



Department  
for Education

# School funding reform: Arrangements for 2013-14

## Introduction

1. In March 2012, we set out how we will take steps over the next few years to reform the school funding system so that it is fairer, simpler, more consistent and transparent<sup>1</sup>. The Government wants funding intended for education to reach schools and the pupils that need it most. It believes that good, popular schools should find it easier to expand in response to demand from parents and that school leaders should have greater certainty over their budgets so they can plan ahead.
2. To achieve this, we will introduce a national funding formula in the next Spending Review period which will ensure that schools in similar circumstances and with similar intakes receive similar levels of funding. To pave the way for this, we will simplify the way that local authorities and the Education Funding Agency (EFA) currently fund schools so that it is more consistent and better focused on the needs of pupils. Greater consistency between local funding formulae will mean we are well placed to introduce a national funding formula.
3. When we set out our next steps in March, we asked for views on some of the proposals. These questions covered details of how local formulae should be constructed and how some of the funding arrangements for high needs and early education should be implemented. The consultation closed on 21 May. This document sets out the final funding arrangements for the financial year 2013-14. Annex A provides a summary of the consultation responses.
4. While most of the next steps we set out in March remain unchanged, this document highlights important aspects of detail that have been clarified or firmed up. It follows the same format as the March document and is intended to sit alongside it. Operational guidance for local authorities has also been updated and issued in parallel with this document.
5. We will be making the necessary regulations that will give effect to these changes from 2013-14. Draft finance regulations and Dedicated Schools Grant (DSG) conditions of grant will be issued for consultation shortly; we are already consulting on the draft schools forum regulations.

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<sup>1</sup> *School funding reform: Next steps towards a fairer system*, March 2012, Department for Education.

# Chapter 1

## Simplification of the local funding arrangements

### Introduction

1. In Chapter 1 of the March document, we set out new arrangements for local authorities to allocate the Schools Block element of the DSG to schools. We described:
  - a. our intention to achieve maximum delegation, meaning that only in exceptional circumstances will funding from the Schools Block be held by the local authority for the provision of central education services;
  - b. a significant reduction in the number of factors that local authorities can use in their formulae for allocating funding to schools. The allowable factors are weighted towards pupil characteristics rather than school organisation or premises characteristics;
  - c. the pro-forma that every local authority will use to publish details of its funding formula and the timeframes within which to operate;
  - d. how the Schools Forum arrangements will be strengthened to ensure fairer decision-making for all the pupils in the area; and
  - e. the role of the EFA in funding Academies and upholding the fairness of local decision-making.
2. The development of new local formulae under these arrangements is highly likely to result in changes to each school's budget share. In order to limit the impact of these changes and to provide stability and protection for schools, a minimum funding guarantee of minus 1.5% per pupil in 2013-14 and 2014-15 will be put in place. More details about protections for maintained schools and Academies are set out at paragraphs 49 to 57.
3. This chapter sets out the final position on each of these aspects of local school funding arrangements for 2013-14.

### Services provided by the local authority

4. To give school leaders greater choice over how to spend their budgets, local authorities should work on the basis that services within the notional Schools Block and the funding for them should be delegated to schools in the first instance. In most local authorities, this will mean more delegation to schools than there has been in the past.
5. In March, we described three exceptions to this where funding will either be returned to, or retained by, the local authority to provide a service centrally. Having taken account of consultation responses, the final arrangements are explained below. These include some changes to the existing exceptions and further exceptions relating to growth in pupil numbers, equal pay back-pay and non-SEN places in independent schools.

#### *Exception 1 – Where maintained schools agree that a service should be provided centrally*

6. There is a limited list of services that can be provided centrally if the Schools Forum – on behalf of maintained schools in a phase – agrees. This can be agreed on the basis of economies of scale or pooled risk.
7. The funding for these services will be delegated to schools in the first instance, but if the

Schools Forum decides one or more should be provided centrally, funding from the maintained schools will be returned to the local authority (de-delegation). Academies can choose to buy into such services by local agreement.

8. The relevant services about which the Schools Forum can make decisions on behalf of maintained schools in a phase are as follows:
  - a. allocation of contingencies (see paragraph 10 below);
  - b. administration of free school meals eligibility;
  - c. insurance;
  - d. licenses or subscriptions;
  - e. staff costs or supply cover;
  - f. support for minority ethnic pupils or underachieving pupils;
  - g. behaviour support services; and
  - h. library and museum services.
9. Of course, if groups of maintained schools and/or Academies want to pool resources to purchase other services from the local authority, they would be free to do so.
10. Contingencies can be retained centrally for maintained schools but only for a limited range of circumstances:
  - a. exceptional unforeseen costs which it would be unreasonable to expect governing bodies to meet;
  - b. schools in financial difficulties; and
  - c. additional costs relating to new, reorganised or closing schools.
11. In March, we also said contingency funding could be retained centrally for significant pupil number growth. In order to support the local authority duty in place planning, alternative arrangements will operate – these are described below.

#### *Exception 2 – Historic commitments*

12. In the past, some local authorities have agreed with their Schools Forums that the budget for schools can be used for the provision of some central services that would normally be funded from wider local authority funds. Examples include redundancy costs and borrowing for capital expenditure. In addition, local authorities have funded capital from revenue in this way – for example the capitalised costs of equal pay arrears or to supplement capital funding – though expenditure of this type does not require Schools Forum approval (other than where it would breach the central limit).
13. To recognise that these commitments have been made in good faith on the basis of local decisions, we will allow the continuation of this funding – not to do so could be destabilising. Expenditure of this kind will only be allowed for existing commitments and to the level budgeted for in 2012-13. No new commitments or additional expenditure will be allowed.

### *Exception 3 – Statutory functions of the local authority*

14. Some services relating to the statutory functions of the local authority have also been met through the budget for schools. These include the co-ordinated admissions scheme, the Carbon Reduction Commitment and the administration of the Schools Forum.
15. Expenditure on these lines will be allowed up to the limit of levels budgeted in 2012-13 but no new commitments will be allowed.

### *Further exceptions*

16. In addition to the exceptions above, two further items of central expenditure will be permitted. These are for equal pay back-pay and the funding of non-SEN places in independent schools.
17. For equal pay back-pay, where local authorities are still concluding negotiations and need to pay lump sums of back-pay to staff in schools and Academies, this will be an allowable item of central expenditure before maintained schools and Academy budgets are calculated. The Schools Forum will need to agree the total and Academies must be funded on the same basis as maintained schools.
18. For non-SEN places in independent schools, where local authorities choose to place pupils in independent schools because of the pressure on state school places in their area, funding will be allowed from the schools budget. Again, Schools Forum agreement will be needed.

### *Supporting schools with significant growth in pupil numbers*

19. In March, we said that maintained schools facing significant pupil number growth could be supported through de-delegated contingency funding, but that local authorities would not be able to top-slice to build a contingency budget for this purpose. As autonomous institutions, Academies would be expected to manage pupil growth from within their own budgets in the first instance but could work with the EFA if exceptional budget pressure arose.
20. Under this arrangement, there is a risk of uncoordinated growth provision. To mitigate this risk we are introducing an alternative arrangement. Local authorities will now be able to create a growth fund from the DSG in advance of allocating school budget shares<sup>2</sup>. The growth fund will need to be ring-fenced so that it is only used for the purposes of supporting growth in pupil numbers to meet basic need and will be for the benefit of both maintained schools and Academies. 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 formula.
21. Importantly, local authorities will be required to produce criteria on which any growth funding is to be allocated. These should provide a transparent and consistent basis (with differences permitted between phases) for the allocation of all growth funding. The criteria should both set out the circumstances in which a payment could be made and provide a basis for calculating the sum to be paid.
22. Local authorities will need to propose the criteria to the Schools Forum and gain its 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. It is essential that the use of the growth fund is entirely transparent and solely for the purposes of supporting growth in pupil numbers.

