



HILLINGDON
LONDON

Education & Children’s Services

Consultation Paper – 1 October 2012

Schools, Early Years & High Needs Special Educational Needs (SEN) Funding Arrangements 2013/14

Target audience:	Headteachers Senior Managers Teachers Professional Associations 14-19 Representatives	Governing Bodies Finance Officers Early years providers Schools Forum
Deadlines for responses:	16 October 2012	

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Formal responses on the attached feedback form should be sent to:

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By: midnight on 16 October 2012



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Introduction and Background

- 1.1 This consultation paper sets out the proposed changes to Hillingdon's schools, early years and High Needs SEN funding arrangements for 2013/14. For 2013/14 the major proposed changes are due to the outcomes of the Schools Funding Reform consultation, undertaken by the Department for Education (DfE) in March 2012, which are set out in the DfE's paper; School Funding Reform – Arrangements for 2013/14
- 1.2 This consultation paper provides an update on the following, and in some instances is consulting on changes that are being proposed:
 - The new calculation of the Dedicated Schools Grant for 2013/14;
 - The level of the Minimum Funding Guarantee for 2013/14;
 - The outcomes of the review of the Early Years Single Funding Formula, to be effective for 2013/14;
 - The outcomes of the review of the Schools Funding Formula for Primary and Secondary schools, to be effective for 2013/14;
 - The outcomes of the review of High Needs SEN Funding, including Alternative Education Provision, to be effective for 2013/14.
- 1.3 The Council is required to consult with the Schools Forum annually on a set of matters prescribed in the Schools Forums (England) Regulations 2012, which are covered in this consultation paper. These are:
 - arrangements for the education of pupils with special educational needs
 - arrangements for early years provision
 - arrangements for the use of pupil referral units and the education of children otherwise than at school
 - administrative arrangements for the allocation of central government grants paid to schools via the authority
- 1.4 This paper is being circulated widely to encourage engagement with schools in order to assist Schools Forum in making a final decision on the use of Dedicated Schools Grant (DSG) funding prior to submitting the required details to the DfE (which has been set as 31 October 2012), who will advise on the suitability of the proposed funding formulas.
- 1.5 The aims of the paper are to set out the main proposals for distributing and administering the available resources in the DSG, including Early Years Funding, Primary and Secondary Schools Funding and High Needs SEN Funding, to provide an overall perspective of Hillingdon's financial position, and to provide initial indicative budgets for all nursery settings (Private, Voluntary and Independent (PVI) Nursery providers and Childminders), schools and Alternative Education Provision Establishments for 2013/14.
- 1.6 The overall level of funding will be dependent upon the results of the October 2012 census, which will determine the overall DSG funding received by the Council. At school level, the majority of funding will be determined by the pupil census data, with nursery funding being determined by participation (actual hours taken up on the free entitlement).

- 1.7 This paper sets out the distributional approach to funding nursery settings (Private, Voluntary and Independent (PVI) Nursery providers and Childminders), schools and Alternative Education Provision Establishments and will guide the funding principles to be adopted. Final allocations will not be finalised until late March 2013, and should be viewed as a consequence of the proposals agreed in this consultation.
- 1.8 2013/14 should be seen as a one-year funding period only, as the Government strive to implement a National Funding Formula from 2014/15. It is therefore likely that the Government will consult further on a number of items, leading to this, which will be shared with the Schools Forum once known. Therefore, any decisions made around the 2013/14 settlement must be appropriately considered and balanced against issues of affordability and sustainability in the medium to longer term.
- 1.9 Stakeholders are welcome to comment on any aspect of the proposals, or may wish to contribute to a sector specific response co-ordinated by Primary Forum, Hillingdon Association of Secondary Heads and the Special Headteachers group or other representation group.
- 1.10 The release of this paper at the beginning of October, unfortunately only allows a short period of time for consultation with stakeholders as the Schools Forum meeting that will review the responses is on the 23 October 2012, as Schools Forum have to send the signed off and completed funding pro-forma to the DfE by 31 October 2012. This means that responses will be required to be returned by midnight on 16 October 2012.
- 1.11 A number of consultation information sessions have been arranged for all stakeholders to attend, which are scheduled for:
- **8 October 2012**, 2:00pm – 3:45pm (All PVI's and Childminders)
(arrival from 1:45pm) Council Chamber, Civic Centre, Uxbridge, UB8 1UW
 - **8 October 2012**, 4:30pm – 6:15pm (All PVI's and Childminders)
(arrival from 4:15pm) Council Chamber, Civic Centre, Uxbridge, UB8 1UW
 - **8 October 2012**, 7:00pm – 8:45pm (All PVI's and Childminders)
(arrival from 6:45pm) Council Chamber, Civic Centre, Uxbridge, UB8 1UW
 - **9 October 2012**, 7:00pm – 8:45pm (All PVI's and Childminders)
(arrival from 6:45pm) St Catherine's RC Primary School, Money Lane, West Drayton, UB7 7NX
 - **10 October 2012**, 10:00am – 12:00noon (All schools)
(arrival from 9:45am) Council Chamber, Civic Centre, Uxbridge, UB8 1UW

- **10 October 2012**, 2:00pm – 4:00pm (All schools)
(arrival from 1:45pm) Council Chamber, Civic Centre, Uxbridge,
UB8 1UW

