

REGULATORY AND OTHER COMMITTEE REPORT

NAME OF COMMITTEE:	Schools Forum
DATE OF MEETING:	26/1/11
SUBJECT:	Review and Reconfiguration of Special Schools and Mainstream Unit Provision – Review of Special School Funding
REPORT BY:	Paul Snook Principal School Improvement Service Tony Warnock Head of Finance – Children’s Services
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IS THE REPORT EXEMPT?	No
IS REPORT CONFIDENTIAL?	No

SUMMARY

The purpose of this report is to set out for the benefit of the Schools Forum the methodology of working in reviewing the funding arrangements for special schools, the role and function of the working group established to undertake this activity, the proposed formula and the impact for schools.

The detail of the funding proposal has been as a result of extensive consultation with special schools and other parties and has been managed entirely through the working group. The resulting formula seeks to provide a simplified approach to the funding of special schools using

the level of funding currently available to the schools (based on the 2009/10 financial year for modelling purposes) and this is based on a staffing block and non staffing block linked to the group size of schools, a PFI block for those PFI schools and a pupil block generated from a series of bands and descriptors and based on actual pupil numbers. The latter generates the budget share to meet the needs of pupils in the classroom and is derived from staffing ratios agreed through the working group. This approach has removed the ad hoc arrangements that have developed over time, including the use of one to one funding, the funding of additional places to support individual school budgets, the current practice of funding of place capacity as opposed to actual pupil places in Behavioural, Emotional and Social Difficulties (BESD) schools. The resultant budget for each special school is providing a predictable budget, that is sufficiently flexible in its construction to reflect the wider range of need now being catered for in most special schools and one that will facilitate longer term planning and provision as it is non predicated on variable funding arrangements as has been the case in the past.

As a part of the review process the working group has looked at all aspects of special school funding, this has included the payment of an extended day allowance for pupils attending BESD schools of £4884 per pupil. This funding was and is intended to provide a range of extra curricular activities to enhance the level of intervention being provided for the children and young people and to enable the schools to work with families in their localities. The nature and extent of these activities has been revised through the working group, this is in response to the changing expectation of all schools to offer extended opportunities and the development of integrated teams working in the localities to better meet the needs of children and young people and their families. The value of the offer made to children and young people at the schools is recognised and for this reason a revised protocol has been proposed regarding the extended day offer and the home school liaison role with a commensurate reduction in the per pupil allowance to £2635.

As an outcome of the application of the revised formula (using the 2009/10 budget allocation and pupil numbers) there are winners and losers, these are identified and an analysis has been undertaken as to the causal factors in the attached paper. To ensure that schools whose budget is reduced are able to manage the transition effectively it is proposed that tapered protection be put in place over a three year period (see appendix report). This period of tapered protection will also provide an opportunity for the County Council to monitor the impact of the new funding arrangements and if it deems appropriate to change the formula as a result.

DISCUSSION

See appendices

RECOMMENDATIONS

See appendices

The Schools Forum is asked to:

- a. Note the report.
- b. Support the introduction of the new special schools formula (with transitional arrangements) as set out in the report, with effect from 1st April 2011.

BACKGROUND PAPERS

The following reports were relied upon in the writing of this report.

PAPER TYPE	TITLE	DATE	ACCESSIBILITY
Report	Schools Forum Report	January 2011	See Attached

APPENDICES
Appendix 1 - Schools Forum Report
Appendix 2 – Draft Special School Funding Model

Appendix 1

Schools Forum Report

26th January 2011

Review and Reconfiguration of Special School and Mainstream Unit Provision

“The review will develop proposals for the funding of special schools, designated unit provision, outreach support from schools and other providers. This will build upon the review undertaken at the request of the Schools Forum in 2008/9”.