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<sup>2</sup> Eligible expenditure on growth can include funding schools and Academies where very limited pupil growth nevertheless requires an additional class, as required by class size regulations.

## Formula factors for distributing the notional Schools Block

23. In March, we listed the formula factors that local authorities will be able to use when allocating funding to schools from the notional Schools Block. There were 10 listed: two mandatory (basic per-pupil entitlement and deprivation) and one that is only applicable to the five local authorities<sup>3</sup> that have some of their schools within the London fringe area and need flexibility to reflect the higher teacher costs in these schools.
24. We invited views on a number of the indicators underpinning the 10 factors. This section considers each formula factor in turn, summarises responses to the consultation and describes the final arrangements.

### *Basic per-pupil entitlement (mandatory factor)*

25. As we described in March, all local authorities will allocate a basic per-pupil entitlement. We stipulated that authorities should have only one rate for primary school pupils – this is because there is little evidence to suggest that the costs between the primary Key Stages vary. Our analysis indicates that around half of authorities fund Key Stage 1 at a higher rate, while half fund Key Stage 2 at a higher rate. In order to maintain simplicity and consistency, from 2013-14 only a single rate will be allowed.
26. We asked for views on whether separate Key Stage 3 and Key Stage 4 rates should be allowed and responses to the consultation were strongly in favour of doing so (85 per cent agreed). Local authorities will therefore be able to apply different age-weighted pupil units for Key Stage 3 and Key Stage 4.
27. In March, we indicated that we were inclined to set a minimum threshold for funding allocated through the basic entitlement or pupil-led factors. We sought views on how this might be achieved. Responses to the consultation were mixed but slightly favoured not setting a threshold at this point.
28. Our discussions with local authorities since March indicate that the proportion of funding which will go through the pupil-led factors is likely to increase significantly as a result of the overall simplification of local formulae. While a minimum threshold would reinforce this, we are conscious that introducing one at this early stage in reform could create unnecessary or undesirable shifts in schools' budgets. We will however review this next year once we have assessed the first year of formula simplification and can be clearer about the impact it would have.

### *Deprivation (mandatory factor)*

29. We have always been clear that deprived pupils must attract additional funding. Not only are local authorities required to target some of the DSG at deprived pupils, we are also investing £2.5 billion in the Pupil Premium over the spending period. Local authorities will continue to have to target funding at deprived pupils but in order that they do this in a more consistent way we explained, in March, that this should be based on two indicators only:
- a. free school meals (FSM) data (which could be either straight FSM or Ever 6 as with the Pupil Premium);
  - b. IDACI data; or
  - c. both.
30. We set out an example IDACI banding system and asked for views on how this might be

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<sup>3</sup> The five local authorities are Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex.

applied. A number of responses to the consultation suggested that the proposed banding system needed to be amended as it was not sensitive enough to local authorities with higher levels of deprivation. We have therefore looked again at our banding methodology and have now introduced a 6<sup>th</sup> band. The IDACI bands have now been set as follows:

Band	IDACI score lower limit	IDACI score upper limit
1	0.2	0.25
2	0.25	0.3
3	0.3	0.4
4	0.4	0.5
5	0.5	0.6
6	0.6	1.0

31. Please note that local authorities will still be able to set the unit value and that this can vary between primary and secondary phases.

*Looked after children (optional)*

32. Local authorities will be able to target funding to schools for looked after children if they wish to do so. Primary schools and secondary schools will attract the same rate.

*Low cost, high incidence special educational needs (optional)*

33. In March, we described how local authorities will be able to target funding to schools with pupils with low cost, high incidence special educational needs (SEN) (supplementary funding arrangements for pupils with high needs are discussed in Chapter 3). Local authorities currently use a range of measures to allocate funding for these needs, including prior attainment and deprivation. For the future, a factor based on prior attainment will be available but its use is not compulsory.
34. In defining the measures that should be used if this factor is applied, we acknowledged that there was no 'perfect' way of identifying pupils with low cost SEN but prior attainment provided a good proxy for a substantial element of such pupils. During the consultation we had representations from local authorities that the current Early Years Foundation Stage Profile (EYFSP) threshold was set too high at 78 points. We have looked again at our analysis and have decided to introduce a second, lower threshold. Local authorities will therefore be able to target:
- a. for primary schools, either all pupils who do not achieve 78 points or all pupils who do not achieve 73 points or more in the EYFSP. This will be a temporary measure until the review of EYFSP has concluded; and
  - b. for secondary schools, all pupils who fail to achieve Level 4 or above in both English and mathematics at Key Stage 2.

*The notional SEN budget*

35. Whichever way local authorities choose to allocate funding for low cost, high incidence SEN, they will still be required to give mainstream schools a notional SEN budget from the Schools Block. This might be made up of funding from the basic per-pupil entitlement, deprivation and

low cost, high incidence SEN factors. It is from this notional budget that mainstream schools will be expected to:

- a. meet the needs of pupils with low cost, high incidence SEN; and
- b. contribute, up to a certain level set by the local authority, towards the costs of provision for pupils with high needs (including those with high cost, low incidence SEN)<sup>4</sup>.

*English as an additional language (optional)*

36. Pupils with English as an additional language (EAL) often require additional support. We have considered the evidence on how much support is needed and, as we explained in March, have decided that 3 years – from the point at which the pupil enters compulsory education in England – should be sufficient. With early intervention, pupils with EAL can achieve well, even earlier.
37. We also recognise that the cost of supporting pupils who start school in England at an older age can be considerably higher. It is for this reason that local authorities will be able to allocate one rate for EAL pupils in primary schools and a different rate for EAL pupils in secondary schools.

*Lump sum (optional)*

38. In March, we suggested that local authorities should be allowed to allocate a lump sum of the same amount to all schools in the area. The predominant rationale for this is to provide sufficient funding for those small schools – particularly in rural areas – which although they represent an efficient use of a local area's DSG, may not be able to operate on the basis of their per-pupil funding alone. With this in mind, the lump sum is intended to cover the average fixed cost of running a school (for example the cost of a head teacher, a caretaker and some administrative support).
39. We invited views as part of the consultation on where within a range of £100,000 to £150,000 the upper limit should be set.
40. In response to the consultation, a number of concerns were raised about the level of the lump sum and its potential impact on smaller schools in particular. We have therefore decided to allow a lump sum of up to £200,000 in order to provide local authorities with additional flexibility in this first year of reform. We will, however, review this over the next year (as we are with other factors such as the basic entitlement) to establish whether this is the minimum cap needed to ensure the sustainability of those small schools which represent an efficient use of funding – and we may use a different cap for the 2014/15 allocations.
41. Some schools and local authorities are concerned that the single lump sum approach would advantage some schools over others. We believe that the transparency of a single lump sum (which reflects fixed costs and no more) strongly supports the move to a fair and transparent funding system. Schools have historically been allocated funding through various grant programmes or because they offered different types of facilities or teaching staff. This has led to a system where some schools offer a rich and varied curriculum while others offer only the basics. Not all pupils can go to the first type of school. That is why we are ensuring that more funding will follow pupils, so that those schools that attract pupils (either because of their curriculum or ethos or quality of teaching) will also attract the funding they need and, in turn, this will lead to pupils having greater choice over better schools.

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<sup>4</sup> In the March document (see paragraph 3.1.7-3.1.8), we defined high needs pupils and students as those requiring provision costing more than around £10,000 per year. We deliberately chose a financial threshold, as opposed to an assessment-based threshold – such as having a statement of SEN – since linking statutory assessments to additional funding could create perverse incentives.