- **10 October 2012**, 6:00pm – 8:00pm (All schools)
(arrival from 5:45am) Council Chamber, Civic Centre, Uxbridge,
UB8 1UW

1.12 To book onto any one of these sessions, please contact Ruth Munro on 01895 250593 or email munro@hillingdon.gov.uk

1. Executive Summary (Summary of Consultation Issues)

- 2.1 Schools Forum is consulting individual schools, nursery settings (including PVI's and Childminders) and Other Education Establishments on a set of prescribed matters relating to Schools, Early Years and High Needs SEN funding arrangements for 2013/14.
- 2.2 Schools Forum is required to consult on proposals for distributing and administering the available resources which will come from the DSG.
- 2.3 The decisions taken will shape the allocation of funding for Early Years, Primary and Secondary Schools and High Needs SEN (including Special Schools and Alternative Education Provision).

Summary of Consultation Proposals

- 2.4 The Council, through the Schools Forum, is required to make changes to the allocation of the DSG, including the Early Years Single Funding Formula, Primary and Secondary Schools Funding Formula and the funding of High Needs SEN Placements (including Alternative Education Provision), following the release of the DfE paper; Schools Funding Reform – Arrangements for 2013/14.
- 2.5 At the end of May 2012, Schools Forum started a major review of the allocation of the DSG by setting up three working groups; the Free Entitlement Reform Group (FERG) to review Early Years Funding; the School Forum Resources Strategic Advisory Group (SAG) to review Primary and Secondary Schools Funding and the High Needs SEN Sub Group to review SEN and Alternative Education Provision funding.
- 2.6 The proposed changes from each of these working groups have been agreed with Schools Forum and are set out in more detail in this consultation paper.

Primary and Secondary Schools Funding (Section 5)

- 2.7 The DfE have provided a very clear steer on Primary and Secondary schools funding, which has to be implemented from 1 April 2013, including a funding model that all authorities are required to use.
- 2.8 All primary and secondary schools will be funded based on the approved and agreed funding model, this includes maintained, converter academies, free schools, studio colleges, university technical colleges and sponsored academies. However, the funding will still be provided as is currently the case (i.e. maintained schools will receive funding from the local authority through the DSG and all other schools will receive funding directly from the Education Funding Agency (EFA)).
- 2.9 The DSG funding will be determined based on the October pupil census. For 2013/14, the relevant census date is the 4 October 2012.

- 2.10 The determination of school budgets will be based on the data provided by the DfE to the local authority and is provided based on a percentage of pupil numbers on roll. Once the census data has been signed off by the DfE, there will be no opportunity to challenge the pupil data figures.
- 2.11 The DfE proposals require the local authority to delegate more services to schools, which will then remove the requirement for a DSG Local Authority Central Spend Equivalent Grant (LACSEG) adjustment to be made, as the relevant funding for converter Academy schools will be included within the schools' formula budget. This will include mainstream Special Educational Needs (SEN) provision (**Section 5.3 to 5.7**).
- 2.12 The DfE proposals restrict the funds that can be held centrally, which will be cash limited based on the values as set out in the S251 Budget Statement (**Section 5.8**).
- 2.13 The schools funding formula is restricted to using 12 factors, requiring a review of the current schools funding formula (Section .
- 2.14 The Council continues to see a significant increase in the number of primary school age children requiring a school place. The new arrangements allows the Council to hold a growth fund contingency to support expanding schools, fund the additional costs to schools where the Key Stage 1 pupil numbers exceed 30 pupils, provide resources for new schools and to provide resources for those schools proposing to amalgamate.

The arrangements for Special Educational Needs (Section 6)

- 2.15 The DfE proposals have a significant impact on the funding of SEN pupils, as they remove the requirement for a special schools funding formula, transfer the funding of special resource provisions out of schools into the High Needs Block and delegate more resources to mainstream schools for SEN pupils.
- 2.16 The proposals introduce a "place-plus" funding model, where all special schools and special resource provision settings will receive £10,000 per planned place and additional top up funding for each actual pupil (**Section 6.10**).
- 2.17 Mainstream schools will be expected to fund the first £10,000 of any SEN pupil placed in a mainstream school, and will receive only the top up funding from the commissioner (**Section 6.13 to 6.18**).

The arrangements for Early Years (Section 7)

- 2.18 The DfE proposed Early Years Single Funding Formula introduces a more streamlined formula, targeting resources at the child rather than the setting. Hillingdon's Early Years Single Funding Formula only needs a few minor adjustments to deprivation funding, where the distribution of funding will need to be allocated based on IDACI data and quality, where the OfSTED and local inspection ratings will be used to allocate resources to those settings which are deemed to be good or better.

- 2.19 With effect from 1 April 2013, funding for the Free Entitlement offer for Two Year Olds will be transferred into the DSG and provide a free place for those children that are in the 20% most deprived families across the country with effect from 1 September 2013.

The arrangements for Pupils out of School (Section 8)

- 2.20 The DfE proposals have a significant impact on the funding of Alternative Education Provision, by requiring Pupil Referral Units to operate with a delegated budget.
- 2.21 The proposals introduce a “place-plus” funding model, where all Alternative Education settings will receive £8,000 per planned place and additional top up funding for each actual pupil from the relevant commissioner, which could be a local authority or a school.

