

***SCHOOL FUNDING REFORM:***

**CONSULTATION  
ON THE  
LOCAL FUNDING FORMULA  
FOR  
2013/14**

**Consultation period:  
10 September to 12 October 2012**

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## **Foreword**

The County Council and the Nottinghamshire Schools Forum have worked hard in recent years to protect the budgets of our schools. We believe it is critical that the funding climate for Nottinghamshire Schools remains as stable as possible, despite the reductions and uncertainty in all other areas of the public sector.

We agree with the Government's long term vision of a *'fairer system in which funding follows pupils, schools have more control over their budgets and children are funded on a more equitable basis no matter where they live'*. Whilst there is clearly more to do to remove the variation in the levels of funding for schools, we are committed to ensuring that the current reforms for April 2013 result in a more simple, more transparent and fairer local funding formula to distribute funding to schools.

Since the reforms were announced in March 2012, we have been working together to create a framework and some basic principles for the new system. Many of you will have had the opportunity to attend a presentation outlining the details of the school funding reforms at your district Headteacher meetings in the summer term, so will already be familiar with some of the details and key aims. A key part of the work with the Schools Forum has been to prepare detailed models and options for a new local funding formula for Nottinghamshire. This work has progressed well and we are now in a position to consult with all schools and academies on the proposals. This consultation document will be supported by a series of district briefing events.

We recognise that any level of change in funding arrangements causes anxiety. In response, we are working to put together a transition plan. The purpose of our plan is to reduce the level of turbulence in individual schools, whilst recognising that the new system brings benefits for some schools which they will want to accrue as soon as possible.

In this consultation, we propose that there should be a cap on gains, which will have the effect of reducing the financial impact to schools and academies which would lose under the new formula. Our proposal is to limit gains on a sliding scale over three years. For 2013/14, the County Council is minded to use additional funding outside of the Dedicated Schools Grant to ensure that no school or academy loses funding on a per pupil basis.

We hope that as many of you as possible respond to this important consultation in order to determine the best funding arrangements for the pupils of Nottinghamshire.



**COUNCILLOR PHILIP OWEN**  
Chairman of the  
Children and Young People's Committee



**SALLY BATES**  
Chair of the  
Nottinghamshire Schools Forum

## Introduction

1. In March 2012, the Department for Education (DfE) published its latest paper, *School funding reform: Next steps towards a fairer system*, outlining proposed changes to the current school funding system from April 2013. Following a short consultation on some of the proposals contained within this paper, the final arrangements for the 2013/14 financial year were published on 28 June 2012.
2. The reforms clearly set out the key aims of the DfE to have a school funding system that is fair, simple, consistent, and transparent and where funding is more directly linked to the needs and numbers of pupils, and focus on:
  - delegating as many services and as much funding as possible to schools
  - simplifying the local formula used to distribute funding to schools
  - funding maintained schools and academies on the same equitable basis
  - improving the arrangements for funding pupils and students with high needs
  - improving the arrangements for the funding of early years provision
3. The introduction of a national funding formula - where pupils attract the same level of funding no matter where they go to school in the country, is not being addressed at this stage of the reforms. This is being delayed until the next comprehensive spending review period in 2015/16. The guaranteed unit of funding received per pupil in Nottinghamshire for 2013/14, therefore, will not increase over 2012/13. The changes to local funding arrangements from 2013/14 can, therefore, be viewed as a period of transition - to support the move from the current system to a new national formula.
4. Our approach to the reforms in Nottinghamshire has been to engage the Schools Forum, Elected Members and relevant officers of the Council from the outset, to work in partnership to implement the reforms and to deliver a system which both complies with Government regulations and delivers funding in the most effective and efficient way to meet the local needs of Nottinghamshire pupils.
5. As outlined in the foreword, the Council is also determined to minimise the impact of the redistribution of funding through a transition package, so that schools and academies are able to plan ahead for the changes.
6. This document sets out a summary of all of the proposed changes to the school funding system, a consultation on the proposals for changes to the local funding formula for Nottinghamshire for 2013/14 and further information on the changes that will be consulted on later in the autumn term in relation to the funding for both High Needs and Early Years funding.
7. **Responses to the proposals in this consultation should be submitted by no later than Friday 12 October 2012.** Details of how to respond are included in Appendix 4 – Consultation response form at the end of this document.
8. The responses to the consultation will then be considered at an extraordinary meeting of the Schools Forum on 16 October 2012, and used to finalise the local funding formula for 2013/14 for submission to the Education Funding Agency (EFA) by 31 October 2012.

## **Summary of the proposed changes**

9. This section of the document provides a brief summary of the reforms to the school funding system from 2013/14 to provide some context to the consultation questions. Full details of the reforms and the associated DfE papers can be accessed through the Schools Forum website - [www.nottinghamhire.gov.uk/schoolsforum](http://www.nottinghamhire.gov.uk/schoolsforum).

10. Schools funding will continue to be received by the local authority through the Dedicated Schools Grant (DSG), from 2013/14, however, this will be split into three blocks for distribution:

- Schools
- High Needs
- Early Years

The composition of these blocks for 2013/14 will be based on planned spend reflected on the section 251 budget statement for 2012/13, and adjusted for pupil numbers. The EFA will confirm the funding levels for each of these blocks in December 2012.