42. Small rural schools can play an important role in local communities. We remain firmly committed to supporting them wherever they represent an efficient use of a local area's funding. That is why we are not only allowing a lump sum with an appropriate limit but we have also continued with our policy of a presumption against the closure of rural schools as set out in section 15 of the Education and Inspections Act 2006.
43. As with any school, small schools may have to consider alternative arrangements to remain viable. As we set out in March, shared governance, federation and joining an Academy chain are just some solutions which might help small schools to continue to succeed. It would be unfair to allow subsidies to continue to reach schools with a few pupils, at a significant cost to the schools with the majority of pupils.

*Split-sites, rates and private finance initiatives (PFI) (optional)*

44. As we explained in March, local authorities will be able to apply additional factors to reflect the costs of operating on split-sites (where a cash sum will be allocated), rates (which will be based on actual costs) and PFI arrangements (again where a cash sum will be allocated).

*Exceptional premises factors (by agreement with EFA)*

45. There may be some schools that incur additional costs because they have exceptional premises. For example they may have listed buildings, farm buildings, buildings that are rented or have boarding provision to meet social need. Providing these circumstances are exceptional – i.e. they apply to less than 5% of the schools in the local authority and account for more than 1% of the budget of the school or schools affected – local authorities can request that an exceptional premises factor is included within their local formula. The EFA wrote to local authorities in May explaining how the application process will work.

*Other factors*

46. In addition to the 10 formula factors listed above, the consultation highlighted two further areas with significant costs attached. These were in relation to the use of DSG to support sixth form classes and pupil mobility. Local authorities will be able to take these into account as set out below:
- a. **post-16** – while the core purpose of the DSG is not to fund post-16, many local authorities have used it for this purpose in the past. Where local authorities have used DSG for sixth forms, in the past, they will be allowed to honour this commitment in 2013-14, but no new commitments or increases in expenditure will be allowed; and
  - b. **pupil mobility** – some schools experience high levels of pupil mobility and greater costs as a result. By pupil mobility we mean the total movement in and out of schools by pupils other than at usual times of joining and leaving.

Evidence suggests that pupils subject to frequent moves are less likely to achieve and so schools often put additional staffing in place to help support pupils. In addition, schools subject to high levels of pupil mobility can be faced with significant administrative burdens.

Local authorities will therefore be able to apply a factor for pupil mobility that is based on the number of pupils entering schools at non-standard entry points. More detail on this is set out in the operational guidance.

**Pro-forma and timings**

47. Now that the final formula factors have been defined (as above) local authorities can finish

developing their local formula and start to consult Schools Forums and others. The Department's formula tool is designed to support local authorities in developing their formula and is being updated to reflect policy changes. A final version of this will be issued shortly. We will also confirm shortly what information we will collect on the pro-forma and the more detailed table underpinning it.

48. We set out the timetable for the DSG in the March document and this is unchanged. We have developed the timetable to make sure budgets for schools and Academies can be confirmed by the end of March 2013. To make sure this is achieved, it is important that local authorities submit the details of their local formula, using the pro-forma, to the EFA by the end of October 2012. A reminder of the timings is set out in Table 1 below.

Table 1 – Timetable for the Dedicated Schools Grant

<u>Date</u>	<u>Action</u>
October 2012	Local authorities submit provisional Schools Budget pro-forma to the EFA
28 November 2012	School Census database closed
December 2012	EFA confirms DSG allocations for 2013-14 (prior to recoupment of funding for Academies)
January 2013	Local authorities submit final data for Schools Budget pro-forma
January – March 2013	Local authorities confirm budgets for their maintained schools. EFA confirms Academy budgets

### **Protections**

49. The minimum funding guarantee (MFG) protects the per-pupil funding of schools from one year to the next against significant changes in funding formulae or changes in data not directly related to pupil numbers. The MFG has been set at minus 1.5% per pupil for 2013-14 and 2014-15. As we explained in March, the arrangements for the operation of the MFG are being simplified so it is easier for schools to understand how their budgets are being protected.
50. We proposed that certain items should be automatically excluded from the calculation of the MFG as including them could result in excessive or insufficient protection for schools. The items that will be automatically excluded are:
- a. post-16 funding;
  - b. allocations from the notional High Needs Block, including those for named pupils with SEN; and
  - c. the lump sum.
51. Further to this and following feedback during the consultation period, we will make two further automatic exclusions – for allocations made through the early years single funding formula and for rates. In addition, we clarify below how the lump sum should be treated in the MFG baseline.

### *Early years*

52. In the case of primary and infant schools with nursery classes, the MFG currently applies to the whole school budget, including early years funding. Given the time between the setting of the 5-16 budget (based on the October Census) and the early years budget (based on the January Census) the early years budget will have to be excluded. Early education budgets will be protected separately. More information is provided in Chapter 4.

### *Rates*

53. If local authorities apply a factor for rates it will be based on actual cost. The value could vary from year to year with revaluations and new buildings. Including rates in the MFG could therefore lead to either excessive or inadequate levels of protection resulting from decisions over which schools have no control. Rates will therefore be automatically excluded.

### *Treatment of the lump sum*

54. Local authorities currently allocate a wide range of lump sums to schools. In 2013-14, any lump sum that is allocated to all schools will be fixed at a level determined locally that is no higher than £200,000. Given the potential difference from current lump sums to the lump sums that might be allocated in 2013-14, it is important to protect budgets appropriately and exclude the right amount from the 2012-13 baseline.

55. This means that the lump sum that is excluded from the 2012-13 baseline will be the same value of the lump sum that is applied in 2013-14, regardless of how much lump sum the school might have actually received in 2012-13.

### *MFG and Academies*

56. The total DSG allocated to a local authority will take into account all pupils in maintained schools and Academies (excluding non-recoupment Academies and Free Schools). In order to calculate the MFG for maintained schools, local authorities will treat all recoupment Academies in the local authority area as though they were maintained schools and will calculate a school budget share for all schools using revised local funding formulae.

57. Separately, the EFA will calculate and pay MFG protections against funding paid to Academies in the Academy funding year 2012/13, including through Schools Block Local Authority Central Spend Equivalent Grant (LACSEG). Any additional cost of these protections will not need to be found from within the local DSG and will therefore have no impact on either the funding allocated to maintained schools or the amount recouped from the local authority.

### **Improved Schools Forum arrangements**

58. An important aspect of local decision-making is the Schools Forum. Schools Forums were put in place to support local authorities on matters relating to school budgets and they play a critical role in representing the views of all the schools in the area, including Academies, Free Schools, maintained schools and early education providers.

59. In March, we described a number of measures that would improve the way that Schools Forums operate. These focused on membership, voting rights and publication of papers. These measures have been included in draft regulations and we are currently consulting on them. The consultation closes on 11 July 2012.

### **The role of the Education Funding Agency**

60. On behalf of the Secretary of State, the EFA has a key role in overseeing the school funding system. It distributes the DSG and Pupil Premium to local authorities; calculates and pays

Academy budgets; calculates sixth form funding for schools and Academies; and will also have a role in overseeing local funding arrangements.

61. We explained the latter function in more detail in March but essentially there are three main components to the EFA oversight role:
- a. a right to send an observer to Schools Forums;
  - b. reviewing each local authority's pro-forma to ensure the formula is compliant with the new arrangements; and
  - c. ensuring that local formulae have been constructed in a reasonable way that enables the variety of provision in the area to be funded equitably.

62. For each of these oversight functions, the EFA will apply a slightly different approach as described below.

#### *Schools Forum observation*

63. By giving the EFA observer status at Schools Forum meetings, it will be able to support the local process and provide a national perspective. An EFA representative will not attend every meeting but will want to see how the Forum is working, and could be asked to attend specific meetings if members thought it helpful or if there were any concerns about the running or composition of the Forum.