Specific Grants (Section 9)

- 2.22 The Government made an announcement on 24 September 2012, that the Pupil Premium is likely to increase from £619 per pupil in 2012/13 to £900 per pupil in 2013/14. No other information has been made available relating to the other elements that are funded from the Pupil Premium.

Consultation Questions

1. **Question 1 – Stakeholders are asked to give views on whether the rate of the cluster factor for SEN pupils should be set at 2.0% of the schools number on roll.**
2. **Question 2 – Stakeholders are asked to give views on the proposed changes to the school funding formula as set out in Section 5, which need to be considered as a package and include the proposal that AWPU ratios should be broadly in line with the national average, the Deprivation and Attainment ratios should be 1 : 1.5 between Primary and Secondary sectors and the Fixed Factor should be set at £140,000.**
3. **Question 3 – Stakeholders are asked to give views on whether the Capping Factor for schools that gain from the proposed changes should be set at 0% (i.e. no cap).**
4. **Question 4 – Stakeholders are asked to give views on whether an occupancy rate of 95% should be introduced for each special school and special resource provision setting to provide a protection to funding levels in 2013/14.**
5. **Question 5 – Stakeholders are asked to give views on whether 8% of the total EYSFF should be distributed using IDACI factors.**
6. **Question 6 – Stakeholders are asked to give views on whether the distribution of Quality funding should be based on the ratings of each early years setting and that this should only be allocated where the rating is 3 or more based on a flat rate per hour.**
7. **Question 7 – Stakeholders are asked to give views on whether 4% of the total EYSFF is a reasonable rate to use to distribute resources based on a quality factor.**

3. Overall Financial Position

Overview

- 3.1 The schools funding settlement for 2013/14 will be announced by the Secretary of State for Education in December 2012.
- 3.2 The main headlines in relation to revenue funding are:
- The funding that makes up the Dedicated Schools Grant (DSG) will be provided in three distinct blocks; Early Years, Schools and High Needs.
 - The DSG will be ring-fenced, however, the funding received for each of the blocks will not be ring-fenced.
 - The determination of the Schools Block will be based on the October 2012 census data.
 - Retained items within the Schools Block will be cash limited to 2012/13 values as set out in the S251 Budget Statement.
 - The baseline budget for the Early Years and High Needs Blocks, will be cash limited to 2012/13 values as set out in the S251 Budget Statement.
 - Funding for Early Years will be amended throughout the year based on the following census dates; January 2012 (the baseline), January 2013 and January 2014.
 - The DSG will include funding for the Free Entitlement offer for Two Year Olds.
 - The Minimum Funding Guarantee has been set at -1.5% for 2013/14.

Schools Block DSG Funding

- 3.3 The Schools Block DSG Funding covers funding for Primary and Secondary schools and a limited range of retained budgets.
- 3.4 The baseline will take into account adjustments for Hospital Tuition (to be funded nationally) and Special Resource Provisions (where the resources will be transferred into the High Needs Block) and be re-calculated based on October 2011 pupil data.
- 3.5 The final DSG will be determined based on the October 2012 census data. The DfE intends to provide a finalised DSG by December 2012.
- 3.6 The Schools Block includes funding for a reduced number of retained budgets (**Section 5.7**), these budgets are funded based on the 2012/13 values as set out in the S251 Budget Statement.

Early Years Block DSG Funding

- 3.7 The Early Years Block DSG Funding covers funding for children aged 3 and 4 in Primary schools, PVI Nursery settings and Childminders and a limited range of retained budgets.
- 3.8 The baseline will take into account adjustments for Hospital Tuition (to be funded nationally) and be calculated based on January 2012 pupil data.

- 3.9 The Early Years Block DSG Funding will be revised throughout the year based on the January 2013 pupil census data and again at the end of the year based on the January 2014 pupil census data.
- 3.10 The Early Years Block includes funding for the following retained budgets, these budgets are funded based on the 2012/13 values as set out in the S251 Budget Statement:
- Contingency funding for growth in Early Years pupil numbers
 - Funding for three Council operated Early Years Centres
 - Funding for Early Years Support Team

High Needs Block DSG Funding

- 3.11 The High Needs Block DSG Funding covers funding for Special Schools, Special Resource Provisions, SEN pupils in Mainstream schools, Placements in Independent Schools and Other Local Authority schools, Pupil Referral Units, Support Services, Education Other than at School (Alternative Education Provision), Post 16 SEN expenditure and the cost of high needs students aged 16-25 in further education and independent specialist providers (where the funding is currently held by the Education Funding Agency (EFA)).
- 3.12 The baseline will take into account adjustments for Hospital Tuition (to be funded nationally), inter authority recoupment, SEN LACSEG non recoupment Academies and cross border pupils. Further adjustments will be made to take into account the funding that will be transferred from the EFA for students aged 16-25 in further education and independent specialist providers. All of these adjustments will be cash limited based on the values as set out in the S251 Budget Statement.

Free Entitlement offer for Two Year Olds

- 3.13 With effect from 1 April 2013, funding for the Free Entitlement offer for Two Year Olds will be transferred into the DSG and provide a free place for those children that are in the 20% most deprived families across the country with effect from 1 September 2013.

