

NORTH YORKSHIRE COUNTY COUNCIL
YOUNG PEOPLE OVERVIEW AND SCRUTINY COMMITTEE

14 September 2012

SCHOOL FUNDING BRIEFING

Covering Report

1. Purpose of Report

The purpose of this report and the report attached at Annex 1 is to provide an update on school funding issues and the implementation of changes directed from the Department for Education (DfE)

2. Introduction

- 2.1 The Department for Education has issued a number of consultations in the past 18 months on school funding. Final decision have now been taken by the Department and this briefing note contains a summary of the latest position and notes that work is ongoing to respond to the requirements placed upon the Council.

3. Recommendations

The Young People Overview and Scrutiny Committee is requested to note the briefing information in this report and the report attached at Annex 1.

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Background Documents: None

Appendices: Annex 1 Briefing Notes to YPOSC September 2011. January 2012

School Funding Reform

1.0 Background

- 1.1 In July 2011 the government consulted on proposed major changes to the school funding system.
- 1.2 At that time, we recognised three main areas of concern resulting from the proposals, each of which could have a detrimental impact on schools in North Yorkshire. There were:
- a) Overall funding levels, and concern that additional money added to the Schools Block by the Council would disappear in a national redistribution,
 - b) The schools formula, where DfE was proposing that there would be restrictions placed on the way LAs could allocate budgets to schools,
 - c) Academy funding, where the current costly funding method – described by DfE as “unsustainable” – would have continuing impact on the funding of all schools
- 2.1 Our response highlighted these issues and it pleasing to see that the original proposals were later modified, although we continue to have some concerns about the final outcome.
- 2.2 Each of these areas is described below in light of a further consultation, “School Funding Reform: Next steps towards a fairer system” issued in March 2012 and which has since been translated into operational guidance and proposed regulations.

3.0 **Final Proposals – Main Formula**

Funding Levels

- 3.1 The government continues to state that it will work towards a “national funding formula” although this will not be before the next Spending Review period (i.e. after 2015). Therefore there will be no redistribution of DSG between LAs – at least not for the time being.
- 3.2 Although the level of DSG for 2013-14 and 2014-15 will be based on current levels, the grant will be split into 3 blocks, which will not be ring-fenced.
- 3.3 These blocks will be:
- (i) Schools
 - (ii) High Needs
 - (iii) Early Years
- 3.4 The Schools Block will be finalised earlier than is currently the case, with the pupil numbers being taken from the October census, rather than the following January.
- 3.5 The High Needs Block will initially be based on the 2012-13 S251, although there is the possibility of some change after that date.

- 3.6 The Early Years Block will continue to be funded on January census figures, although there will be some changes, including the phasing out of the 90% funding floor for 3-year olds¹.

Maximum Delegation

- 3.7 The underlying principle of the new regime will be “maximum delegation”, i.e. everything in the Schools Block should be delegated to schools unless the Schools Forum agrees otherwise.
- 3.8 This is not so very different from where we are currently in North Yorkshire.
- 3.9 The County Council already supports high levels of delegation to schools and this is reflected in the low level of LACSEG to Academies², which is based on the value of centrally-managed budgets. However the proposals go further and start from the basis that services within the Schools Block and the funding for them should be delegated to schools in the first instance.
- 3.10 Local Authorities will then be able to, with the support of the Schools Forum, “optionally de-delegate” some services for LA-maintained schools. These services, which will be the first of 3 exceptions to full delegation, are:
- support for schools in financial difficulty
 - other contingencies³
 - Free School Meals eligibility
 - Staff costs – supply cover
 - Insurance
 - Licences/subscriptions
 - Support for minority ethnic pupils or underachieving groups
 - Behaviour support services
 - Library services⁴
- 3.11 Other budget lines will have to be delegated (with no “optional de-delegation”). Of these only the last, school meals, remains to be delegated in North Yorkshire (it is currently partially delegated). The full list is:
- threshold and performance pay
 - 14-16 practical learning options
 - Extended services
 - School meals
- 3.12 Other budget lines can continue to be managed centrally. These are to be termed Exception 2 (*historic commitments* – e.g. contribution to combined budgets or where the DSG funds some redundancy costs) and Exception 3 (*statutory functions* – such as the co-ordinated admissions scheme, servicing of the Schools Forum, Carbon Reduction Commitment and Capital Expenditure funded from revenue).
- 3.13 For both Exceptions 2 and 3, expenditure will only be allowed up to the total budgeted for in 2012-13, i.e. there will be no further increase in DSG contributing to these costs.