11. Local authorities will be required to distribute the Schools block of funding using a new simplified local funding formula, using a maximum of 12 new allowable factors. These factors are predominantly pupil led to support the objective of raising pupil attainment. Furthermore, in the majority of cases, funding can only be distributed via these factors using permitted indicators and datasets supplied by the DfE.

12. Of the new 12 factors, one relates to London fringe areas, one relates to the funding gap for PFI contracts (which is paid from outside of the DSG in Nottinghamshire) and one relates to funding post 16 provision from the DSG (only allowable if this is currently used in the local formula), so these three factors can thus be discounted.

13. The factors that are applicable to Nottinghamshire for 2013/14 and the indicators that can be used to distribute them are:

<b>Allowable factor</b>	<b>Indicator used</b>
1. Basic per pupil entitlement	October pupil census
2. Deprivation	Free School Meals (FSM) – single year or Ever 6; and/or Income Deprivation Affecting Children Index (IDACI)
3. Looked after children	Looked after children %
4. Low cost, high incidence SEN	Low attainment % indicator: Primary – Early Years Foundation Stage Profile (<73 or < 78 points); and Secondary – KS2 SATS (L3 or below in English and Maths)
5. English as an additional language (EAL)	EAL %s for first 3 years in the system
6. Pupil mobility	Number of pupils entering at non-standard entry points
7. Lump sum	Single fixed rate for all phases (<£200,000)

8. Split sites	Local determination of factor
9. Rates	Actual costs

14. Exceptional factors relating to premises can also be applied for as part of the local funding formula. These must be applied to less than 5% of the schools in the authority and account for more than 1% of the budget of the school(s) affected.
15. The DfE has recognised that the development of a new local formula 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 (MFG) will operate at minus 1.5% per pupil in 2013/14 and 2014/15. In addition, local authorities will also be able to limit gains as a result of the formula simplification.
16. The services and funding that constitute the Schools block of funding will operate on the principle that they should be delegated to schools in the first instance. There will be 3 exceptions to this delegation:
- 1) Where maintained schools agree that a service should be provided centrally (for limited services only)
  - 2) Historic commitments
  - 3) Statutory functions of the local authority
17. Local authorities will be required to submit their local funding formula for 2013/14 to the EFA no later than 31 October 2012, following consultation with all bodies affected by the changes. The EFA will ensure that the formula is compliant with regulations and distributes funding in a fair and equitable way.
18. To support the implementation of the reforms, improved Schools Forum arrangements are also being put in place to ensure that the school and academy membership of the Forum is broadly proportionate to the pupil population of these sectors.
19. Funding for High Needs pupils (defined as those who require provision in excess of £10,000 per year) is being reformed in support of the recent Green paper on SEN and disability '*Support and aspiration: A new approach to special educational needs and disability*'. The new approach to funding is aimed to be more responsive to pupil needs, fund all providers on an equivalent basis and bring together pre and post 16 high needs funding. The 'Place Plus' approach will be based on a fixed base level of place led funding to provide stability for providers, combined with top up funding based on actual pupil numbers and need.
20. The new High Needs funding arrangements will be introduced in the schools sector from April 2013 for all types of maintained schools, and special and alternative provision academies, phased in for mainstream academies by September 2013 and for further education providers from the start of the academic year.
21. Funding of all providers delivering the entitlement of 15 hours per week of free early education for three and four year olds will be distributed through the local authority from April 2013 and simplified and made more transparent as part of the reforms. In line with the changes to the funding formula for schools, the factors that can be used in the early years single funding formula (EYSFF) will be rationalised, and local authorities will be required to submit their EYSFF to the EFA for approval.

22. A specific, free early education MFG for all providers will be introduced for 2013/14 to recognise the importance of funding stability to the early years sector. This will be set at the same level as the school MFG, meaning that the EYSFF per hour base rate cannot be reduced by more than 1.5%.
23. Funding for early education for two year olds will transfer to the DSG from 2013/14 to enable local integration of free early education for two, three and four year olds. The DfE will seek views on how this funding could be allocated to local authorities and whether it will form part of the EYSFF through a separate consultation.
24. The DfE papers identify that Schools Forums have a significant role to play in supporting the implementation of the reformed funding system. Schools Forums were put in place to both support and challenge local authorities on matters relating to the Schools Budget, and members of the Forum have a responsibility to represent the views of their constituent groups in the wider schools community. From the outset in Nottinghamshire, we have worked in partnership with the Schools Forum on the reforms, and a working group of the Forum was established to consider three main strands of work:-
- the reconstitution of the Schools Forum
  - a review of the local funding formula (schools and early years)
  - the funding arrangements for high needs (SEN) pupils

