

**Report to:** Schools Forum  
**Subject:** School Funding Reform  
**Date of meeting:** 12th December 2012  
**Report by:** Julian Wooster – Director for Children’s Services  
**Written by:** Richard Webb - Finance Manager

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### **Purpose of report**

1. The purpose of this report is to: (a) ensure that schools forum is consulted on the changes to the schools funding formula, (b) provide a further update on the progress being made towards implementing the requirements of the school funding reform, and (c) seek the appropriate approvals required.

### **Recommendations**

2. It is recommended that the schools forum:
  - a. Notes the elements of funding within the high needs block in paragraph 5.
  - b. Agrees to the proposal for allocating additional funding for SEN in mainstream schools from the High Needs Block as detailed in paragraph 9.
  - c. Endorses the indicative top-up rates for 2013-14 for Special Schools and Resourced Units as detailed at paragraph 18.
  - d. Agrees to the proposal for allocating the behaviour support funding as detailed in paragraphs 20 and 21.
  - e. Endorses the indicative top-up rate for 2013-14 for the Alternative Provision places as detailed in paragraph 24.
  - f. Agrees the proposal for funding of permanent exclusions set out in paragraph 31.
  - g. Agrees to the principle that: ‘*growth funding will be allocated to schools where there is a **significant** and **sustained** growth in pupil numbers*’.
  - h. Agrees that for funding to be allocated to schools from the growth fund; the growth in the number of pupils must meet **both** of the following criteria:
    - i. **Significant** – Where the increase in the number on roll exceeds 10 pupils per year and this equates to 5% or more of the total number of pupils on roll.
    - ii. **‘Sustained’** – The ‘significant’ criteria has been met for both the current and previous academic year.

- i. Agrees that the 'one-off' allocation from the growth fund to schools who meet the above criteria, will be equal to 7/12ths of the 'Basic Per Pupil Entitlement' of the current academic year's increase in the Number of Roll. For secondary schools, the Basic Per Pupil Entitlement rate for Key Stage 3 will be used in the calculation.
- j. Endorse that the indicative level of the growth fund for 2013-14 be set at £250,000 and be funded from a re-allocation of the contingency budget.

### **Overview of the High Need Block**

- 3. The new funding mechanism refers to pupils and students requiring high levels of specialist provision as high needs pupils and students. There is no specific definition of 'high needs', however for the purposes of funding, pupils and students with high needs, are those who need educational provision that costs more in total, (including the basic provision given to all pupils and students) than £10,000 per year.
- 4. This applies to all pupils and students with high needs from birth to 19, with high level Specialist Educational Needs (SEN) and pupils of compulsory school age in alternative provision (AP).
- 5. The funding within the high needs block will be used to support a range of items including:
  - a. delegated budgets of special schools;
  - b. centrally funded provision for individual pupils;
  - c. SEN support services
  - d. independent special school fees
  - e. commissioned pupil referral services
  - f. education out of school
  - g. central budgets
  - h. post 16 SEN funding

### **Delegation of funding for SEN in Mainstream schools**

- 6. Additional funding will be allocated to mainstream schools and Academies in relation to support for pupils with statements that was previously held centrally by the Council. This additional funding will form part of the Notional SEN budget, from which mainstream schools and Academies will be required to provide a 'local offer' of teaching and learning for all pupils including those with high need. Mainstream schools and Academies will be required to contribute the first £6,000 of the additional support costs.
- 7. Currently schools are only expected to fund the first £2,000 of additional support costs of low incidence statements. Therefore under the new arrangements, funding which was previously held centrally to support pupils with statements with a cost up to £6,000 will now be delegated to

schools. As the funding will now be delegated through the mainstream funding formula, the funding will now no longer be specifically targeted to the individual pupils, but will instead form part of the schools Notional SEN budget.

8. As detailed within the consultation document and the previous report to schools forum, the Council proposed to use the additional flexibilities available in order to target additional funding, in exceptional circumstances, to schools and Academies. This additional funding will be targeted to where the funding, allocated through the funding formula, does not adequately reflect the number of pupils with statements within the school.
9. Based on the financial modelling and the feedback from the funding working group, it is proposed that funding of £731,000 will be allocated in 2013/14 as follows:
  - a. 51% of the available funding will be allocated on a per pupil basis through the 'Basic Per Pupil Entitlement' factor within the funding formula, to ensure all schools receive additional support towards the Notional SEN budget.
  - b. 49% of the available funding will be targeted, in exceptional circumstances, to the schools and academies with a higher proportion of 'low incidence high cost statements'. The criteria for this allocation is based on the percentage of pupils with these statements compared to the Number on Roll (NOR):