¹ Each LA is currently guaranteed funding of at least 90% of the 3-year old population in its area

² The Local Authority Central Spend Equivalent Grant 7th lowest of 150 LAs in 2012-13 (secondary figure)

³ For exceptional unforeseen costs which it would be unreasonable to expect governing bodies to meet; for additional costs relating to new, reorganised or closing schools; and for significant pupil number growth

⁴ In North Yorkshire some of these budgets (insurances, library, licences and subscriptions) are already delegated to schools

The Schools Formula

- 3.14 Funding will not transfer between LAs, and school (including Academy) budgets will continue to be based on local decisions. However the DfE still wishes to impose restrictions on how money can be allocated to schools.
- 3.15 In future all school formulae will only be able to include components from a list of 12 allowable factors. These are:
- i. Basic per-pupil entitlement (of which there will be one rate for primary pupils and one or two for secondary, representing KS3 and KS4)
 - ii. Deprivation measured by FSM and/or IDACI (Income Deprivation Affecting Children Index)
 - iii. Looked after Children
 - iv. Low Cost, High Incidence SEN
 - v. English as an Additional Language (up to 3 years only)
 - vi. Lump sum at the same level (maximum £200k) for every school
 - vii. Split Sites
 - viii. Rates
 - ix. PFI
 - x. Pupil Turnover/mobility
 - xi. Post 16 subsidy from the DSG

Funding of Academies

- 3.16 The proposals encompass a change in the way Academies are funded. Currently academies receive the same delegated (formula) budget as they would had they continued to be maintained by the LA (although there is a 17-month delay caused by a complicated replication process), plus a “top-up”, or Local Authority Central Spend Equivalent Grant (LACSEG), in lieu of services no longer provided free of charge by the LA.
- 3.17 Although the LACSEG is based on LA budgets, with decreases in LA funding causing a respective reduction in LACSEG rates, the DfE has introduced a short-term benefit on 2012-13 to converting schools by protecting Academy budgets.
- 3.18 However, it now appears that this potential benefit to Academies (which in itself may be offset by additional one-off costs for Academies, such as paying off pensions deficits or by ongoing costs, such as higher insurance⁵) will be temporary. The new proposals described above regarding the assumption of initial full delegation means that the DSG element of the LACSEG will disappear.
- 3.19 In principle the new arrangements will place Academies back on a level of funding which is consistent with LA maintained schools and this should be welcomed.
- 3.20 A separate consultation deals with the LA part of the LACSEG and proposes the top-slicing of an amount from the Council’s general formula grant and passing it to the DfE to be handed out in equal measure to schools and Academies.

4.0 High Needs and Early Years

- 4.1 The consultation also covers High Needs and Early Years

⁵ The DfE used to cover the higher insurance costs which occur at Academies but this has now reduced to a contribution towards these costs

4.2 In High Needs, the DfE states its intention to ensure that funding for this provision is arranged on an equivalent basis across different types of providers. All providers, including mainstream and special schools, will receive up to 3 elements of funding:

- (i) Core funding – i.e. the Age Weighted Pupil Unit in primary and special schools
- (ii) Additional funding – a clearly identified budget for providers for high needs pupils up to an agreed level
- (iii) Top-up funding – to meet the total costs of the education provision required by an individual high needs pupil, based on the pupil’s assessed needs

4.3 For primary and secondary schools the amount in element (ii) – “additional funding” – is being “strongly recommended” as £6,000. In North Yorkshire the equivalent value is £10,000.

4.4 For Pupil Referral Units, the recommended amount for elements (i) and (ii) is £8,000 and for Special Schools it is £10,000.

4.5 This system is illustrated in the table below.

	Pre-16 SEN and AP		Post-16 SEN and LDD
	Mainstream settings	Specialist settings	All settings
Element 1: Core education funding	Mainstream per-pupil funding (AW/PU)	Base funding of £10,000 for SEN and £8,000 for AP placements, which is roughly equivalent to the level up to which a mainstream provider would have contributed to the additional support provision of a high needs pupil. Base funding is provided on the basis of planned places.	Mainstream per-student funding (as calculated by the national 16-19 funding system)
Element 2: Additional support funding	Contribution of £6,000 to additional support required by a pupil with high needs, from the notional SEN budget		Contribution of £6,000 to additional support required by a student with high needs
Element 3: Top-up funding	“Top-up” funding from the commissioner to meet the needs of each pupil or student placed in the institution		

4.6 The new system will encompass both pre-16 and post-16 high needs provision.

4.7 No major changes are proposed for the time being regarding the funding of Early Years provision, although the Consultation notes that the government will move towards a

national funding formula over the next few years. Instead the DfE will seek to help LAs simplify their formulae and will produce best practice material.