#### *Formula compliance checks*

64. When local authorities submit their pro-forma in October, the EFA will review each one to check it is compliant with the new arrangements. In doing so, it will take account of any representations it has received from any schools in the area (both Academies and maintained schools). If the pro-forma shows that a formula is non-compliant with the regulations or conditions of grant, the EFA will require the relevant local authority to change the formula. There will then need to be a rapid dialogue to ensure that a compliant revised formula is submitted.

#### *Reasonableness checks*

65. Where the EFA has received representations from an individual school or a group of schools (in both cases meaning either maintained schools or Academies), that suggest they will be unreasonably funded as a result of the local authority not applying an allowable formula factor or not requesting an exceptional factor, it will explore the matter further. After investigation the EFA may ask the local authority to apply the factor in question.
66. The EFA will not consider general representations from individual schools that have lost funding under the new formula arrangements. The EFA will, however, monitor the impact of the new formulae on different types of schools – for instance in the primary to secondary funding ratio – and look for trends. This kind of information will be of value in the development of a national funding formula.
67. The EFA will respond to schools and Academies that indicate potential infringements of those regulations and DSG grant conditions which ensure maximum delegation, create restrictions on use of funding for central services, and ensure that any centrally retained funding is used equitably. The EFA may wish to seek to verify such complaints by securing evidence and information from the local authority.

## **Funding arrangements for Academies in 2013-14 and beyond**

68. One of the benefits of putting in place simplified and consistent local formulae is that maintained schools and Academies will be funded on a more equitable and transparent basis. The pro-forma is critical to this as it will negate the need for bureaucratic and error-prone replication when the EFA calculates Academy budgets.
69. A further benefit arises as a result of the maximum delegation of the Schools Block (see paragraph 4). This will mean that there is no need to calculate a separate Schools Block LACSEG payment as Academies will receive this funding up front as part of their budget share.
70. Year-on-year budget protections for Academies will also be provided through the MFG of minus 1.5% per pupil, subject to the exclusions above. When calculating an Academy's 2013/14 school budget share, the EFA will ensure that the MFG takes account of the Schools Block LACSEG received by the Academy in 2012/13.
71. As we highlighted in March, we are exploring options for the transfer of funding for the central education functions currently included in LA Block LACSEG from local authority Formula Grant to the Department for Education. The EFA would then distribute this funding as a separate un-ringfenced grant to authorities and to Academies on a national basis, proportionate to the number of pupils for which they are responsible. We plan to consult on more detailed proposals later this summer alongside the Department for Community and Local Government's consultation on the business rates retention scheme.

### *Free Schools, University Technical Colleges and Studio Schools*

72. In March, we set out our decision that, from 2013-14, Free Schools, University Technical Colleges (UTCs) and Studio Schools should be funded through the relevant local simplified formula rather than existing arrangements. This would mean that all maintained schools, Academies and Free Schools will be funded on the same basis so that equivalence of funding is transparent across the system.
73. We were concerned that, in doing so, we would lose the benefit of the Free Schools 'ready reckoner' as a budgeting device for Free School proposers. We asked for views on the kind of information Free Schools, UTC and Studio School proposers need to check viability and plan and the overwhelming response was that proposers needed early planning certainty on their overall 2013/14 budget. Respondents were clear that it was not tenable for 2013/14 openers to have to wait until March 2013 for confirmation of budgets, after local formulae have been finalised and applied by the EFA.
74. In light of this, 2013/14 openers should continue to use the 'ready-reckoner' as a basis for planning 2013/14 budgets. 2013/14 openers will be funded in accordance with local formulae but, to limit the impact of any difference between planned and realised budget, we will provide a protection of minus 1.5% on a like-for-like basis.
75. We expect that 2014/15 openers will be able to reflect the 2013-14 local formula in their planning for 2014/15 budgets. We will provide an updated 'ready-reckoner' to assist with this. In preparing the financial plans for their Free School application, groups should, however, use the current 'ready-reckoner', although it should be noted that these figures will vary from their final budget. Further information on budget setting arrangements will be made available to prospective 2014/15 Free Schools later in the year.

## **Funding arrangements for 14-16 year olds wishing to study in Further Education Colleges**

76. In March, we explained how we would fund Further Education and Sixth Form Colleges which make full-time provision for 14-16 year olds. Our intention is to fund these settings in a simple and transparent way and, taking account of differences where necessary, to fund them in line

with other settings in the local area.

77. We are still finalising the details of how this funding will flow in practice and will give further details in the Autumn.

78. Pupils should also attract the Pupil Premium at the relevant rate.

79. More information will follow on how funding will flow in practice.

## Chapter 2

### Improving the way that local areas are funded

80. In the March document, this Chapter introduced the concept of allocating the DSG in notional blocks (schools, high needs and early years) and explained how these will be calculated.
81. It also explained how the timing of the DSG will be confirmed earlier so that school and Academy budgets can be set earlier. In summary, we explained that the DSG allocations for 2013-14 would be confirmed in December 2012, comprising:
- a. a confirmed notional Schools Block based on the October 2012 census;
  - b. an initial notional Early Years Block based on the January 2012 census, to be update during 2013-14 for January 2013 and 7/12ths of the January 2014 pupil numbers (to cover the September 2013 to March 2014 period); and
  - c. a confirmed notional High Needs Block based on 2012-13 spend, possibly updated with 2013-14 population projections.
82. During the consultation period, local authorities queried how children who defer entry to reception classes might be accounted for as they would not appear in the October census and so would not attract funding. To prevent schools with lots of deferred entries to Reception classes being disadvantaged, we will uplift the DSG to reflect the difference in Reception pupil numbers between the October and January counts of the previous academic year. Regulations will allow local authorities to apply this uplift in pupil numbers to all schools with Reception classes, reflecting what actually happened in each school in the previous year.
83. We also explained that we were exploring options for the transfer of funding for the central education functions currently included in local authority Block LACSEG from local authority Formula Grant to the Department for Education. The EFA would then distribute this money as a separate un-ringfenced grant to authorities and Academies on a national basis, proportionate to the number of pupils for which they are responsible. We plan to consult on this jointly with the Department for Communities and Local Government as part of a consultation on a business rates retention scheme later in the summer.

## Chapter 3

# Improving arrangements for funding pupils and students with high needs

### Introduction

84. In March, we announced a new approach to funding provision for pupils and students with high needs. In the corresponding chapter in the March document, we explained in detail this new place plus approach. This chapter confirms the new high needs funding arrangements for 2013-14 and clarifies arrangements for the areas on which we consulted. These include: funding arrangements for independent and non-maintained special schools (INMSSs); hospital education; and some specific details relating to alternative provision (AP).
85. The new high needs funding arrangements will be introduced for all providers in the schools sector in April 2013, including local authority maintained schools, and special and Alternative Provision Academies. They will be phased in for mainstream Academies by September 2013. The new arrangements for providers in the further education (FE) sector will be introduced from the start of the 2013/14 academic year.

### The case for reform

86. Our approach to reform of high needs funding includes not only high needs pupils in the schools sector, but also high needs students in the FE sector. This is to ensure that funding arrangements support the Government's plans to introduce a single approach to assessment and planning for young people with SEN from birth to 25.
87. As we stated in March, funding arrangements need to support the Government's key policy reforms, and the shortcomings inherent in the current system need to be addressed.
88. Put simply, an unreformed high needs funding system would frustrate and impede, rather than facilitate and support, the development of personal budgets, the local offer, and a single assessment and plan from birth to 25. These are key planks of the Government's reforms of SEN and disability provision<sup>5</sup>. Without reform of current funding arrangements for AP, we will not be able to implement the recommendations of Charlie Taylor's review of AP, nor give schools and Academies a greater role in commissioning AP<sup>6</sup>.