| <b>% of pupils with low incidence high cost statements compared to NOR</b> | <b>Primary Schools indicative additional funding per pupil with a low incidence high cost statement<br/>£</b> | <b>Secondary Schools indicative additional funding per pupil with a low incidence high cost statement<br/>£</b> |
|--|---|---|
| Over 1.4%  | 700   | 800   |
| Over 1.75%   |   | 1,200   |
| Over 2%  | 1,700   | 1,550   |
| Over 2.25%   |   | 1,800   |
| Over 2.5%  | 1,950   | 2,050   |
| Over 3%  | 2,200   |   |
| Over 3.5%  | 2,600   |   |

10. The difference in rates for exceptional funding between the primary and secondary phases is designed to (a) maintain the current funding levels within each sector in the same proportion, (b) reflect the size of available resources between the primary and secondary schools, and (c) target the funding where the funding formula does not adequately reflect the number of pupils with statements within the school.

11. These rates ensure that all schools with low incidence high cost statements of greater than 2% of their NOR are winners when compared to the current distribution of funding therefore creating a financial incentive to support pupils with low incidence high cost statements.
12. The financial modelling of the above proposal has shown that this closely reflects the current allocation of funding to schools for low incidence high cost statements. The variances can be summarised as follows:

| <b>Funding Gained / Lost compared with current funding methodology</b> | <b>Number of Primary Schools</b> | <b>Number of Secondary Schools</b> |
|--|----------------------------------|------------------------------------|
| Gain between £7,500 - £8,750   | -                                | 1                                  |
| Gain between £5,000 - £7,500   | 3                                | 1                                  |
| Gain between £2,500 - £5,000   | 7                                | 2                                  |
| Gain between £0 - £2,500   | 9                                | 2                                  |
| Loss between £0 - £2,500   | 20                               | 1                                  |
| Loss between £2,500 - £5,000   | 10                               | -                                  |
| Loss between £5,000 - £7,500   | -                                | 2                                  |
| Loss between £7,500 - £8,500   | -                                | 1                                  |

### **Specialist SEN Settings**

13. Specialist settings include special schools, special units and resourced provision in mainstream schools and academies that are set aside specifically to provide services to pupils with high needs.
14. Specialist SEN settings will receive base funding of £10,000 per agreed place. The place element of the funding will be passed on directly to maintained providers by Portsmouth City Council. Academies and other non-maintained providers will receive the place funding from the Education Funding Agency. 'Top-up' funding above this level, will be paid by the commissioning authority on a per-pupil basis.
15. To maintain stability in the level of funding for Special Schools and in order to maintain the recognition of the higher level of support required for those pupils with the high level of needs, the Council is proposing to adapt the traditional 'A – H' banding mechanism to allocate the necessary top-up funding for pupils in Special Schools, for the financial year 2013-14. The amounts payable at each band have been updated in order to reflect the introduction of the 'place' funding mechanism. In order to maintain the stability of funding for each school, each school will have its own band values. The band values are based on the assumption that the total funding for each school remains the same as in 2012-13 (subject to the MFG mechanism) and that all of the places are full.

16. As with the special schools, the special units and resourced provision will also receive place funding of £10,000. However, based on the financial modelling and the feedback from the special funding working group, and in order to maintain financial stability for these units, the Council is proposing use the 2012-13 per pupil funding values as the basis for calculating the appropriate top-up rates.

17. These funding arrangements will be reviewed again during 2013-14 and alternative arrangements may be proposed for the following financial year.

18. The indicative top-up rates for the special schools and resourced units for 2013-14 are as follows:

### Special Schools

|        | Redwood | Cliffdale | Willows | Mary Rose | Harbour |
|--------|---------|-----------|---------|-----------|---------|
| Band A | 18,269  | 18,822    | 22,004  | 19,886    | 20,134  |
| Band B | 9,764   | 10,317    | 13,499  | 11,381    | 11,629  |
| Band C | 8,091   | 8,644     | 11,826  | 9,708     | 9,956   |
| Band D | 6,712   | 7,266     | 10,448  | 8,330     | 8,577   |
| Band E | 4,991   | 5,545     | 8,726   | 6,609     | 6,856   |
| Band F | 2,621   | 3,174     | 6,356   | 4,238     | 4,486   |
| Band G | 1,793   | 2,347     | 5,529   | 3,411     | 3,659   |
| Band H | 294     | 847       | 4,029   | 1,911     | 2,159   |