- 4.8 However LAs will be required to fund free early education for 2-year olds through the same formula as is used for 3 and 4-year olds, and this will entail some additional work between now and next April.
- 4.9 As mentioned above, the 90% floor in funding LAs will be phased out by 2014-15, with a reduction to 85% in 2013-14.
- 4.10 Any Academies with nursery classes will be funded from now on via the Early Years Single Funding Formula – i.e. via the LA rather than the EFA.

5.0 Other Issues

- 5.1 There are some other consequences of the School Funding Reform changes.
- 5.2 The first of these is that the role of the Schools Forum will change
- 5.3 That change will include:
 - removal of the requirement to have a minimum of 15 people on a Forum
 - Limiting 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)
 - confining the voting arrangements to allow only schools members and providers from the private, voluntary and independent sector to vote on the funding formula
 - requiring local authorities to publish Forum papers, minutes and decisions promptly on their websites; and,
 - requiring Forums to hold public meetings – as is the case with other council committees.
- 5.4 The Education Funding Agency (EFA) will “have a significant role in overseeing local funding arrangements” and will be able to check if each LA's formula is compliant with the regulations. Ultimately the EFA will have the power to deduct money from the Council and pass it on to Academies.
- 5.5 The EFA will also continue to replicate the work which LAs are required to do in producing school budgets

6.0 Impact on North Yorkshire

- 6.1 We welcome the decision not to move funding between LAs. However, as stated above, we continue to have concerns regarding the restrictions being placed on the formula and also on some of the issues for High Needs funding.
- 6.2 The North Yorkshire formula for schools has been developed over many years, with the Schools Forum, to ensure that every school is funded at an appropriate level. The fact that we have such a small number of schools in financial difficulty is of course down to the good work undertaken by heads and governors. However this also due, at least in part, to the success of the current formula in allocating the right amount of resources.
- 6.3 The new formula is based on a principle of a “one size fits all” across the country, although, as we have seen, the levels of funding between LAs will remain different. We have particular concerns about the homogenous lump sum (which must be the same whether a school has 15 pupils or 1,500) and the impact this will have by drawing away resources available for pupil-led funding.
- 6.4 Whichever mix from the menu is used, it is clear that there will be significant winners and losers among our schools, although there will be a time-limited transition/protection through the Minimum Funding Guarantee.
- 6.5 We also have issues with the High Needs proposals, especially where the “strongly recommended level” mentioned above is significantly lower than the amount already delegated to schools in North Yorkshire. We will have to undertake a review of how these funds are allocated and this will include un-delegating some funds and then using those to recommission from schools via some sort of assessment process. DfE has at least recognised this issue and will allow us some time to fully implement the new system.

7.0 Timescale and Implementation

- 7.1 Work has been underway for some time now to ensure we are able to deliver what is required within the Department’s timescales. A timetable of key meetings is set out below.
- 7.2 This recognises that our proposed new formula and identification of which budgets will be delegated has to be with the Education Funding Agency by the end of October.

		Notes
14 Sept	YPOSC	General Update on DfE decisions and how work is progressing e.g. with Schools Forum
19 Sept	Schools Forum	Proposals for consultation with schools
20 Sept – 17 Oct	Consultation with all schools	See meeting dates below
24 Oct	Schools Forum	Final decisions and recommendations
30 Oct	Executive Members	Final Proposals
7 Nov	Full Executive	Final Proposals
19 Dec	County Council	Final Proposals

- 7.3 Any final changes will be notified to EFA in January and this will include the impact of changes in the autumn pupil census.
- 7.4 A number of consultation meetings have been set up during the period of consultation with all schools. These are shown below:

Date	Month	Day	Venue	Registration & Refreshments	Start & Finish Times
20	September	Thursday	Pavilions, Harrogate	4.15pm	4.30pm - 6.30pm
24	September	Monday	Romanby Golf & Country Club	4.15pm	4.30pm - 6.30pm
27	September	Thursday	Rendezvous Hotel, Skipton	4.15pm	4.30pm - 6.30pm
1	October	Monday	Downe Arms Hotel, Wykeham	4.15pm	4.30pm - 6.30pm
3	October	Wednesday	Parsonage Hotel, Escrick	4.15pm	4.30pm - 6.30pm

8.0 Recommendation

- 8.1 The Committee is asked to note this report.

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