### **Review of the local funding formula**

25. As outlined in paragraph 10, the funding reforms require all local authorities to implement a new simplified local funding formula from April 2013, and this will apply to all maintained primary and secondary schools and academies in Nottinghamshire. In accordance with the School Finance (England) Regulations 2012, the responsibility for determining the local funding formula lies with the local authority. However, local authorities also have a responsibility to ensure that they consult with their Schools Forum and all schools and academies on any changes to the formula.
26. The proposals and financial models for the new local funding formula contained within this consultation document have been compiled following discussions between the Schools Forum working group, Elected Members and relevant Officers of the Council.
27. The proposals on the local funding formula have been approved in principle by the Schools Forum, and are now issued for wider consultation with all schools and academies affected by the changes.
28. In the process of establishing a new local funding formula for Nottinghamshire, the following have been considered:-
- the current formula factors used in Nottinghamshire
  - the new allowable factors to include in the local funding formula
  - how to allocate funding through the allowable factors
  - the amount and balance of funding between the new factors
  - the financial impact of the new formula on individual school budgets.
29. The rationalisation of factors that can be used to distribute funding from April 2013 inevitably means that a number of current factors (and criteria used to calculate these) can no longer be used. For 2012/13, a total of 23 factors are used in the local funding formula for Nottinghamshire to distribute the DSG. **Appendix 1** shows a summary of the current factors, the indicators /

methodology used to distribute them, the purpose of each factor and the total amount distributed through each factor in 2012/13.

30. To minimise any shift in funding as far as possible under the new arrangements, after consultation with the Schools Forum, each of the current factors has then been mapped to the most appropriate and comparable new factor. This has resulted in an indicative amount and percentage of funding to distribute through each new factor. This is shown in **Appendix 2**.
31. It is proposed that the percentages calculated for each of the new formula factors are used to distribute the total funding available in the Schools block for 2013/14.

### **Question 1**

***Do you agree with the principles adopted in the mapping of current to new formula factors as outlined in appendices 1 and 2?***

32. Funding in the Schools block can only be distributed through each of the 12 new allowable factors in line with the criteria outlined by the DfE, of which, only 9 of these are applicable in Nottinghamshire. It is proposed that the percentages calculated for each of the new formula factors in Appendix 2 are used to distribute the total funding available in the Schools block for 2013/14.

### **Question 2**

***Do you agree with the principle of adopting the percentages of funding calculated for each of the new formula factors to distribute the Schools block of funding for 2013/14?***

33. The detailed proposals for how each formula factor will operate and distribute the funding available for 2013/14 are outlined below.

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

34. At this stage of the reforms, the DfE is not setting a minimum threshold of total funding that should be distributed through this factor or defining what the primary to secondary ratio should be. It has indicated, however, that this will be reviewed following the 2013/14 financial year. Of the total budget distributed to schools, currently 83% is allocated based on per pupil factors. Dependent on the cost of funding the Minimum Funding Guarantee in the new formula, in principle it is proposed that the same percentage of total funding should be distributed through the basic per pupil entitlement for 2013/14.
35. The School Finance (England) Regulations will be amended to allow only a single Key Stage (KS) funding unit for all primary phase pupils i.e. Reception, KS1 and KS2. Following the outcome of the DfE consultation on its initial proposals, separate rates will be allowed for KS3 and KS4 pupils<sup>1</sup>. In Nottinghamshire, it is proposed that a differential rate is applied for KS3 and KS4. This would protect schools and academies affected by possible future changes in cohort sizes in the different key stages. For example, the opening of a free school or university technical college could significantly impact on the intake in a particular year.
36. The current primary to secondary ratio of the age weighted pupil unit funding is 1: 1.39 and it is not proposed that this ratio should be altered in the new funding formula.

### **Question 3**

***Should separate rates be used to fund the basic per pupil entitlement at KS3 and KS4?***

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<sup>1</sup> The DfE have defined Key Stage 3 as Year 7, 8 & 9 and Key Stage 4 as Year 10 & 11.



#### Question 4

***Should the current primary to secondary ratio of funding the basic per pupil entitlement remain at 1: 1.39?***

#### **Deprivation (mandatory factor) and the treatment of the Pupil Premium**

37. The DfE is clear that deprived pupils should attract additional funding, and as such local authorities are required to have a mandatory deprivation factor within their formula to do this. **There will continue to be an investment in support for deprived pupils over and above the amounts distributed through local formulae in the form of the Pupil Premium.** For 2012/13, the funding allocated nationally to the pupil premium totals £1.25 billion, with a pledge that this will increase to £2.5 billion by 2014/15. Per pupil amounts that can be expected for the pupil premium for 2013/14 and 2014/15 have not been announced by the DfE, although with the overall amount invested in this expected to double over the next two years, it could be anticipated that the per pupil rate would follow this pattern.
38. In order to ensure that deprivation funding is targeted more consistently by local authorities, a maximum of two national indicators will now be permissible to distribute funding for deprivation. Local authorities will be able to select either one of the following indicators or a combination of both. The first indicator is based on FSM data, with a choice of selecting either a straight year or Ever 6<sup>2</sup> methodology.
39. The second indicator that can be used to distribute deprivation funding is IDACI data. IDACI is calculated at Lower Super Output Area level (using individual postcode information), and an IDACI score is the measure of probability that a child living in that area would be deprived. For example, a child with an IDACI score of 0.2 has a 20% chance of coming from a deprived family. If IDACI data is chosen as an indicator to distribute funding on, then a national tiered banding system must be adopted. Local authorities will still be able to set the unit values for distribution through either FSM or IDACI, and this can vary between primary and secondary phases.
40. Current funding for deprivation in the Nottinghamshire formula is predominantly based on free school meals data and accounts for just over 3% of the total funding distributed and it is proposed that the total amount of funding available targeted for deprivation remains at this level. As neither FSM nor IDACI is a perfect measure for targeting funding for deprivation, it is proposed that the Ever 6 FSM and IDACI indicators are used, and the total funding to be distributed split on an equal 50% basis. As the criteria for determining FSM entitlement are being phased out with the introduction of Universal Credit, the move to funding deprivation on 50/50 split at this stage would minimise further disruption.
41. Within the total funding available for distribution by IDACI data, the national banding system should be weighted so that bands 1 to 4 attract a third of the funding, and bands 5 & 6 the remaining two thirds, as shown in the table below. The actual rates paid will depend on the total number of pupils in each band as per the DfE dataset provided.