4. The Funding Framework

Overview

- 4.1 The framework for funding education services for 2013/14 has undergone a major review, the outcomes and requirements of which are set out in the DfE's paper; Schools Funding Reform – Arrangements for 2013/14. These arrangements affect all schools (including, Academies, Free Schools and sponsored academies), PVI Nursery settings and Childminders who receive funding from the DSG or the EFA.
- 4.2 Schools Forum set up three working groups to review and discuss the implications of these arrangements and at its meeting on 27 September 2012 agreed to the changes that are being proposed for the Early Years funding formula, the Primary and Secondary schools funding formula and the funding of High Needs, which now need to be consulted on.
- 4.3 In practice, the arrangements set out in the DfE's paper; Schools Funding Reform – Arrangements for 2013/14, are very prescriptive and allow very minimal flexibility at a local level. The funding formula factors for Early Years and Primary and Secondary schools are defined by the DfE as is the funding of High Needs placements. Schools Forum are therefore only consulting on those factors that it has some discretion over.
- 4.4 In determining the Primary and Secondary schools funding formula, Schools Forum agreed a set of principles and objectives as follows, taking into account the constraints imposed by the actual formula that is prescribed within the DfE's paper:
 - To ensure that there is minimal movement in funds between the Primary and Secondary sectors
 - To ensure that the percentage differentials between AWPU levels are broadly in line with the national average
 - To reduce the per pupil funding range in both the Primary and Secondary sector
 - To ensure that the least funded (per pupil) school does not receive reduced funding
 - To retain the current level of deprivation funding
 - To keep the loss of any group (e.g. small schools, infant schools, etc) to a minimum
 - To keep the loss of any school to below £100k

5. Primary and Secondary Schools Formula

Overview

5.1 The DfE's paper; Schools Funding Reform – Arrangements for 2013/14, sets out significant changes to the funding of Primary and Secondary schools, which have to be implemented for 2013/14. This includes the following:

- More delegation (5.3 to 5.7)
- Tighter control on centrally retained budgets (5.8)
- Funding Formula restricted to 12 Factors
- Funding based on October Census (4 October 2012)
- The Council have to use the data provided by the EFA (which is based on the percentage of numbers on roll)
- Limited flexibility on setting values
- Simplification of Minimum Funding Guarantee
- Introduction of a ceiling for gainers

5.2 Schools Forum has considered the impact of these changes and where it has the ability to influence the impact of them on school budgets, has proposed a solution that it is now consulting all schools on. **These proposals need to be considered as a package of changes, as any movement in any one of the proposals would have a significant impact on all of the other factors.** The only exception is the capping arrangement which is being consulted on separately:

More Delegation

5.3 In order to have a schools funding formula that can be used for all schools (maintained, converter academies, free schools, studio colleges, university technical colleges and sponsored academies), the DfE are removing the requirement for a DSG Local Authority Central Spend Equivalent Grant (LACSEG) recoupment adjustment for schools converting to Academy status. To achieve this, the DfE require more funds to be included within the schools delegated budget. For Hillingdon the following budgets will be delegated to schools:

- General contingencies
- Mainstream SEN
- Behaviour Support Services
- Free School Meals Eligibility
- School Library Service
- Staff Costs – Supply Cover for Union Duties
- Courier Service
- Procurement
- Local Leaders in Education

5.4 A number of these services will be delivered through a Service Level Agreement, which will be subject to a different consultation exercise.

- 5.5 The most significant change being proposed is the delegation of Mainstream SEN funding. The new arrangements for funding SEN pupils, implies that schools have sufficient funds to manage pupils with SEN through both the AWPU and the notional SEN funding (estimated to be £10,000; £4,000 for AWPU and £6,000 for Notional SEN). From 1 April 2013, schools would then only receive top up funding above the £10,000. Currently all of these funds are retained centrally, therefore, in order to ensure that the schools delegated budget has sufficient funds to equate to the £6,000 Notional SEN funding, these resources will be transferred from the SEN budget into the schools delegated budget.
- 5.6 The new arrangements allows the funding formula to factor in additional resources for those schools that take a greater proportion of SEN pupils (termed as a cluster school), which allows those schools to receive the full amount of SEN funding (£6,000 plus top-up). Schools Forum have reviewed the impact of these changes and is proposing to define a cluster school for SEN purposes where the school takes on more than 2% of its number on roll.
- 5.7 **Question 1 - Stakeholders are asked to give views on whether the rate of the cluster factor for SEN pupils should be set at 2.0% of the schools number on roll.**

Tighter Control on Centrally Retained Budgets

- 5.8 The requirement to delegate more resources to schools has a direct impact on those resources that can be centrally retained. One of the main criteria is that all of these funds are for the benefit of all schools, including Academies. The DfE have stated that only the following resources can be centrally retained:
- Growth Fund Contingency (primarily for expanding schools, KS1 Class sizes, new schools and schools in the process of amalgamating)
 - School Admissions
 - Supporting Schools Forum
 - Purchase of Carbon Reduction Commitment Allowances
 - Contribution to Combined Budgets (primarily additional support for Looked After Children)