### A reformed approach to high needs funding: Place-plus

89. As we described in March, a place-plus approach to high needs funding will ensure that all providers, mainstream and specialist, will be funded on an equivalent basis. This approach has been designed to be straightforward and transparent, so as to encourage flexibility and, where appropriate, improve choice.
90. There are a number of simple steps that have been taken to develop the place-plus approach:
- a. **defining "high needs"** – we have defined the threshold between needs that we would expect to be met through mainstream funding and those where additional funding is

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<sup>5</sup> *Support and aspiration: A new approach to special educational needs and disability: Progress and next steps*, <https://www.education.gov.uk/publications/standard/publicationDetail/Page1/DFE-00046-2012>

<sup>6</sup> *The Taylor review of alternative provision: Improving alternative provision*, <http://www.education.gov.uk/schools/pupilsupport/behaviour/a00204776/taylor-review-of-alternative-provision>



required. We have set this threshold at around £10,000 of education provision per year. We have deliberately defined high needs with regard to a financial threshold, as opposed to an assessment-based threshold, to avoid creating a potential pressure for additional statutory assessments;

- b. **defining the contribution made by mainstream providers** – mainstream schools, Academies and colleges will be expected to contribute the first £6,000 of the additional education support costs of a high needs pupil;
- c. **introducing an equivalent level of base funding for specialist settings** – specialist pre-16 SEN settings will receive base funding of £10,000 per planned place. Post-16 specialist SEN / learning difficulty and disability (LDD) provision will be funded slightly differently, but on an equivalent basis to mainstream post-16 settings. AP settings will receive base funding of £8,000 per planned place. Base funding will ensure equivalence of funding between providers, and will offer some stability of funding for specialist settings; and
- d. **aligning funding and educational commissioning responsibilities** – above this threshold, commissioners and providers will liaise directly over top-up funding for individual pupils based on their assessed needs.

### **Funding for mainstream settings**

- 91. We described in March that funding for placements of high needs pupils in mainstream schools and Academies will be very similar to current arrangements. At present, pre-16 mainstream settings receive a clearly-identified notional SEN budget. Using this, schools and Academies are expected to meet the needs of pupils with high-incidence SEN and to contribute up to a certain level to the needs of high needs pupils.
- 92. Under place-plus, mainstream schools and Academies will receive formula funding which will include a notional SEN budget. From this, they will provide a standard offer of teaching and learning for all pupils, including those with high needs. In the March document, we called this core education funding. From their notional SEN budget, they will contribute the first £6,000 of the additional support costs of high needs pupils. By additional support, we mean the additional education provision that a pupil needs in order to access the school's or Academy's offer of teaching and learning. Funding above this level will be agreed with the commissioning local authority and paid in the form of a top-up from its High Needs Block.
- 93. As we announced in March, local authorities will also be able to target additional funding from their High Needs Block at schools and Academies whose formula funding does not adequately reflect the number and/or needs of pupils with SEN in the school.
- 94. Funding for mainstream post-16 settings will operate in a similar manner. Providers will receive per-student funding through the national 16-19 funding formula. They will also receive an allocation of £6,000 per high needs student on roll. The allocation of these two elements will be based on student data from the last full academic year. Above this level, top-up funding will be provided by the commissioning authority from its High Needs Block. This will mean that FE colleges will now discuss funding directly with commissioners.

### **Funding for specialist SEN settings**

- 95. We announced in March the details of a new approach to funding specialist SEN settings, moving from a predominantly place-led funding system to a place-plus approach. Specialist settings are institutions or places in institutions that are set aside specifically for pupils or students with high needs. They include not only special schools but special units and resourced provision in mainstream schools and Academies.

96. Under place-plus, pre-16 specialist SEN settings will receive base funding of £10,000 per planned place. The aims of introducing this base level of funding are to ensure equivalence across specialist settings and with mainstream settings, as well as providing some stability of funding. Base funding will be passed on directly to maintained providers by the maintaining authority. Academies and other non-maintained providers will receive this funding from the EFA. Top-up funding above this level will be paid by the commissioning local authority on a per-pupil basis.
97. We stated in March that we would like to work towards a position in which independent and non-maintained special schools (INMSSs) received base funding direct from the EFA. We can now confirm that INMSS will receive base funding in this way from April 2013, and will be funded in the same way as other non-maintained specialist settings such as special Academies and special Free Schools.
98. With regard to post-16 specialist SEN and LDD settings, we announced in March that these would be funded in the same way as mainstream post-16 settings: a per-student allocation calculated by the national 16-19 funding formula and an allocation of £6,000 per high needs pupil or student based on data from the last full academic year. As at present, there will be an opportunity for specialist settings to have their allocations reviewed if their current numbers differ significantly from those used to calculate their allocations.
99. We also described in March that there would be a simple process to confirm the number of planned specialist SEN places for 2013-14, and thereafter a simple process for keeping funded places under review. With regard to the former, the EFA has begun to write to local authorities asking them to confirm this information. With regard to the latter, we described in March that the EFA would coordinate a national, annual process through which commissioners and providers will discuss allocations of funded places and notify any proposed adjustments to the EFA. This will enable and encourage planning on a supra-local authority level, and ensure that funding is responsive to local need. Ultimately, this will support the Government's aim that providers that are in demand should be able to expand, while empty places should not be funded indefinitely.

### **Funding for Alternative Provision settings**

100. We announced in March that we would introduce a place-plus approach for AP settings similar to that for specialist SEN settings. We explained, however, that we did not consider that £10,000 was an appropriate level of base funding for AP settings, and we consulted on whether £8,000 per place was a more appropriate level. We explained that some AP cost less than £10,000 per place per year, and we wanted to avoid over-funding some providers by setting the base level too high.
101. Responses to this consultation question were mixed, with "not sure" the most common response. Many respondents were concerned that providers should receive a greater proportion of funding on the basis of places rather than the pupils placed with them. Nevertheless, in order to support a sharper and more focused approach to commissioning, as recommended by Charlie Taylor, we will set the base level of funding for AP at £8,000 per place.
102. We recognise that there is a lack of reliable data on current per-pupil or per-place spending in AP. As we stated in March, we will consider for future years whether £8,000 per place is the most appropriate level of base funding in light of future data returns on levels of AP funding.
103. Above this base level of funding, top-up funding will be provided by the commissioner on a per-pupil basis. Top-up funding will be based on the pupil's assessed needs, and will be discussed and agreed between the provider and commissioner. In cases of early intervention or fixed-term exclusions, the commissioner will be a mainstream school or Academy, whereas in other instances it will generally be a local authority (though some local authorities delegate this

function to schools or groups of schools).

104. We also consulted in March on what *pro rata* arrangements might be put in place with regard to the payment of top-up funding for short-term and part-time placements. We considered that it was important to balance flexibility of funding with the need to avoid the administrative burden of managing multiple small transactions. Consultation responses showed support for calculating top-up funding for short-term placements on the basis of a half-termly rate, and for part-time placements on a daily rate. We will recommend that, when discussing top-up funding, providers and commissioners will calculate half-termly rates for short-term placements and daily rates for part-time placements.
105. Consultation responses also identified that one aspect of these reforms could potentially provide a perverse financial incentive for mainstream schools and Academies to exclude pupils permanently. In instances of fixed-term exclusions, early intervention or off-site direction the mainstream school or Academy would repay Age Weighted Pupil Unit (AWPU) to the local authority and pay top-up funding to the AP provider. In instances of permanent exclusion, however, the mainstream school or Academy would only repay AWPU.
106. As a result, we will not require mainstream schools and Academies to repay AWPU when placing pupils in AP for the purposes of fixed-term exclusion, early intervention or off-site direction. Mainstream schools and Academies will agree and pay top-up funding to AP settings in such instances. In cases of permanent exclusion, mainstream schools and Academies will repay AWPU.
107. The exclusions trial is at present testing an approach that would see mainstream schools and Academies take on commissioning responsibilities for permanently-excluded pupils. In advance of the outcome of this trial, Charlie Taylor has recommended that local authorities devolve funding to mainstream schools and Academies for permanent exclusions. We consider that this would be a further, complementary way of addressing perverse incentives to exclude permanently.