Band	IDACI score lower limit	IDACI score Upper limit	Weighting
1	0.2	0.25	1.0
2	0.25	0.3	1.0
3	0.3	0.4	1.0
4	0.4	0.5	1.0
5	0.5	0.6	2.0
6	0.6	1.0	2.0

<sup>2</sup> The Ever 6 measure includes any pupil who has been eligible for free school meals at any point in the past six years.

42. Although differential rates for each sector are permitted, it is proposed that rates applied to the Ever 6 FSM and IDACI funding should be the same for both the primary and secondary sectors.

**Question 5**

***Do you agree that both Ever 6 and IDACI data should be used to distribute deprivation funding?***

**Question 6**

***If so, should the funding available be split on an equal basis between the two indicators?***

**Question 7**

***Do you agree with the weightings attached to the IDACI bands?***

**Question 8**

***Should the rates paid per pupil be the same for both the primary and secondary sectors?***

**Looked after children (optional factor)**

43. The current local funding formula for Nottinghamshire does not include a factor to recognise any additional costs associated with looked after children (LAC). The Schools Forum working group considered that a factor for LAC should be used, and that a fixed rate of £5,000 per pupil should be applied. The cost of this factor would be funded from the previous mainstream grant funding for one to one tuition included in the deprivation factor.
44. Based on the LAC dataset provided by the DfE, the total cost of funding this factor for 351 children was £1.755m (0.42% of the total distributed budget for 2012/13). If this funding remained in the deprivation factor, this would provide an additional £0.877m to distribute through both Ever6 FSM and IDACI data. This would equate to an additional £39 per Ever6 FSM eligible pupil, £9 per IDACI band 1-4 pupil and £147 per IDACI band 5-6 pupil. The latest figures provided by the Virtual School indicate that the number of LAC in Nottinghamshire schools and academies has increased to 491 for September 2012, which would increase the cost of this factor to £2.455m in 2013/14.
45. Regulations require that if a LAC factor is used, the rates applied should be the same for both the primary and secondary sector.

**Question 9**

***It is proposed that a LAC factor is adopted in the new formula, do you agree with this proposal?***

**Question 10**

***If so, do you agree that the LAC factor should be set at £5,000 per pupil?***

**Low cost, high incidence SEN (optional factor)**

46. Pupils with SEN need additional support and different approaches to help them achieve. The funding arrangements for pupils defined as having high needs are changing significantly from April 2013 and these are outlined in paragraphs 90 to 94. For those pupils who are identified as having low cost SEN, local authorities will still be able to target funding through the local formula, although this is not a compulsory factor. However, the DfE will still require local authorities to give mainstream schools a defined notional SEN budget from the Schools Block to meet the needs of pupils with low cost, high incidence SEN and to contribute up to a locally defined level towards the cost of provision for pupils with high needs.

47. It is proposed that the total percentage of funding currently distributed through the current Additional School Needs (ASN) formula factor<sup>3</sup> is distributed through a low cost, high incidence SEN factor for 2013/14 based on the permitted indicators.
48. It is acknowledged by the DfE that, because SEN is sometimes hard to pin point, the indicators used to distribute funding can often be wide ranging, variable and complex across local authorities, and require simplification in the new formula. In Nottinghamshire, a combination of FSM, IDACI and prior attainment measures are used to distribute this funding.
49. The new regulations will require that prior attainment data will be the new proxy indicator for distributing funding to recognise the need to provide additional low cost support to pupils with SEN. The data sets that can be used will be:
- Primary schools: pupils achieving either below 73 or 78 points in the Early Years Foundation Stage profile<sup>4</sup>;
  - Secondary schools: pupils achieving level 3 or below in both English and Maths at KS2.
50. The funding rate per pupil for this factor can be different for each sector, however, it is proposed that the same rate should apply to both the primary and secondary sectors.

**Question 11**

***It is proposed that a low cost, high incidence SEN factor is adopted in the new formula, do you agree?***

**Question 12**

***Should the threshold level applied to the EYSFP score be at 73 or 78 points?***

**Question 13**

***Do you agree that the same rate of funding per pupil should be applied to both the primary and secondary sectors?***

**English as an additional language (optional factor)**

51. Pupils with English as an additional language (EAL) often require additional support in order to learn the English language and be able to access the school curriculum. The DfE has considered the evidence on how much support is needed, and has decided that a fixed period of 3 years from the point that the pupil enters compulsory education in England is sufficient.
52. Funding for EAL is currently allocated as part of the existing ethnicity factor, with different indicators used for primary and secondary pupils. It is proposed that the total funding distributed for ethnicity for 2012/13 is used to fund the EAL factor for 2013/14 and that, although differential rates can be applied, these are kept the same for both the primary and secondary sectors.