Funding Formula

- 5.9 The DfE have restricted the number and type of factors that can be used in the schools funding formula, which will result in the deletion of a number of factors included within the current model. Schools Forum has reviewed a number of models using the constraints of the new funding formula and at its meeting on 27 September 2012, agreed the model that it would consult on. **It is important to note that the proposal suggested within this consultation paper needs to be considered as a whole solution, as any movement in any factor has an impact on the other factors.**

Formula Changes

- 5.10 The following changes will need to be made to factors which are currently included within the schools funding formula:
- The AWPU factors for Reception, Key Stage 1 and Key Stage 2 have to be merged into one Primary school factor
 - Deletion of the Foundation Additional Responsibilities Factor
 - Deletion of the Cost of Free School Meals Factor
 - Deletion of the Ex Grant Maintained only Libraries Factor
 - Deletion of Small Schools Factor
 - Deletion of Air Conditioning Factor
 - Deletion of NQT Factor
 - Deletion of Class Size Key Stage 1 Factor
 - Deletion of New School Factor
 - Transfer of Special Resource Provision Funding to High Needs Block
- 5.11 The DfE have stated that the schools formula can only include the following 12 factors:
- Basic per Pupil Entitlement (AWPU), including one each for primary, Key Stage 3 and Key Stage 4
 - Deprivation (with a choice of using Free School Meals, Ever 6 Free School Meals and IDACI)
 - Looked After Children
 - Low Cost, High Incidence SEN (Attainment). For Primary the Early Years Foundation Stage Profile data is used and for Secondary it is the Key Stage 2 data.
 - English as an Additional Language
 - Pupil Mobility
 - Lump Sum (Fixed Factor)
 - Split Site Factor
 - Rates
 - PFI Funding
 - Existing Sixth Form Commitments
 - London Fringe
- 5.12 Schools Forum considered each of the 12 factors in turn and agreed that the last two factors (Existing Sixth Form Commitments and London Fringe) were not applicable, which left only 10 factors that could be used to determine a fair distribution of resources to schools through the funding formula. Of these the Split Site Factor and PFI Funding each only affect one school and the Rates factor is allocated based on actual costs, which then, effectively restricts the usable factors to seven. Schools Forum also considered the most appropriate deprivation factor to use and decided that Ever 6 Free School Meals provided the best correlation.
- 5.13 On 27 September 2012, following an in depth review of a range of funding models, Schools Forum agreed the most appropriate model that they wished to consult on, which met most of the principles that they had set themselves in determining the schools funding formula. Each point is discussed in turn.

Basic Entitlement

5.14 Schools Forum reviewed the values of AWPU and compared Hillingdon's with other local authorities. This exercise identified that Hillingdon's AWPU was in line with the national average. Schools Forum are therefore proposing that for the new funding formula, the ratios of AWPU are broadly in line with the national average.

Deprivation and Attainment

5.15 Schools Forum have considered the most appropriate level to be set for deprivation and attainment funding and are proposing that there should be a differential in funding rates between the Primary and Secondary sectors in the ratio of 1 : 1.5, in line with the AWPU ratio, except for Looked After Children which will be a flat rate.

Fixed Factor (Lump Sum)

5.16 The current funding model has a fixed factor of £100,000 for all schools, however, with the removal of the small schools factor and the reception AWPU factor, Schools Forum are proposing to increase the value of the fixed factor to £140,000 to provide some protection for those schools most affected by this change.

5.17 **Question 2 - Stakeholders are asked to give views on the proposed changes to the school funding formula as set out above 5, which need to be considered as a package and include the proposal that AWPU ratios should be broadly in line with the national average, the Deprivation and Attainment ratios should be 1 : 1.5 between Primary and Secondary sectors and the Fixed Factor should be set at £140,000.**

Funding Protection Mechanisms

5.18 In implementing the new arrangements for 2013/14, the DfE have built into the funding formula two mechanisms to try to minimise the disruption to schools' budgets, which are the Minimum Funding Guarantee, which protects those schools that lose resources from the proposed changes and a Capping factor to restrict schools from benefiting too much from the proposed formula changes.

Minimum Funding Guarantee

5.19 The Minimum Funding Guarantee (MFG) is designed to protect the per pupil funding of schools from one year to the next against significant funding formula changes. The DfE have set the MFG at minus 1.5% for both 2013/14 and 2014/15. In determining the baseline MFG, a number of items will be excluded, which are as follows:

- The Fixed Factor
- Post 16 Funding
- Allocations from the notional High Needs Block, including named pupils funding
- Rates

Capping

- 5.20 The DfE have recognised that in order to manage the disruption to school budget shares by putting in place a Minimum Funding Guarantee, it also recognised that an opportunity should be provided for Schools Forum to cap the amount that schools will gain by. The regulations do not require a cap to be put in place, however, the funding formula tool allows the Council to set a cap on those schools that gain from the proposed changes. It should be noted that once the cap is applied it will be built into the MFG protection in the following year.
- 5.21 Schools Forum reviewed a number of models where a cap was applied to understand better how the function worked. It was evident that the cap released more funds back into the funding model, but that through the restricted factors, this additional amount could not be targeted at those schools that were losing funds through the proposed new funding formula. Taking this into account, Schools Forum are proposing to set the cap at 0% (i.e. no cap on gainers).
- 5.22 **Question 3 - Stakeholders are asked to give views on whether the Capping Factor for schools that gain from the proposed changes should be set at 0% (i.e. no cap).**

