the cost of those activities which maintained schools wish to continue to be run centrally (e.g. contingencies or behaviour support) can be top sliced from their funding. This means that there will be no further need for the Local Authority Central Spend Equivalent Grant (LACSEG).

In comparison to many authorities, Barnet has already delegated as much as possible to schools so a new formula should not pose a particular problem, but we will need a large contingency in order to fund schools opening new classes as an element in the formula for this is not allowed.

Sixth form: Sixth form funding in mainstream schools is not covered in the consultation and we are still awaiting announcement of revised post 16 funding. We are assuming that arrangements for secondaries with 6th forms remain the same except that there will be no abatement of funding such as NNDR.

Early years: No changes are required for the early years funding formula, but there is no mention of how nursery schools and nursery classes can be funded now that the former standards funds have disappeared. At present they receive more favourable funding than private providers, and without any way of replicating this level of funding there are important issues to resolve. The size of the early years block is also likely to be reduced as over the next two years Barnet will lose the '90% top-up' in the DSG for 3 year olds which is worth around £1.4m per annum.

We will be discussing the impact of the proposals with the nursery schools, but any appeals to the DfE on the grounds of the size of the school are unlikely to succeed as the consultation states that small schools with financial difficulties should consider federation, merger or joining a chain of academies.

High needs pupils: Major changes are planned for high needs pupils. Special schools will not have formula funding but, in line with all specialist providers, including additional resourced provision (ARPs) they will receive £10,000 (£8000 for PRUs) per place, plus a top-up linked to individual children on roll. Mainstream schools will receive top-ups for children with statements.

When pupils with high need are placed at a school (provider) by a Local Authority (commissioner) an agreement will be made about the total cost of providing education for the child. The school will collect the money for each high needs pupil directly from the placing commissioner whether Barnet or another authority. This means that inter-authority recoupment will end. The system will be called "Place Plus" and arrangements will have to be put in place at schools to invoice and monitor income for each child. There will be some funding protection for special schools, and PRUs will have delegated budgets for the first time.

The intention is that there will be a clear local offer for high needs pupils and there should be no perverse incentives to place a child at a particular setting, because the cost should be comparable wherever they are placed. This raises questions about relative costs at maintained and private providers. It will simplify the process in some ways, but introduces a great deal of change over a very short period. All schools with high needs pupils will be affected and the 'cost' of every child with high needs will need to be individually assessed, hopefully using a banding system. The High Needs funding block will cover support for all young people from birth to 25.

Pupil Premium: The Pupil Premium will continue as now but in the long term would become an integral part of the national funding formula. One problem looming is that the introduction of the Universal Credit to the benefits system will remove the current criteria for free school meal eligibility. The government will need to find a new way of identifying eligible pupils.

What should schools do now?

- Read the consultation and raise concerns either with Barnet or directly with the DfE. Barnet will put in a response but schools and individuals can submit separate responses to all or individual questions if they wish.
- Study the Barnet consultation when it is released next month. Our last consultation (in 2011) produced 9 responses out of 120 schools which was not enough to judge consensus. We will try to show the impact on schools of different options to help schools assess the risk to their future funding.
- Start planning how the school will cope with any significant change in funding. There will be winners and losers, and there will also be protection from the minimum funding guarantee. But for schools currently receiving significant funding for EIC, LIG, EMAG and mobility, future funding will be on a downward trajectory.

- Plan to maximise pupil numbers on October census day (4th October 2012) for the greatest financial benefit.

Timetable:

Schools Forum briefing	1 st May 2012
School briefings	9 th May 2012
Consultation deadline	21 st May 2012
Schools Forum (Extra)	12 th June 2012
Consultation with Schools on new funding formula	20 th June – 20 th July
Schools Forum	12 th July 2012
End of summer term	20 th July 2012
October census	4 th October 2012
Schools Forum	8 th October 2012
Submission of new formula	31 st October 2012
Schools Forum	4 th December 2012
January census	17 th January 2013
Release 2013/14 budget shares	18 th January 2013
Start of new funding system	1 st April 2013

Full documents are available at:

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schools/revenuefunding/a00205567/school-funding-reform-and-arrangements-for-2013-14>

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