**Question 14**

***It is proposed that an EAL factor should be adopted in the new formula, do you agree?***

**Question 15**

***If so, do you agree that the same rate of funding per pupil should be applied to both the primary and secondary sectors?***

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<sup>3</sup> The ASN formula factor exists to provide funding for low level SEN up to the equivalent of 7.5 hours support and is distributed on combination of FSM, prior attainment and IDACI data.

<sup>4</sup> This will be a temporary measure until the review of the Early Years Foundation Stage Profile has concluded.

### **Pupil mobility (optional factor)**

53. Following the consultation on the initial proposals, the DfE announced in June that an additional factor to recognise pupil mobility was to be added to the list of allowable factors. This factor is to recognise the additional staffing costs and administrative burden that some schools may face due to high levels of pupil mobility. Pupil mobility will be based on the number of pupils entering schools at non-standard entry points.
54. A High Pupil Turnover factor exists in the current formula based on a block allocation plus a per pupil amount for average 'casual' leavers and admissions over the past two academic years, with a requirement to have a minimum 10% to qualify for the factor. This threshold would not apply in the new factor. The total percentage of funding distributed through this factor in 2012/13 was 0.04%. Using the dataset provided by the DfE, if this amount of funding was distributed through a pupil mobility factor it would equate to £28 per pupil.
55. Differential rates can be applied to the primary and secondary phase for this factor. It is proposed, however, that the same rate is used for both the primary and secondary phase.

#### **Question 16**

***It is proposed that a pupil mobility factor should be adopted in the new formula, do you agree?***

#### **Question 17**

***If so, do you agree that the same rate of funding per pupil should be applied to both the primary and secondary sectors?***

### **Lump sum (optional factor)**

56. The DfE has been clear from the outset that the underlying aim of the funding reforms is to ensure that as much funding as possible is allocated through the basic per pupil entitlement or other pupil led factors e.g. deprivation, SEN, LAC or EAL, so that funding can genuinely follow the pupil. However, it is recognised that there are some costs that all schools incur irrespective of the size of their pupil population and a funding formula based purely on pupil driven factors would not account for these.
57. Local authorities will, therefore, be able to apply a lump sum factor in their new local funding formula, but to simplify current arrangements they will only be able to set a single lump sum value across all phases and size of school in the area. The predominant rationale for this is to provide sufficient funding for those small schools, particularly in rural areas, which may not be able to operate on the basis of their per-pupil funding alone. The DfE is clear, however, that these schools should represent an efficient use of local funding and the lump sum should not be set at a level that promotes inefficiency.
58. The DfE initially proposed setting an upper limit on the lump sum between £100,000 and £150,000. However, following the consultation on their proposals, this upper limit has been set at £200,000 for 2013/14 and will be reviewed for 2014/15.
59. The value of the lump sum has been modelled at levels from £25,000 to £200,000 and the impact of these considered in detail by the Schools Forum working group. The consensus was that ultimately it should be set at a level that ensures funding is driven out through the pupil led factors. However, there needs to be an adequate balance between this, ensuring that it is set at a level high enough to support small schools and there is a balance of fairness within the new system between the primary and secondary phases.

60. There is a clear relationship between the lump sum and the basic per pupil entitlement - as the lump sum increases, the basic per pupil entitlement decreases. Therefore as a general rule, smaller schools benefit from a higher lump sum and larger schools benefit from a lower lump sum.
61. The DfE is clear that the lump sum is intended to cover the minimum average cost of running a school e.g. the cost of a Headteacher, a caretaker and some administrative support. As the lump sum factor is primarily aimed at supporting small schools, these average costs have been calculated for small schools on Nottinghamshire<sup>5</sup> and these equate to £89,000. It is therefore proposed that the lump sum value should be set at this value for 2013/14 for all schools.

**Question 18**

***It is proposed that a lump sum factor is adopted in the new formula, do you agree?***

**Question 19**

***If so, do you agree that the lump sum is set at £89,000?***

**Split Sites (optional factor)**

62. The current local funding formula allocates funding to schools which operate on a split site. To qualify for a split site allocation a school must be separated by a public road or a qualifying distance (currently 175m door to door), that means the school incurs additional costs. These additional costs must be related to site factors, not management decisions.
63. If the school meets the qualifying criteria, then they currently receive a block allocation and an allocation for travel costs and non-contact time. The rates applied differ for the primary and secondary phase.
64. Currently a total of 11 primary schools and 10 secondary schools receive a split site allocation, at a total cost of £801,635, which represents 0.19% of the total amount distributed.
65. Local authorities will be able to continue to apply a split site factor in the new formula. It is proposed that the existing split site factor, qualifying criteria and funding distributed through this remains unchanged for 2013/14.

**Question 20**

***It is proposed that the existing split site factor and qualifying criteria to recognise the costs of operating a split site school are adopted in the new formula, do you agree?***

**Rates (optional factor)**

66. Funding for rates is currently delegated to schools and shown in the schools annual budget statement. By mutual agreement, these charges are paid centrally and are therefore deducted prior to schools' budgets being distributed. In the case of academies, the EFA pays the academy when the actual rates sum paid are known.
67. The new funding arrangements do not require any changes to this current arrangement and it is proposed that this arrangement will continue for 2013/14.