### **Top-up funding**

108. We announced in March that top-up funding above the thresholds set out above will be provided by commissioners on a per-pupil or per-student basis. This funding will be based on the pupil's or student's assessed needs, will be agreed between commissioners and providers, and will be provided in or close to the real-time movement of a pupil or student. These direct funding relationships between commissioners and providers will replace inter-authority recoupment.
109. We stated in March that the setting of top-up funding is a matter for local determination, and that local authorities may choose to use local banding frameworks to manage top-up funding. Top-up funding must, however, reflect a pupil's needs and the cost of the provision they receive in a particular setting. This is likely to mean that the level of top-up funding will be different in different settings. Further information about setting top-up rates and frameworks are set out in our operational guidance document.

### **Hospital education**

110. We stated in March that we were considering future funding for education provision for young people admitted to hospital. We explained that reform was needed so that funding for this provision did not require massive and costly inter-authority recoupment arrangements, while at the same time ensuring the availability of high-quality provision.
111. We recognised, however, that arrangements for this sector would need to be somewhat different to the place-plus approach for other areas of high needs provision. This is because hospital education is not commissioned on the basis of need or parental choice. Instead, it is,

by its very nature, reactive to needs that cannot be planned for and are often the result of injury or illness.

112. We are now able to confirm that, from April 2013, we will put in place a new approach to funding hospital education. We will first work with local authorities to distinguish hospital education provision from other high needs provision more akin to SEN and AP. This will enable us to build up a clear picture of hospital education provision nationally. We will then calculate the current spend on each hospital education setting, and top-slice this from the national DSG. Lastly we will be able to “passport” this funding to providers through the maintaining local authority. This will ensure that hospital schools are funded in a way that does not require inter-authority recoupment, which will therefore come to an end. It will also enable the Education Funding Agency to fund any hospital education providers that convert to Academy status.
113. Any changes in the level of demand for which a particular hospital education provider is required to cater, and thus consideration of any adjustments in funding levels, would be handled by the review process set out above.
114. We intend that these arrangements would also cover hospital education provision for young people aged 16-18 that is provided in the seven secure forensic psychiatric units.
115. Following the implementation of this approach, we will work with the hospital education sector in order to explore whether it is possible to develop a more transparent and consistent national approach to funding different types of provision that are offered in hospital education settings.

## Chapter 4

# Simplification of the arrangements for the funding of early years provision

### Early education funding

116. This section considers the funding of providers delivering the universal free entitlement of 15 hours per week of free early education for three and four year olds.
117. In March, we were clear that funding for free early education, delivered through the early years single funding formula (EYSFF), could be made simpler to understand, even more transparent, and more focused on impact. Since then, we have been working to support local authorities in this task. Shortly, we will publish:
- a. short, clear, non-statutory supporting material, to help local authorities improve their funding arrangements;
  - b. best practice examples from local authorities to sit alongside the supporting material, exemplifying how local authorities have learnt from experience and improved their EYSFF; and
  - c. local authority-level data on the funding, take-up, quality and outcomes of early education provision. This data will enable authorities to compare their performance with other authorities, and will be a powerful tool for parents and providers to hold their authority to account. We intend to add more data as it becomes available over the coming months, to give the broadest possible range of data for comparison.

### Funding free early education in all-through academies

118. In March, we explained that Academies with nursery provision are funded by local authorities through the EYSFF in the same way as other providers – maintained schools and private, voluntary and independent providers (PVI). The only exception to this is the small number of Academies with nursery provision which existed prior to 2010, which were funded by the Young People’s Learning Agency. Views were sought in the consultation on whether free early education in all Academies should be funded directly by local authorities.
119. There would be two main advantages to doing so. Firstly, there is a strong case to be made for bringing together free early education funding for three and four year olds for all providers. This would mean that wherever a child accesses their free early education – whether in an Academy or a maintained school, or in the private, independent and voluntary sectors – they would all be funded and paid by local authorities through the EYSFF. This move would further support simplicity and transparency in funding for free early education.
120. Secondly, timing changes have been made to bring forward Academy budget allocation. These involve basing the notional Schools Block element of the DSG on the pupil count from the October census rather than the January census (see Chapter 2). Since early education operates to a different timetable, based on the January not October census, continuing to fund through the EFA would almost certainly mean using the previous year’s EYSFF. This would mean these Academies continue to be treated differently to all other providers and on a 17 month time lag for early years.
121. We have therefore decided that all providers of free early education, including Academies currently funded for early education by the EFA, will be funded by local authorities on common

principles through the EYSFF. This change will have effect from 2013-14.

### **Minimum Funding Guarantee for free early education**

122. In the case of primary and infant schools with nursery classes, the Minimum Funding Guarantee (MFG) currently applies to the whole school budget, including early education funding. PVI providers are not covered by the MFG. Given the time between the setting of the 5-16 budget (based on the October Census) and the early years budget (based on the January Census) the early years budget will have to be excluded from the MFG.
123. We propose to introduce a specific free early education MFG for all providers of free early education for three and four year olds. The objective of this is to recognise the importance of funding stability to enable the early years sector to remain sustainable and to expand to deliver increasing numbers of places for two, three and four year olds. However, the Department is supportive of local authorities using the Early Years Single Funding Formula (EYSFF) to reform local funding arrangements to level the playing field between different types of early years providers and make funding fairer. Where it is necessary for local authorities to opt out of the MFG in order to do this, that will be possible. The Government will review the impact of the MFG on stability, fairness and value for money in the sector before confirming funding arrangements for 2014-15.
124. We propose to unify our arrangements, so that any local authority wishing to suspend the early education MFG should apply to the Secretary of State for approval in the same way as for the schools MFG. Our presumption is that applications that improve the fairness of funding between providers will be approved, but decisions will be made on a case by case basis.
125. The early education MFG will be set at the same level as the school MFG, meaning that EYSFF base rates cannot be reduced by more than 1.5%. However, the early education MFG will operate slightly differently to the existing MFG. Only the per hour 'base rate' in the EYSFF would be included in the MFG baseline – all other funding such as supplements and lump sums would be excluded. This is explained below:
  - a. the early education MFG would not include supplements. Supplements are designed to provide funding to providers based on certain criteria. By their nature, these may change from year to year which might affect the value of a supplement. For example, the number of disadvantaged children in a setting might reduce, affecting the deprivation supplement, or a lower Ofsted inspection grade could impact on a quality supplement. We believe it is important that supplement funding can be adjusted outside the MFG to take account of such changes;
  - b. the early education MFG would not include lump sums. We recognise the importance of supporting provision and the need to provide funding to address unavoidable costs, especially in maintained nursery schools. Local authorities will continue to be able to set a lump sum at a locally determined level. However, we do not want to lock in, through the MFG, lump sum payment levels, thereby preventing local authorities from responding to changes in local circumstances; and
  - c. given the early stage of roll-out of the two year old entitlement, we do not propose to include funding for two year olds as part of the MFG calculations at this stage.

### **90% funding floor for three year olds**

126. Participation in free early education by three year olds is recorded through the January Census, and this participation attracts DSG funding. Current funding to local authorities is based on the actual number of three year olds who take up their entitlement to free early education or an amount equivalent to 90% of the estimated three year old population doing so, whichever is higher. This is known as the 90% floor.