An interim report to the Schools Forum in October 2010 set out the background and actions undertaken to progress this work, the following extracts from this report illustrate this:

Background

Previous reports to Lincolnshire County Council and The Schools Forum identified that the present funding arrangements were and are not driven by the principles of effective funding:

- Simplicity
- Equity
- Efficiency and VFM
- Openness and transparency
- Accountability
- Etc

That the system:

- Is anachronistic
- Reinforces the “needs – gets”
- Puts the authority in the position of schools bargaining for resources on admission
- Reinforces “scheme is almost fit for all – but not all e.g. unit provision and funding in place for some schools for ASD
- Funding by needs descriptor e.g. MLD restricts flexibility of placement and so impact on VFM
- Potential resource drift –pressure for more places, and for higher unit value on places.

The work undertaken in 2008/9 to address the funding of special schools was reported to Lincolnshire County Council on 08/09/2009 with the paper setting out some broad outlines of a scheme developed by a working group of headteachers, officers and representation from Schools forum. This work was fundamentally flawed as it did not take into account the funding being made available to BESD schools and excluded this group of schools from the remodelling proposals based on staff – pupil ratios.

Action to date

A Special School Funding Group has been established with clear terms of reference and reporting time frame.

Membership of the group includes: headteachers, officers, governors, representation from Schools Forum (3), elected member (1).

The group has met on six occasions to date, this has been supported by separate meetings by officers to undertake preparatory work, meetings with groups of special school headteachers and researching regionally and nationally.

The key principles currently being worked to are:

1. The review will encompass all special schools.
2. Existing funding will be used to support the formula.
3. Where there is a compelling need for additional funding this should be articulated e.g. outreach.
4. Funding will be allocated in a transparent, fair and equitable manner.
5. Funding will be simplified to remove the dependence on ad hoc arrangements.
6. Funding will be driven by a set of band descriptors that identify needs and behaviours rather than the present "type of need".
7. The band descriptors will be few in number and encompass all needs.
8. The opportunity will be taken to simplify the present funding formula and "roll up" budget lines to simplify the model.
9. That a three year cycle is used for funding places based on band descriptor identification and the purchase of places is based on the annual pupil census rather than the present arrangement which is based on historic numbers.
10. Additional funding from the DSG will be identified in the overall special school budget (£100,000 annually) to meet the cost of additional places when and as they are required.

The Formula

Since the interim report work on a new formula has been progressed by officers and the wider membership of the Special School Funding Group, with regular briefings to the Special Schools Funding Group, the membership of which has provided constructive support and challenge.

A formula model has been developed based on the key principles outlined above, the model involves:

1. A staffing "block" allocation linked to school group size, determined by activity led modelling using required structures and salary costs taken from special schools.
2. A non staffing "block" again linked to school group size, determined by activity led modelling, using average costs taken from special schools.
3. A PFI block allocation for the four PFI build special schools
4. A pupil element – 5 bands of descriptors (see appendix) with weighted funding based on staffing ratios required to meet the complexity of need.
5. An "additionality" funding strand which replaces with a lower amount the current extended provision funding allocation made to the four BESD schools, and is also allocated as "exceptional circumstance" funding to targeted children and young people identified as Band 5 in other schools where additional support is required.
6. A moderating process by schools and the LA in response to the use of band descriptors by special schools to identify the extent and complexity of pupil need in relation to funding levels.
7. Budgets being determined on "actual" pupil numbers rather than historic and or predicted.
8. The removal of the unpredictable use of one to one funding.

The calculation of the pupil element has been achieved by the use of a set of five band descriptors which describe a broad range of need against each of the five bands and identify the staffing ratio required to meet such needs in the classroom. Special schools have applied these descriptors to their populations, this has been moderated and the resulting percentages used to identify and fund through the place element the range of need accommodated in a school.

These approaches has significantly reduced the number of budget lines required in constructing special school budgets, simplifying the process and aiding transparency, introduced the notion of funding a range of needs rather than specific pupils and through the allocation of the existing entire special school budget has made budgets predictable. The decision to fund actual places will contribute to this predictability in the future.