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<sup>5</sup> Small schools are defined in Nottinghamshire in the 2002 'Size Matters' report as those with fewer than 100 pupils on roll.

### **Question 21**

***It is proposed that the current arrangement to pay rates centrally are adopted in the new formula, do you agree?***

### **Exceptional factors**

68. In addition to the nine factors identified, there is the ability to apply for exceptional factors related to premises to be included as part of the local funding formula. To qualify, these factors should apply to less than 5% of the schools in the authority and account for more than 1% of the budget of the school(s) affected.
69. The DfE has published a summary of the types of factors that have already been approved. In Nottinghamshire, it is proposed that exceptional factors are applied for schools which have official joint use arrangements for shared leisure facilities and schools where costs are incurred through the rental of school accommodation. If approved, these factors would operate on the same basis and qualifying criteria as for 2012/13.

### **Question 22**

***Subject to DfE approval, it is proposed that the factors for joint use and rental of school accommodation on the same basis as 2012/13 are adopted in the new formula, do you agree?***

### **Protections and limiting gains**

70. The simplification and rationalisation of the local funding formula will undoubtedly result in changes to school budgets. To minimise the impact of this, and allow schools time to plan for any changes in the level of funding they receive, a national minimum funding guarantee (MFG) will operate at minus 1.5% per pupil for 2013/14 and 2014/15. This is to ensure that no school loses more than 1.5% per pupil in delegated funding in comparison to the previous financial year's baseline position.
71. Certain items will be automatically excluded from the calculation of the MFG, as including them could result in excessive or insufficient protection for schools. The automatic exclusions are:-
- Post-16 funding
  - Allocations for named pupils with SEN i.e. High Level Needs (HLN) funding
  - Lump sum (set at the 2013/14 value)
  - Early years funding
  - Rates
  - New delegated funds for 2013/14
72. The total DSG allocated to the authority will take into account all pupils in maintained schools and academies. Therefore in order to calculate the MFG for maintained schools, the local authority has to treat all recoupment academies as though they were maintained schools. For the purposes of modelling the new local funding formula, academies and maintained schools have been treated on the same basis.
73. The Education Funding Agency will separately calculate and pay MFG protections to academies. This will include the full Schools Block Local Authority Central Spend Equivalent Grant paid in the funding year 2012/13. The additional cost of these protections will not be funded from the DSG and will, therefore not have an impact on the funding allocated to maintained schools.
74. The cost of the MFG protection has to be funded from the overall funding available within the Schools block. As there could be significant amounts of protection required in some areas as a

result of the formula simplification, local authorities will be able to apply a gains cap so that schools cannot gain more than a certain amount per pupil as a result of the new formula. The amount generated by a gains cap is then redistributed through the basic per pupil entitlement of the local funding formula.

75. The application and modelling of a gains cap has been considered by the Schools Forum and it is proposed that a scaled gains cap should be applied over a period of 3 years as a method of transitional support to allow schools that would lose funding under the new formula arrangements sufficient time to plan for this reduction. It also provides assurance to those schools that would gain funding that these would eventually be fully realised. It is proposed that a gains cap is applied for 2013/14. The financial effect of applying a cap will impact differently on individual schools and academies as pupil numbers alter, and therefore cannot be modelled in detail at this point. The level of the gains cap is estimated at 5%, however this cannot be finalised until after the October pupil census has taken place. The Schools Forum has agreed, in principle, that the gains cap should be increased to an estimated 7.5% in 2014/15, and an estimated 10% in 2015/16 (subject to a national funding formula). However, this would be subject to further consultation with all schools and academies.

76. The Council wishes to ensure in 2013/14, no school or academy will lose funding on a per pupil basis as a result of the application of the new funding formula and will use funding from outside the DSG to ensure that this is the case.

### **Question 23**

***Do you agree that a gains cap should be set at 5% for 2013/14?***

### **Financial modelling**

75. As part of the consultation on the changes proposed to the local funding formula for 2013/14, the local authority is required to include a demonstration of the financial effect that these changes would have on individual schools and academies.

76. For the purposes of this modelling exercise, all schools and academies are treated as though they are maintained schools, and show the impact of the proposed new formula both including and excluding the MFG.

77. On this basis, for each school and academy in Nottinghamshire, the overall effect of the proposed new local funding formula compared to the current 2012/13 formula has been modelled based on the proposals made in this consultation. This is shown in **Appendix 3**:

78. **Appendix 3a** provides notes to accompany the financial models shown in Appendix 3.

79. The proposed new formula has been calculated using the 2012/13 DSG quantum of funding, January 2012 census data and datasets issued by the DfE. **The figures included in the modelling are therefore illustrative, and must not be taken as final allocations for 2013/14.**

### **New delegation of funding streams**

80. To provide greater choice to school leaders over how to spend their budgets, local authorities are required to work on the principle that all services included as part of the Schools block, and the funding for them, should be delegated to schools in the first instance. The new arrangements mean that there will be some funding and by definition some services associated with these that will be delegated to schools.