6. The Arrangements for Special Educational Needs

Overview

- 6.1 The new arrangements set out in the DfE's document; School Funding Reform – Arrangements for 2013/14 introduces a significant change to SEN funding and effectively removes the requirement for a special schools funding formula. The main change is that the authority will move much more towards a commissioning role for pupils with SEN and that schools' will take more responsibility for managing SEN pupils placed in Mainstream schools. These arrangements should be considered in conjunction with the SEN Green Paper – Support and Aspiration: A New Approach to Special Educational Needs.
- 6.2 The SEN Green paper introduces parental choice into the equation as well, which will need to be considered when placing a child with a provider. The Government have also introduced a new term which is an Education, Health and Care Plan (EHCP).
- 6.3 The funding provided within this block will be used to provide funding for those students that require a provision where the pupil has a Statement of Special Educational Need. The Government have set a minimum value of funding at £10,000 as the baseline, which each setting will receive or is assumed to have (including mainstream schools).
- 6.4 Inter Authority recoupment will no longer exist as local authorities will be responsible for commissioning services directly from providers, no matter where they are located. However, this will place the responsibility to collect income from all local authorities on individual schools.
- 6.5 The funding for SEN pupils will be covered under three elements which make up the Governments "place-plus" funding approach, this effectively provides a place led base fund and a pupil led specific fund:
- i) **Element 1 – core education funding**, which comprises either AWPU or FE per student funding. The DfE have assumed that this equates to the value of the local AWPU that the school or FE setting receive as part of its delegated budget funding formula (an average of £4,000 has been assumed)
 - ii) **Element 2 – additional support funding**, which will be included within the Notional SEN funding allocation. The DfE have assumed that this equates to £6,000 and that it will be included in the schools delegated budget.
 - iii) **Element 3 – top-up funding**, which is the additional funding required above elements 1 and 2 (which the DfE anticipate will equate to £10,000) and will be paid for by the commissioner (in most cases the local authority)

- 6.6 Mainstream schools will be expected to fund the costs of a pupil with SEN placed in their establishment up to the amount that they will receive for Elements 1 and 2 through the schools funding formula (assumed to be £10,000). Any additional costs of the placement will be met by the commissioner. By implication, this would then remove the requirement to pay schools for named individual SEN pupils, unless the total assessed cost is above this value. This particular change is included in Section 5, where stakeholders are being asked to comment on the cluster arrangement.
- 6.7 Specialist Settings (defined as maintained special schools, special Academies and Free Schools, Special Resource Provisions/Units (SRP's) in mainstream schools/Academies, Independent and Non-Maintained Special Schools (INMMS), post-16 Independent Specialist Providers (ISP), Pupil Referral Units and any Alternative Provision settings), will receive the following base level of funding:
- For pre-16 SEN and post-16 SEN settings, base funding of £10,000 per planned place will be provided to each setting
 - For Alternative Provision, base funding of £8,000 per planned place will be provided to each setting
- 6.8 The role of the Commissioner (defined as the local authority for pupils with SEN and Students with LDD, and further defined as the local authority for permanent exclusions where the pupil is placed in Alternative Provision or a Mainstream School/Academy for fixed period exclusions or pupils placed in Alternative Provision for early intervention or off-site direction) will be to pay funding to each provider for each pupil/student, based on a pro rata calculation dependent on the number of days attended.
- 6.9 The DfE see the place-plus funding approach as a critical tool to ensure that regular, evidence based dialogue exists between providers, commissioners and the EFA. The main reason for this proposed change is to ensure that the pupil/student receives the right and best education based on their assessed needs and that the relevant funding follows the pupil.

SEN Funding – Special Schools and Special Resource Provision Settings

- 6.10 In order to avoid too much disruption to SEN funding, the DfE have stated that the funding rates per special school and special resource provision should be calculated based on the current year's budget allocation.
- 6.11 As part of its review, the High Needs sub group considered the most appropriate mechanism for achieving this. A simplistic approach was taken by using the total budget for 2012/13, and moving to the "place-plus" funding model by funding each planned place at £10,000 and then dividing the difference by the same planned place number to arrive at a top up rate for each pupil. However, the DfE require top up funding to be paid based on actual pupil numbers, which could result in a potential shortfall in the funding that special schools and special resource provisions receive, as in most cases these settings are generally not fully occupied all year round. The sub group therefore decided to introduce an occupancy rate so as to increase the top up rate funding to ensure that where possible, no school would lose any funding in 2013/14. The main concern raised by the sub group was the potential over funding of settings where they move closer to full occupancy, which would then result in a pressure on the DSG.

- 6.12 In order to provide a level of protection for special school and special resource provision settings, it was agreed that an occupancy rate of 95% would be set for each individual setting. Schools Forum are now seeking the views of all stakeholders, to agree with the proposal to have an occupancy rate of 95% for each banded level of funding for SEN pupils in special schools and special resource provision settings.
- 6.13 **Question 4 - Stakeholders are asked to give views on whether an occupancy rate of 95% should be introduced for each special school and special resource provision setting to provide a protection to funding levels in 2013/14.**
- 6.14 The sub group also discussed the impact on cash flow and proposed that funding would be paid as currently is the case, once a month, but reviewed each half term so that adjustments could be made for pupils moving in and out.