### Resourced Units

| Unit Type                             | 2012/13 Place Value | 2012/13 Average AWP | Total Funding 2012/13 | Indicative 2013/14 'Top-up' funding |
|---------------------------------------|---------------------|---------------------|-----------------------|-------------------------------------|
| Nurture and Assessment                | 5,829               | 3,105               | 8,934                 | 0                                   |
| Hearing Impairment (Infant)           | 7,246               | 2,855               | 10,101                | 101                                 |
| Hearing Impairment (Junior)           | 7,246               | 2,747               | 9,993                 | 0                                   |
| Language Impairment (Infant)          | 9,876               | 2,855               | 12,731                | 2,731                               |
| Language Impairment (Primary)         | 9,141               | 2,793               | 11,934                | 1,934                               |
| Autistic Spectrum Condition (Primary) | 15,683              | 2,793               | 18,476                | 8,476                               |
| SEBD *AP provision £8k place value    | 11,845              | 2,793               | 14,638                | 6,638                               |

## **Behaviour Support Funding**

19. At the schools forum meeting on 24th October, Members unanimously agreed to the de-delegation of the Behaviour Support Funding from mainstream schools for 2013-14. The elements of the behaviour support provision are detailed below.

|             | <b>Multi Agency Behaviour Support Service</b> | <b>Targeted Mentoring Support Service</b> | <b>Fair Access Protocol</b> | <b>Total</b> |
|-------------|---|---|-----------------------------|--------------|
| Early Years | £32,000                                       | £0  | £0                          | £32,000      |
| Primary     | £393,000                                      | £0  | £4,000                      | £397,000     |
| Secondary   | £162,000                                      | £168,000                                  | £55,000                     | £385,000     |
| Special     | £24,000                                       | £30,000                                   | £0                          | £54,000      |
| Total       | £611,000                                      | £198,000                                  | £59,000                     | £868,000     |

20. It was previously suggested that the delegation to mainstream schools would be allocated using prior attainment as a proxy for SEN. Having modelled various options and following discussions with the working group it is proposed that the values above for Primary and Secondary schools are allocated via the Basic Per Pupil Entitlement and FSM on a 50/50 split. Targeting the funding in this way takes account of both the size of the potential need in each school (NOR) and the potential severity of need in each school (FSM).

21. The delegation to special schools will be on a per pupil basis via the top-up element of their funding and the Harbour School will offer a service to these schools through an SLA, to allow them to purchase the behaviour support services. The early year's element will be managed centrally.

22. During 2013-14 schools will be required to indicate a preference as to the model of provision of these behaviour support services for 2014-15.

## **Alternative Provision**

23. The place-plus approach to Alternative Provision (AP) Settings is similar to that for specialist SEN settings. There will be a base level of funding for each agreed AP place of £8,000. Above this £8,000 place funding, top-up funding will be provided by the commissioner on a per pupil basis.

24. The indicative top-up rate for 2013-14 for the alternative provision settings is expected to be £4,500. In addition schools will be expected to fund the additional transport costs from within the £6,000 Notional SEN budget.

25. In the cases of early intervention, placements to avoid permanent exclusion or fixed term exclusion, the commissioner will be the mainstream

school or Academy, whereas in other instances it will generally be the Local Authority.

### **Funding in cases of permanent exclusions**

26. As previously reported, under the DfE proposals mainstream schools and academies will be required to repay the AWPU to the Local Authority in the case of a permanent exclusion.
27. This arrangement would create a perverse financial incentive for schools to exclude pupils on financial grounds, as it would be cheaper to exclude a pupil and repay the AWPU, than to pay the top-up to the alternative provision provider.
28. A local arrangement was proposed at the schools forum meeting on the 24<sup>th</sup> October 2012. Although the proposal was not accepted in full, the following principles were agreed in relation to funding in cases of permanent exclusion:
  - a. There should be no perverse financial incentive to permanently exclude.
  - b. That where the exclusion takes place prior to the October census in an academic year, the schools would repay the AWPU.
  - c. That where the exclusion takes place after the October census in an academic year, that the school would repay the AWPU for that year and the following year.
  - d. That the school would also repay a top-up in the first year, but that a decision on the amount to be repaid is delayed until further financial modelling is presented to Members at the next meeting.
29. The financial modelling overleaf compares the cost of placing a pupil in alternative provision against the potential local arrangement scenarios in cases of permanent exclusion. The modelling is based on the assumption that exclusion takes places the day after the October census and that any pro-rata calculation is based on 6/12ths.