81. As outlined in the initial proposals, there will however be three exceptions to the requirement to delegate all funding in the Schools block. The exceptions are:

- 1) Where maintained schools agree a service should be provided centrally
- 2) Historic commitments
- 3) Statutory functions of the local authority

82. For exceptions 2 and 3, the amounts budgeted for in 2012/13 will automatically be centrally retained and will not be delegated to school or academy budgets. The list of budget lines covered by these exceptions and the amounts to be retained are:

<b>Description of service (based on section 251 budget statement)</b>	<b>2012/13 total</b>
<u>Exception 2 – Historic commitments</u>	
1.2.8 Contribution to combined budgets	£2.475m
1.8.8 Termination of employment costs	£1.000m
1.8.2 Prudential borrowing costs	-
<u>Exception 3 – Statutory functions of the local authority</u>	
1.6.3 School admissions	£0.886m
1.6.6 Servicing of the schools forum	£0.011m
1.6.9 Purchase of carbon reduction commitment allowances	£0.700m
1.8.1 Capital expenditure from revenue	£0.312m

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

83. There will be a limited list of services that the local authority can continue to provide centrally if the Schools Forum agrees to this on behalf of the maintained primary and secondary schools it represents. The funding for these services will have to be delegated to schools and academies in the first instance. Then if the Schools Forum decides that one or more should be provided centrally, funding from the maintained schools will be de-delegated i.e. returned to the local authority. Academies are not able to de-delegate funding in this way, but could choose to buy into such services by local agreement.

84. In Nottinghamshire we currently already delegate the majority of the budget items covered by this exception. There remains, however, a number of services that are currently retained centrally, which will now form part of the de-delegation option for maintained primary and secondary schools. The full list of services covered by this exception and the amount retained centrally in Nottinghamshire for 2012/13 in the equivalent Schools block is shown in the table below. To give some further context, based on January 2012 census data<sup>6</sup>, this would equate to the following amounts per pupil as shown in the table below:

<b>Description of service (based on section 251 budget statement)</b>	<b>2012/13 total</b>	<b>Equivalent amount per pupil</b>
1.1.2 Allocation of Contingencies (subject to permissible criteria)	£5.129m	£51.51
1.3.2 Behaviour support services	-	-
1.4.1 Support for minority ethnic pupils or underachieving pupils	£0.653m	£6.56
1.5.2 Administration of free school meals eligibility	£0.088m	£0.89
1.6.1 Insurance	-	-
1.6.2 Library and museum services	-	-
1.6.4 Licences or subscriptions (copyright licence)	£0.176m	£1.77
1.6.7 Staff costs / supply cover (trade union facility time)	£0.329m	£3.31

<sup>6</sup> Total pupil population of 99,571 based on January 2012 census data for pupils aged 5 to 16 only (Primary total 57,247 and Secondary total 42,324)



85. The Schools Forum working group considered each of these budgets, the services that are provided by them and the benefits to schools of retaining these centrally by opting to de-delegate the funding associated with them. With the exception of the allocation of contingencies where there are only permissible criteria for which these could be de-delegated, it was unanimously agreed to propose that the budgets associated with the remaining services should be de-delegated for both maintained primary and secondary schools.
86. In respect of the contingency allocations, there are restrictions on the purposes for which these can de-delegated by maintained schools. These are:
- Exceptional unforeseen costs which it would be unreasonable to expect governing bodies to meet
  - Schools in financial difficulties
  - Additional costs relating to new, reorganised or closing schools
87. In the original paper, issued in March, it was also proposed that contingency funding could be retained centrally for significant pupil number growth, of which one eligible criterion would have included a contingency retained for the primary phase to maintain infant class sizes within the current class size regulations.
88. However, in order to support the local authority duty in place planning, alternative arrangements to support schools with significant growth in pupil numbers will now operate. Local authorities will now be able to create a growth fund in advance of allocating school budget shares. This growth fund would be ring fenced so that it can only be used for the purposes of supporting growth in pupil numbers to meet basic need. The growth fund would be for the benefit of both maintained schools and academies.
89. If a growth fund were to be created in Nottinghamshire, the local authority would be required to agree with the Schools Forum the total sum to be top-sliced from each phase and the criteria on which growth funding should be allocated and gain approval before growth funding is allocated. Any funds remaining at the end of the financial year would be added to the following year's DSG and reallocated through the local funding formula.
90. Based on the January 2012 census data, each £100,000 that is de-delegated as a contingency or top-sliced for a pupil growth fund would equate to approximately £1.75 per primary pupil and £2.36 per secondary pupil.
91. The proposal of the Schools Forum is that funding should be top sliced for the primary sector to create a growth fund for an infant class size contingency. A total of £500,000 is currently retained for this purpose.
92. Transitional funding arrangements currently exist for amalgamating schools through the local funding formula which are applied over a period of four years after amalgamation on a phased basis. The new funding arrangements do not allow a formula factor for this. However, as highlighted in paragraph 80, a contingency can be retained for this purpose. The cost of previously agreed transitional protection for amalgamated schools for 2013/14 is £0.146m, which is equivalent to £1.47 per pupil based on January 2012 census data. A further £0.275m is committed to 2017/18. Guidance from the DfE states that there is an expectation that previous commitments made in respect of these allocations should be respected. The criteria for any transitional funding arrangements for 'new' amalgamating schools would need to be agreed by the local authority with the Schools Forum.
93. In addition, there will be some services that have previously been retained centrally that are not covered by the de-delegation option and must therefore be delegated to schools. For these services, schools and academies will have the option to pool funding. Whilst similar to the

principle of de-delegation, the decision on whether this funding should be returned to the local authority to continue to provide a service will be the decision of individual schools rather than the Schools Forum. Within Nottinghamshire, as the majority of services within this category are already delegated, this only concerns the funding retained for school milk in the primary sector. The total retained for 2012/13 is £142,111, which would be distributed to primary schools based on FSM entitlement data for children aged 5 to 7. Views are sought from the primary sector as to whether there is a consensus that this funding should be pooled to provide this service centrally.