SEN Funding – Mainstream Schools

- 6.15 The DfE have determined that schools should be able to fund the first £10,000 cost of a SEN pupil from within their own resources, and that any SEN pupil would only receive top-up funding from the commissioner. In order to ensure that the schools delegated budget includes sufficient resources to accommodate this, funds will be transferred from the High Needs Block into the Schools Block. An example of how the funding will work is set out below. Note that all pupil numbers and funding amounts are approximate.
- 6.16 There are 3 main levels of funding of Statemented pupils at Primary and Secondary schools (P&S):

Level	Funding
Level 1	£10,000
Level 2	£11,000
Level 3	£12,000
Average of all Levels	£11,000

- 6.17 Based on the latest payment details, 500 pupils are placed at P&S that have a SEN statement. The total budget retained in the local authorities high needs block to fund Statemented children at P&S is £5.5 Million (500 pupils at an Average of £11,000).
- 6.18 Under the new funding reforms it is assumed that the first £6,000 of funding for statemented children is already within each schools funding formula. Therefore, it is necessary to delegate these monies to schools. The following table then demonstrates the amount that will be delegated and the amount that will be retained to fund the top-up payments to schools:

	Currently Retained	To Delegate	To Retained
Funds per Pupil	£11,000	£6,000	£5,000
Total Pupils	500	500	500
Total Funds	£5,500,000	£3,000,000	£2,500,000

6.19 The Funding Reform document recognises that a few schools attract well above the average number of statemented pupils, these are termed as “cluster schools”. The Funding Reform recommends retaining a contingency from which extra funds can be directed to these schools.

6.20 Analysis of the spread of pupils amongst the schools, and keeping in mind the principle of delegating as much as possible the Forum’s SEN sub committee settled on:

Driver for extra delegation from contingency	The % of statemented pupils compared to the Number on Role (NOR)
Threshold above which extra delegation will happen	2%
Number of schools effected using current data	Primary: 9 out of 65 (14%) Secondary: 4 out of 16 (25%)
Amount of funds to hold in Contingency	Primary: £150k out of £2m (7%) Secondary £450k out of £1m (50%)
Total Funds to be retained in Contingency	£600,000
Extra pupils to be funded from contingency	100

Summary

Total P&S statemented pupils	500
Average Funding per pupil	£11,000
Total P&S statemented pupils funding	£5,500,000
Level 3 Top up funding to be retained above £6000	$500 \times £5000 = £2,500,000$
Level 2 funding retained for cluster schools	$100 \times £6000 = £600,000$
Level 2 funding to be delegated via formula	$400 \times £6000 = £2,400,000$

Revised funding per statement

Current Statement Funding	Future Statement funding
£10,000	£4,000
£11,000	£5,000
£12,000	£6,000
£20,000 (extreme example)	£14,000

7. The Arrangements for Early Years

Overview

- 7.1 As part of the DfE's drive to deliver a fairer funding system for schools and nursery providers, they issued a consultation paper at the end of March 2012, the School Funding Reform – Next Steps Towards a Fairer System, which proposed significant changes to the ways in which all schools and providers would be funded from April 2013. At the end of June 2012, the DfE published its School Funding Reform – Arrangements for 2013/14 paper, which has now formalised the arrangements that will be put in place from April 2013.
- 7.2 The main thrust of the changes are driven by the DfE wanting to simplify the Early Years Single Funding Formula (EYSFF), in line with the Schools Funding Formula, by restricting the number of factors that can be applied.
- 7.3 Hillingdon's formula is already streamlined and is well placed to move to the Government's proposal, which is as follows:
- Base Rate/Participation Numbers (per hour) – For Hillingdon, this is the main basis for distributing funding to providers
 - Deprivation (based on the circumstances of the child) – Hillingdon has two Deprivation Supplements:
 1. Deprivation supplement applying to the addresses of children accessing the free entitlement at a setting measured by Income Deprivation Affecting Children Index (IDACI)
 2. Deprivation supplement applying to the address of a setting measured by the Index of Multiple Deprivation (IMD). **This will not be allowed for 2013/14 and will need to be incorporated into the IDACI factor**
 - Quality (based on workforce qualifications and Ofsted Ratings) – For Hillingdon, funds are provided to support the costs of employing graduate level staff.
 - Flexibility (based on extended opening hours) – Hillingdon does not apply this factor
 - Lump Sums – For Hillingdon, only one site (Macmillan Nursery) receives a lump sum
- 7.4 Additionally a contingency of £450k is currently held within the centrally retained DSG to cover the anticipated growth in pupil numbers. Based on the new proposal, this will not be required in 2013/14.

Funding Formula

- 7.5 The Schools Forum sub group; Free Entitlement Reform Group (FERG) has met on a number of occasions to agree the changes that need to be made to the Early Years Single Funding Formula in light of the requirements as set out in the DfE's document; School Funding Reform – Arrangements for 2013/14.