|  | DfE<br>exclusion<br>proposal<br>£ | Top-up<br>£6,000<br>£ | Top-up<br>£4,500<br>£ | Top-up<br>£3,000<br>£ | Top-up<br>£1,000<br>£ |
|--|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b><u>Cost of placing pupil in alternative provision:</u></b>            |                                   |                       |                       |                       |                       |
| Year 1 (from October - March)  | 3,000                             | 3,000                 | 3,000                 | 3,000                 | 3,000                 |
| Year 2   | 6,000                             | 6,000                 | 6,000                 | 6,000                 | 6,000                 |
|  | <u>9,000</u>                      | <u>9,000</u>          | <u>9,000</u>          | <u>9,000</u>          | <u>9,000</u>          |
| <b><u>Contribution from Schools in cases of permanent exclusion:</u></b> |                                   |                       |                       |                       |                       |
| <b>Primary:</b>  |                                   |                       |                       |                       |                       |
| Year 1 - AWPU (October - March)  | (1,330)                           | (1,330)               | (1,330)               | (1,330)               | (1,330)               |
| Year 1 - Top-up  | 0                                 | (6,000)               | (4,500)               | (3,000)               | (1,000)               |
| Year 2 - AWPU  | 0                                 | (2,659)               | (2,659)               | (2,659)               | (2,659)               |
|  | <u>(1,330)</u>                    | <u>(9,989)</u>        | <u>(8,489)</u>        | <u>(6,989)</u>        | <u>(4,989)</u>        |
| Placement v's Exclusion - (Cost)/Saving                                  | 7,671                             | (989)                 | 512                   | 2,012                 | 4,012                 |
| <b>Secondary - KS3:</b>  |                                   |                       |                       |                       |                       |
| Year 1 - AWPU (October - March)  | (1,890)                           | (1,890)               | (1,890)               | (1,890)               | (1,890)               |
| Year 1 - Top-up  | 0                                 | (6,000)               | (4,500)               | (3,000)               | (1,000)               |
| Year 2 - AWPU  | 0                                 | (3,779)               | (3,779)               | (3,779)               | (3,779)               |
|  | <u>(1,890)</u>                    | <u>(11,669)</u>       | <u>(10,169)</u>       | <u>(8,669)</u>        | <u>(6,669)</u>        |
| Placement v's Exclusion- (Cost)/Saving                                   | 7,111                             | (2,669)               | (1,169)               | 332                   | 2,332                 |
| <b>Secondary - KS4:</b>  |                                   |                       |                       |                       |                       |
| Year 1 - AWPU (October - March)  | (2,194)                           | (2,194)               | (2,194)               | (2,194)               | (2,194)               |
| Year 1 - Top-up  | 0                                 | (6,000)               | (4,500)               | (3,000)               | (1,000)               |
| Year 2 - AWPU  | 0                                 | (4,388)               | (4,388)               | (4,388)               | (4,388)               |
|  | <u>(2,194)</u>                    | <u>(12,582)</u>       | <u>(11,082)</u>       | <u>(9,582)</u>        | <u>(7,582)</u>        |
| Placement v's Exclusion- (Cost)/Saving                                   | 6,806                             | (3,582)               | (2,082)               | (582)                 | 1,418                 |

30. As the table above shows, the only option which provides a scenario across all phases, which does not create an incentive to exclude pupils on financial grounds is the option where the top-up for the first year of £6,000 is paid back to the Authority in addition to the AWPU in both years (AWPU pro-rata in year 1). The top-up would not be on a pro-rata basis.

31. It is therefore proposed that in cases of permanent exclusion:

- Mainstream schools or academies will be required to pay £6,000 top up funding in addition to a pro-rata element of the AWPU for the current financial year.
- Where the exclusion occurs after the October Census, mainstream schools and academies will be required to pay the above, plus the full AWPU for the following financial year (except in years 2,6 and 11 where the pupil would be leaving the school).



## **Growth Fund**

32. Funding for significant pupil growth for primary and secondary schools can now be retained centrally before the school funding formula is calculated. However, the requirements below must be complied with.

- a. The growth fund can only be used for the purposes of supporting growth in pre-16 pupil numbers to meet basic need and to support additional classes need to meet the infant class size regulation.
- b. The fund must be used on the same basis for the benefit of both maintained schools and recoupment Academies.
- c. Any funds remaining at the end of the financial year must be added to the following year's DSG and reallocated to maintained schools and Academies through the local funding formula.
- d. Local authorities will be required to produce criteria on which growth funding is to be allocated
- e. Local Authorities will need to propose the criteria to Schools Forum and gain agreement before growth funding is allocated. The Local Authority will also need to consult the Schools Forum on the total sum to be top-sliced from each phase and must regularly update the Schools Forum on the use of the funding.