#### **Question 24**

***Do you agree with the proposal to de-delegate funding for maintained primary and secondary schools for the following services:***

- a) Support for minority ethnic pupils or underachieving pupils***
- b) Administration of free school meals eligibility***
- c) Licences and subscriptions (copyright licence)***
- d) Staff costs/supply cover (trade union facility time)***

#### **Question 25**

***It is proposed that a pupil number growth fund should be created for an infant class size contingency by top-slicing the DSG in the primary sector, do you agree?***

#### **Question 26**

***Do you agree with the proposal to retain a contingency for previously agreed transitional support for amalgamating primary schools?***

#### **Question 27**

***Do you wish to pool funds to continue the provision of school milk centrally?***

### **High Needs**

94. Funding for pupils and students who have complex special educational needs and who require additional support in order to access education will in future be funded through a specific High Needs block of funding contained within the overall DSG. The High Needs block will provide funds for three SEN components: SEN support services, additional support needs of learners and specialist placements.

95. The local authority will be responsible for the distribution of these funds for children and young people from birth to 25, across a range of settings - private nurseries, mainstream schools, special schools, academies, free schools, local colleges and specialist colleges. The basic principle of the new arrangements is that schools, settings and colleges will receive allocations based on a 'place-plus' approach. Under this approach, high needs funding for all types of provision will comprise three elements.

- Element 1: Core education funding - this is the mainstream unit of per-pupil or student funding which all providers receive
- Element 2: Additional support funding –funding through a clearly identified budget for providers to provide additional support for high needs pupils up to an agreed level.
- Element 3: Top-up funding – funding above elements 1 and 2 to meet the total cost of education provision required, to be based on the assessed needs of the pupil or student.

96. The following table provides a summary of how different settings will be funded under the new arrangements.

<b>Setting</b>	<b>Element 1 - core education funding</b>	<b>Element 2 - additional support funding</b>	<b>Element 3 - top- up funding</b>
<b>Mainstream school</b>	£4,000 notional (AWPU)	£6,000 notional (delegated SEN )	Additional Family Needs / High Level Needs
<b>Special school pre 16</b>	£10,000	*	£5-15,000 top up using LMSS formula
<b>PRU</b>	£8,000	*	£17,000 top up in year one
<b>Early Years – Private, voluntary &amp; independent (PVI) and schools</b>	Entitlement funding 10 or 15 hour entitlement	*	DCATCH for PVI AFN, HLN for school settings
<b>Independent non maintained school</b>	£10,000	*	Top up funding will be negotiated between provider and commissioner
<b>Post 16 school Post 16 special school Post 16 local college Specialist college</b>	Programme costs (national funding formula)	£6,000 Additional learner support (ALS) from EFA	Top up funding will be negotiated between provider(college) and commissioner (LA)

97. The reform proposals are closely aligned to Nottinghamshire's current arrangements and it is therefore intended that minimal change will be experienced by all providers. Support services funded from the High Needs block will continue to be provided and managed by the local authority and maintained schools and academies will access these as they currently do at present.

98. A separate consultation on the detailed proposals for implementing the High Needs reforms will be issued later in the autumn term. However, we would welcome any initial comments regarding the proposals to maintain the current arrangements for the provision of high needs funding.

## **Early Years**

99. The funding for the 15 hours free education entitlement for all three and four year olds is distributed through the local Early Years Single Funding Formula (EYSFF) as part of the overall DSG. From April 2013, this funding will form a separate Early Years block within the DSG, which will fund all providers in Nottinghamshire including academies. As providers are funded on actual numbers throughout the year, establishing a separate Early Years block will ensure that the funding is more responsive to the changes in pupil numbers.

100. For 2013/14 the Early Years block will be based on the initial planned spend on early years for 2012/13 and on the January 2012 count. This will then be updated for the January 2013 and January 2014 count.

101. The reforms do not propose major changes to the main elements of the EYSFF, although in line with the main formula, there will be a restriction on the factors that can be used within this. Following the initial proposals announced in March, the final arrangements published, in June 2012, identified that a new specific MFG for the EYSFF will be introduced.

102. Whilst the planned reforms do not require any change to the current EYSFF formula in Nottinghamshire, the operational aspects of having a separate Early Years block of funding will require the local authority to issue indicative budgets to all providers prior to the start of the financial year. Consideration will need to be given to the basis and pupil numbers on which this indicative budget calculation should be based upon. A separate consultation on these

arrangements will be undertaken with all early years providers in Nottinghamshire later in the autumn term.