127. The 90% floor was introduced in 2003 to provide additional resources for local authorities to build capacity and boost take-up when they were rolling-out the universal free early education entitlement to all three year olds. Nine years later, free early education for three years is now well-established, with well over 90% of three year olds participating, but the floor has remained in place.
128. Funding through the 90% floor is not allocated specifically for local authorities to use to support three year olds: it is added to the total DSG each local authority receives and is used by local authorities across all 3-16 education according to local decision-making, as applies to all DSG funding.
129. In March, we announced the decision to phase out the 90% floor so it would be removed entirely from 2014-15. We also announced the intention to use 2013-14 as a transition year. We believe moving to full participation-based funding would provide an incentive for local authorities to maintain high levels of take-up of the free entitlement by three year olds. It would also incentivise local authorities to increase levels of participation, as higher take up would result in increased DSG funding. Importantly, research suggests that three year olds who do not currently benefit from the free entitlement disproportionately come from multiply-disadvantaged backgrounds and should therefore have the most to benefit from access to high quality early education. That is why it is important that funding arrangements promote increased levels of participation. Full participation funding also treats all local authorities equitably.
130. We made it clear that removing the 90% floor from 2014-15 would require a level of transitional support for local authorities. So, 2013-14 would be a transition year to enable local authorities to increase participation levels, before full participation funding commences in 2014-15. In the consultation, we sought views on how this transition year should be managed. We did further analysis and are considering two main options for 2013-14: reducing the funding floor to 85%; and reducing the amount individual local authorities receive through the 90% floor by 50%. We are undertaking further analysis of these options, and will work with stakeholders to explore their impact. A final announcement will be made shortly and in sufficient time for local authorities to plan their provision and prepare for the complete removal of the 90% floor in 2014-15.

### **Free early education for two year olds**

131. Since March, it has been announced that funding for early education for two year olds will transfer to the DSG from 2013-14. We believe this will enable effective local integration of free early education for two, three and four year olds. It will also give providers greater certainty to make the necessary expansion in high quality provision. The Department will shortly seek views on how this funding could be allocated to local authorities through a separate consultation.

# Annex A

## Analysis of responses to consultation points in *School funding reform: Next steps towards a fairer system*

### Introduction

This report has been based on 708 responses to the consultation document.

As some respondents may have supported more than one option for questions, total percentages listed under any one question may exceed 100%. Throughout the report, percentages are expressed as a measure of those answering each question, not as a measure of all respondents. There were specific issue campaigns, responding to a single question only, as well as responses by letter rather than through the consultation return.

The organisational breakdown of respondents was as follows:

Maintained School:	147
Academy:	127
Individual Local Authority:	104
Other:	82
Governor Association:	61
Schools Forum:	52
Teacher:	46
Parent / Carer:	37
Other Trade Union / Professional Body:	21
Local Authority Group:	15
Early Years Setting:	12
Teacher Association:	4



## Summary

### Basic per-pupil entitlement

- *In paragraphs 1.3.10 and 1.3.11 we discussed the basic per-pupil entitlement. The difference between providing education for Key Stage 3 compared to Key Stage 4 is sometimes significant due to the additional costs of practical work and examinations incurred in the latter Key Stage.*

#### **Question 1: Should local authorities and Schools Forums be able to agree separate rates for Key Stage 3 and Key Stage 4?**

**There were 529 responses to this question**

**Yes: 450 (85%) No: 43 (8%) Not Sure: 36 (7%)**

There was overwhelming agreement that separate rates for Key Stage 3 and Key Stage 4 should be permitted in local formula, with many respondents specifically referencing the additional costs for examinations, smaller teaching groups and/or practical elements of study at Key Stage 4.

- *In paragraph 1.3.13 we considered setting a minimum threshold for the basic entitlement. There is an interaction between the amount of funding that goes through the basic entitlement and the amount remaining for other factors, such as deprivation and low-cost SEN. There are three options available:*

*(a) To require a minimum percentage to go through **the basic entitlement only** (and we think that 60% represents a reasonable starting point);*

*(b) To require a minimum percentage to go through **all of the pupil led factors** (so would include the basic entitlement, deprivation, looked after children, low cost SEN and EAL). We think that 80% represents a reasonable amount for this threshold.*

*(c) To not set a threshold at all and accept that there will be inconsistency in some areas.*

#### **Question 2: Do you think we should implement option a, b or c?**

**There were 545 responses to this question**

**a: 111 (20%) b: 164 (30%) c: 198 (36%) None: 28 (5%) Not Sure: 44 (8%)**

There was a split of opinion on whether and where to set a minimum threshold for the basic entitlement.

Many of those that supported option (a) suggested that a 60% minimum threshold would be achievable for local authorities whilst allowing sufficient funding for other factors.

Those that supported option (b) suggested that it would help achieve the most consistency across the country whilst allowing local authorities and schools forums the flexibility to adjust the funding levels of pupil led factors to meet local needs.

Of the 36% that supported option (c) (that no threshold should be set), around a quarter thought that authorities and Schools Forums should be given enough flexibility to determine a distribution that best meets local needs. There were also concerns that a threshold would cause significant turbulence to school budgets, particularly those of smaller schools.

## Deprivation

- In paragraphs 1.3.15 to 1.3.23 we discussed deprivation funding and the issue of banding. Our preference is to allow banding only for IDACI under a new system, and to keep it as simple as possible, for example by only allowing a certain number of bands with a fixed unit rate applied to each and a minimum IDACI threshold. We do not propose to allow banding for FSM.*

**Question 3: Do you agree with our proposals on banding? How do you think they might be applied locally?**

**There were 526 responses to this question.**

**Yes: 259 (49%) No: 126 (24%) Not Sure: 141 (27%)**

Almost half of respondents to this question agreed with the proposals on banding with many reasoning that this simple and transparent structure would be effective at targeting need.

Of those that responded to the question, including those in favour of the proposal, 9% specifically warned against double or triple funding deprivation.

105 respondents to the question (20%), including many of those that were not in favour or not sure if the proposals were correct, suggested that it was important to retain flexibility to set deprivation levels locally.

## Lump Sums

- In paragraphs 1.3.38 to 1.3.42 we discussed the issue of lump sums. Many local formulae currently allocate a lump sum to schools. We want to set the upper limit on the lump sum at a level no higher than is needed in order to ensure that efficient, small schools are able to exist where they are genuinely needed. We think that the upper limit should probably fall somewhere between £100,000 and £150,000, and is certainly no higher than £150,000.*

**Question 4: Where within the £100,000-150,000 range do you think the upper limit should be set?**

**There were 551 responses to this question.**

**£100,000 - 92 (17%)**

**£110,000 - 4 (1%)**

**£120,000 - 8 (2%)**

**£125,000 - 9 (2%)**

**£130,000 - 9 (2%)**

**£140,000 - 4 (1%)**

**£150,000 - 231 (42%)**

**None - 103 (19%)**

**Not Sure - 91 (17%)**

Nearly half of respondents preferred the maximum level of the lump sum to be set at £150,000. Respondents who agreed with this level suggested that a high upper limit was necessary to provide sufficient protection to small schools and to allow different authorities to set a lump sum which best targeted resource in their area.

Those that responded 'none' included a number who indicated that they felt £150,000 was too low and lower than many current lump sums.

A number of respondents suggested that there should be flexibility for schools to petition for a larger lump sum in exceptional circumstances.

12% of respondents indicated that there should be a separate primary and secondary lump sum.

## Free School, UTC and Studio School budget planning

- *In paragraphs 1.8.12 to 1.8.14 we explained the decision to fund Free Schools, UTCs and Studio Schools in line with revised local formulae, but highlighted an issue that confirmed funding levels would not be available to proposers until the Spring before opening. We then asked a question seeking feedback on proposers' information requirements.*

**Question 5: What sort of information do Free School, UTC and Studio School proposers need, and at what stages, to enable them to check viability and plan effectively?**

**There were 202 responses to this question.**

Respondents largely accepted the principle that, within the reformed system, Free Schools, UTCs and Studio Schools should be funded on the same basis as other schools. In relation to Free School proposers' information requirements, 41% of respondents to Q5 expressed the opinion that Free Schools should be in the same position as other schools, with similar levels of funding certainty on similar timescales.