33. Before developing the specific criteria for allocating growth funding to primary and secondary schools, it is necessary to clarify the underlying principle around which the criteria will be established. The proposed principle is as follows:

*'Growth funding will be allocated to schools where there is a **significant** and **sustained** growth in pupil numbers'*

34. In setting the criteria, 'significant' and 'sustained' have been defined as follows:

- a. **'Significant'** – For an increase in growth to be deemed significant for a school, it is necessary to consider both the absolute number of pupils by which the Number on Roll has increased, as well as its relationship to the overall number of pupils in the school. Therefore the 'significant' criteria will be both a number and a percentage.
- b. **'Sustained'** – For an increase in growth to be deemed a sustained increase for a school, it would be necessary to consider the increase in pupil numbers over a period of time, therefore a period of two or three years have been considered.

35. In order to determine the values to be used in specifying both the 'significant' and 'sustained' criteria, financial modelling has been completed on a range of scenarios. The modelling was based on future estimates of growth in pupil numbers for 2013-14 and 2014-15. The results of the financial modelling are attached at Appendix 1.
36. Based on the financial modelling and the feedback from the funding working group, it is proposed that for funding to be allocated to schools from the growth fund; the growth in the number of pupils must meet **both** of the following criteria:
- a. **'Significant'** – Where the increase in the number on roll exceeds 10 pupils per year and this equates to 5% or more of the total number of pupils on roll.
  - b. **'Sustained'** – The 'significant' criteria has been met for both the current and previous academic year.

The one-off allocation from the growth fund to schools who meet the above criteria, will be equal to 7/12ths of the 'Basic Per Pupil Entitlement' of the current academic year's increase in the Number of Roll. For secondary schools, the Basic Per Pupil Entitlement rate for Key Stage 3 will be used in the calculation. It is proposed that the growth fund be set at an indicative level of £200,000 for 2013-14 and be funded from a re-allocation of the contingency budget.

## **Conclusion**

37. The report sets out a number of proposals in relation to changes arising from the school funding reform which require the support or approval of the schools forum. It is recommended that schools forum approve the recommendations within this report.

**Growth Funding requirements**  
**Increase in the Number on Roll**

|  | Pupil increase                |                |                               |                | Funding required              |              |                               |              |
|--|-------------------------------|----------------|-------------------------------|----------------|-------------------------------|--------------|-------------------------------|--------------|
|  | Increase over a 2 year period |                | Increase over a 3 year period |                | Increase over a 2 year period |              | Increase over a 3 year period |              |
|  | 2013/14<br>NOR                | 2014/15<br>NOR | 2013/14<br>NOR                | 2014/15<br>NOR | 2013/14<br>£                  | 2014/15<br>£ | 2013/14<br>£                  | 2014/15<br>£ |
| Increase of over 10 NOR and 5% of total NOR  | 80                            | 96             | 19                            | 54             | 127,652                       | 180,600      | 30,317                        | 86,165       |
| Increase of over 15 NOR and 5% of total NOR  | 50                            | 96             | 0                             | 54             | 79,782                        | 180,600      | 0                             | 86,165       |
| Increase of over 20 NOR and 5% of total NOR  | 28                            | 96             | 0                             | 26             | 44,678                        | 180,600      | 0                             | 41,487       |
| Increase of over 10 NOR and 10% of total NOR | 28                            | 0              | 0                             | 0              | 44,678                        | 0            | 0                             | 0            |
| Increase of over 15 NOR and 10% of total NOR | 28                            | 0              | 0                             | 0              | 44,678                        | 0            | 0                             | 0            |
| Increase of over 20 NOR and 10% of total NOR | 28                            | 0              | 0                             | 0              | 44,678                        | 0            | 0                             | 0            |
| Increase of over 10 NOR and 15% of total NOR | 0                             | 0              | 0                             | 0              | 0                             | 0            | 0                             | 0            |
| Increase of over 15 NOR and 15% of total NOR | 0                             | 0              | 0                             | 0              | 0                             | 0            | 0                             | 0            |
| Increase of over 20 NOR and 15% of total NOR | 0                             | 0              | 0                             | 0              | 0                             | 0            | 0                             | 0            |