7.6 The following changes are being proposed to the Early Years Single Funding Formula for 2013/14:

- i) Deprivation Funding will be distributed using IDACI and will be set at 8% of the total EYSFF fund.
- ii) The distribution of Quality funding will be based on Early Years Setting inspection ratings, where only those settings achieving a score of 3 or more will receive a flat rate of funding per hour. The level of funding will be set at 4% of the total EYSFF fund.
- iii) The Base Rate will remain unchanged and will form the majority of the funding that each setting receives.
- iv) The Lump Sum will remain unchanged. Only one setting (McMillan Nursery) receives this funding.

Deprivation Funding

7.7 The DfE have stated that funding for nursery settings for deprivation can only be based on the circumstances of the child. Hillingdon's EYSFF uses two factors to distribute resources to nursery settings relating to deprivation. 6% is distributed based on IDACI and the remaining 2% is distributed using IMD. The new funding arrangements put in place by the DfE, allows only IDACI to be used for the distribution of resources based on deprivation. It is therefore proposed that the 2% of funding currently distributed by IMD is combined with the 6% of funding that is distributed by IDACI, increasing this factor to 8% of the total EYSFF.

7.8 **Question 5 – Stakeholders are asked to give views on whether the 8% of the total EYSFF should be distributed using IDACI factors.**

Quality Factors

7.9 Hillingdon's EYSFF distributes 4% of the total EYSFF to nursery settings based on quality factors, which have tried to provide funds to all settings to support the costs of employing fully qualified staff. It was felt that this factor was not providing sufficient targeted resources to settings as the funds were being distributed across all settings, and was not providing sufficient resources to those settings that have a good or better rating. The Early Years Sub Group have considered a range of options to ensure that this factor provides the right distribution of resources to those settings where the quality is good or better and have decided that funding will only be provided to those settings scoring a rating of 3 or more, based on a flat rate per hour. Those settings that have a rating of 2 or less will be supported by the Early Years Advisory Team to support them in their journey to improve their rating. No changes are being proposed on the level of funding, which will stay at 4% of the total of the EYSFF.

7.10 **Question 6 – Stakeholders are asked to give views on whether the distribution of Quality funding should be based on the ratings of each early years setting and that this should only be allocated where the rating is 3 or more based on a flat rate per hour.**

7.11 **Question 7 – Stakeholders are asked to give views on whether 4% of the total EYSFF is a reasonable rate to use to distribute resources based on a quality factor.**

Proposed Early Years Funding Formula Rates 2013/14

7.12 The Table below sets out the draft proposed rates per hour for each child that a setting has recorded on the relevant census dates:

Factor	Rate per Hour per child aged 3 and 4
Basic Entitlement	£4.02
Deprivation	Range from £0.00 to £0.69
Quality	£0.24
Lump Sum	£230,758

8. The Arrangements for Pupils Out of School (Alternative Education Provision)

Overview

- 8.1 The new arrangements set out in the DfE's document; School Funding Reform – Arrangements for 2013/14 introduces a significant change to the current funding practice of Alternative Education Provision. The main change is that both the authority and schools will move much more towards a commissioning role for pupils that are excluded and that schools' will take more responsibility for managing and paying for Alternative Education Provision. This needs to be read in conjunction with Charlie Taylor's report – Improving Alternative Provision.
- 8.2 Alternative Education Provision includes Pupil Referral Units and any other Alternative Provision (AP) Setting. The DfE have stated that all Pupil Referral Units will have a delegated budget with effect from 1 April 2013 and that alongside all Alternative Education Provision, will receive base funding of £8,000 per planned place, and top up funding for each individual pupil. Hillingdon is currently reviewing the structure and delivery model of the Pupil Referral Unit to enable it to be able to move towards operating under a delegated budget.
- 8.3 Charlie Taylor's report – Improving Alternative Education, proposes to change the responsibility for pupils which are excluded more onto the schools. In one of the examples in the consultation document, it seems to suggest that where a school excludes a pupil but not on a permanent basis, that it will be responsible for paying the AP provider the agreed top-up funding, and will also be required to return the AWPU funding to the local authority.
- 8.4 Where a school permanently excludes a pupil, the school will only have to return the AWPU funding to the local authority, the local authority will then be responsible for paying any top-up funding to an AP provider.

9. Specific Grants

Pupil Premium

- 13.1 The coalition Government has indicated that the level of the Pupil Premium for 2013/14 will increase to £900 per pupil (an increase of £281 on last years rate of £619). The method used for distribution will be based on those pupils who have been eligible for Free School Meals at any point in the last six years (known as Ever 6 FSM). It however has not indicated whether a revision will then be made for Looked After Children or the additional amount for the children of members of the armed forces.
- 13.2 The Pupil Premium grant to each school will be calculated based on the number of qualifying pupils counted in the School Census, multiplied by the funding rate described above. This data is currently not held by the Local Authority.
- 13.3 All schools are encouraged to accurately determine and record all of the pupils eligible for Free School Meals as this will maximise the level of Pupil Premium funding received by schools in Hillingdon.
- 13.4 The Pupil Premium grant will not be ringfenced at school level. The coalition Government has stated that it is for headteachers and governing bodies to determine the most appropriate strategy for raising attainment and reducing the attainment gap within each school.