Other respondents gave strong feedback that Free Schools needed certainty on their budgets well in advance of opening, with commonly suggested timescales being January and at least two terms before opening. Advanced planning certainty was thought essential if key staff were to be employed in time for September opening.

## Improving arrangements for funding pupils with high needs

- *In Section 3 and Annex 5a, b and c we discussed the new arrangements for funding pupils with high needs. In Section 3.8 we discussed the roles and responsibilities under the new place plus approach, specifically those of providers, commissioners and the EFA. We want to ensure that unnecessary bureaucratic burdens are not placed on providers and that there is clarity about the respective roles and responsibilities of the EFA and local authorities.*

**Question 6: What are the ways in which commissioners can ensure responsibilities and arrangements for reviewing pupil and student progress and provider quality can be managed in a way that does not create undue administrative burdens for providers?**

**There were 318 responses to this question.**

31% of respondents stressed the importance of regular reviews and pupil progress meetings. 20% suggested that local authorities should be responsible for monitoring both pupils and providers.

- *In section 3.9 we discussed transitional protection for providers. We want to ensure that the transition from the current funding system to the new arrangements is as smooth as possible. In the document we set out a number of ways we intend to provide support through the transitional period and enable commissioners and providers to become accustomed to the new approach*

**Question 7: Are there other ways that we can help to ensure a smooth transition for commissioners and providers to the reformed funding approach for high needs pupils and students?**

**There were 287 responses to this question.**

32% of respondents expressed the opinion that the timescale for change was too short and a longer lead in time was necessary. 14% suggested that more flexibility was needed in the early stages of the transition period.

- *In Annex 5a, paragraphs 38 to 41 we discussed the level of base funding for AP settings and suggested that £8,000 would be an appropriate level of base funding.*

**Question 8: Do you agree that £8,000 per-planned place would be an appropriate level of base funding for AP settings within a place-plus funding approach?**

**There were 453 responses to this question**

**Yes: 103 (23%) No: 146 (32%) Not Sure: 204 (45%)**

There was uncertainty over whether £8,000 would be an appropriate level.

12% of respondents to the question indicated that they would need further information and 11% said that time was needed to model the impact of £8,000 level.

11% suggested that the level should be set at £10,000, the same as for other high needs pupils. Many suggested that fluctuation and variation in numbers of pupils as well as the need for additional teachers would push up costs.

- *In Annex 5a paragraphs 42 to 46 we discussed the top-up funding for AP settings. For short-term and part-time placements, we proposed that appropriate pro rata arrangements would be put in place for calculating top-up funding and that it would be sensible to calculate top-up funding for short-term placements on a termly or half-termly basis, while part-time placements could be calculated on a daily rate. For very short-term placements, for example those that lasted less than ten days in an academic year, we would envisage that AWPU would not be repaid by a commissioning mainstream school and that the commissioner would pay an appropriate level of top-up funding to reflect this.*

**Question 9: Do you agree that it would be sensible to calculate pro rata top-up payments for short-term placements in AP on a termly or half-termly basis?**

**There were 443 responses to this question**

**Termly: 128 (29%) Half Termly: 166 (37%) Not Sure: 204 (45%)**

Again there was split in opinion on whether pro-rata top up payments should be made on a termly or a half-termly basis.

A larger proportion of respondents agreed that half-termly calculations were preferable, which would allow greater flexibility and help support shorter term placements

10% of respondents indicated that a termly calculation would minimise admin burdens.

**Question 10: Do you agree that it would be sensible to calculate pro rata top-up payments for part-time placements in AP on the basis of a daily rate?**

**There were 447 responses to this question**

**Yes: 289 (65%) No: 55 (12%) Not Sure: 103 (23%)**

A large majority of respondents agreed that top-up payments should be calculated on a pro rata basis, although 7% of respondents expressed concern about an increase in the administrative burden.

- *In Annex 5a paragraphs 47 to 52 we discussed hospital education. Hospital schools occupy an important place in the education system and we need to think carefully about how hospital education is funded within the parameters of a new approach to high needs funding. Hospital education is not an area where commissioners plan education provision and where pupils and their families exercise choice about the institution in which they will be taught. In funding terms, our aim must be to ensure that high-quality education provision is available whenever a pupil has to spend time in hospital.*

**Question 11: What are the ways in which hospital education could be funded that would enable hospital schools to continue to offer high-quality education provision to pupils who are admitted to hospital?**

**There were 176 responses to this question**

21% of those that responded expressed the belief that funding for hospital education should be similar to other high needs pupils.

A large proportion of those that responded suggested that there needed to be sufficient flexibility in the system to cope with rapidly changing pupil numbers and to reflect the diversity of need.

- *In Annex 5a paragraphs 53 to 56 we discussed the base level of funding for specialist providers. Under the place-plus approach there will be a simple process, with clear responsibilities and transparent information, for reviewing and, if appropriate, adjusting the allocation of base funding for specialist placements. The key components of this process are set out in the document.*

**Question 12a: Do you agree with the proposed process for reviewing and adjusting the number of places for which specialist settings receive base funding?**

**There were 434 responses to this question**

**Yes: 221 (51%) No: 95 (22%) Not Sure: 118 (27%)**

A majority of respondents agreed with the proposal. 13% expressed the opinion that there should be an annual review.

**Question 12b: Are there any other ways in which this process could be managed in a way that is non-bureaucratic and takes account of local need and choice?**

**There were 141 responses to this question**

17% of those that responded to this question suggested retaining the current arrangements while 19% favoured more of a partnership approach between providers.

## Early Education

- *In paragraphs 4.5.1 to 4.5.5 we discussed the 90% funding floor for three year olds. This floor guarantees that local authorities receive funding for the actual number of three year olds receiving free early education or an amount equivalent to an estimate of 90% of the population doing so, whichever is higher. The consultation outlined that, from 2014-15, the funding floor would be removed, and all local authorities funded on the basis of actual participation. The document also explained that 2013-14 would be managed as a transitional year, with a final year of support for local authorities to boost their take up rates. The consultation sought views on how this transitional protection in 2013-14 might operate.*

**Question 13: Do you have any views on the move to participation funding for three year olds, particularly on how transitional protection for 2013-14 might operate?**

**There were 226 responses to this question**

24% agreed with the proposal to lower the floor in 2013-14. 14% would like to keep the 90% floor. 10% expressed the desire for a longer transition period.

Beyond this, a range of views were expressed on the need to maintain the protection given to local authorities with low participation rates, to support LAs to continue to build capacity, and to lengthen the transition period before removing the floor.

Conversely, the move to participation funding, following removal of the 90% floor, was supported by a number of respondents on equity grounds and because free early education for three year olds was fully embedded. There was also a view that the removal of the floor would encourage local authorities to increase participation rates

- *In paragraphs 4.6.1. to 4.6.3 we discussed free early education provision in academies. A small number of Academies with early years provision which existed prior to September 2010 continued to be funded by the Young People's Learning Agency (YPLA) (now Education Funding Agency) through replication. We believe there is a strong case to be made for bringing together free early education funding for three and four year olds for all providers. This would mean that wherever a child accesses their free early education they would be funded and paid by local authorities through the EYSFF. This would further support simplicity and transparency in funding for free early education.*

**Question 14: Do you have any views on whether free early education in all Academies should be funded directly by local authorities?**

**There were 285 responses to this question**

79% of respondents expressed the opinion that all free early education should be funded through the local authority, many suggesting that this would aid consistency and transparency across all free early education providers. Others noted that Academies have withdrawn from local authority funding and should therefore be funded differently.



Department  
for Education

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