Are special schools over funded?

As a consequence of the use of “activity led modelling” for the construction of the formula and using actual and/or average costs from Lincolnshire special schools, officers have been able to confirm that the present level of funding (without the one to one funding) is insufficient to support the costs associated with the blocks of funding (staffing, non staffing and where applicable the PFI block) and the pupil element.

How has this been addressed?

In line with the principles set out above no additional funding has been taken from the DSG to resource the formula. The total budget does however now include the additional funding made to schools via “one to one” support payments (this totalled £2.4 million in 2009/10). As a consequence the budget total has remained the same but distributed in accordance with an open and transparent formula based on actual costs and actual staff ratios agreed by the funding group.

How will schools be expected to manage without the “one to one” funding in the future?

The “one to one” budget has been included in the total funding for special schools and distributed through the formula. As a consequence the majority of schools receive a higher level of funding than is currently the case and so will be able to use this to make provision for all children and young people within their school without the need to ask for additional money. Given that this funding is also predictable, schools will be better placed to make provision in the future than is currently the case.

Where a school judges that the band descriptors do not accurately reflect the complexity of need of a child they can access an “exceptional circumstance” payment of £2,635 (based on modelling) which is identified with Band 5 descriptor. This will be subject to moderation by the LA.

What is the impact of applying the formula?

Applying the formula based on the modelling of data from 2009/10 results in “winners and losers”, the extent of the losses and gains may change as a result of applying January 2011 census data. Those that lose funding through the formula can be identified into two distinct groups.

Two schools will receive less funding than is currently the case for the following reasons:

1. One school receives additional funding via the purchase of a number of “ghost” places by the authority, this strategy was put in place to enhance the school’s budget so it could meet its commitments. The same school operates on a split site and receives no allowance for this. The LA is currently working with the school to identify and fund those factors that are specific to and as a result of occupying a split site.
2. One school in 2009/10 had a very high level of additional “one to one” funding, given that this funding has now been included in the total budget for distribution by formula the school has moved to a deficit when comparing the proposed budget with the actual 2009/10 share. The LA is working with the school to ensure that the offer to pupils is not compromised in the longer term.

The four Behavioural, Emotional, Social Difficulties (BESD) schools will receive less funding than is currently the case as a result of the application of the formula, this is for the following reasons:

1. The authority has funded the BESD schools based on potential capacity rather than purchased places based on actual numbers. The move to funding actual numbers will result in two of the schools having a reduced budget based on the new formula. However if the schools operate at pupil capacity (there is no reason why this could not be the case) the budget deficit will be reduced.
2. The application of the proposed staffing and non staffing funding blocks and the banded pupil element results in a lower per pupil place value than was the case (present place value including existing block allowance £18571, proposed place value - taking into account the staffing and non staffing blocks £17558 this assumes the school has 65 pupils – a difference of £1013 per place) – these figures relate to secondary provision a similar reduction will be evident for the primary BESD school.
3. At present the BESD schools receive an additional **£4884** per pupil to deliver an extended day. The definition of “extended day” and the expectations of the Local Authority in this regard have not been explicitly defined, as a result this funding has been used by the four schools to fund a range of opportunities for pupils both during and outside of the school day. This has also included targeted support to families. Recent developments as a result of a move to a single Children’s directorate, the introduction of integrated teams working in localities to better support the needs of children and young people in their schools, families and communities and the expectation that all schools offer an “extended day”, has required that this allowance be reviewed. In reviewing this the Local Authority recognises the value that this “additionality” has in respect of meeting these children and young people’s needs and has identified through the formula a revised sum of £2635 per pupil (based on modelling) to support this, with this figure being based on:
 - A reduced level of additional opening to 14.5 hours weekly - term time only.
 - Staffing ratios to support activities and bespoke working with children and young people of one teacher on duty and a ratio of 4:1 for pupils/support staff.
 - An expectation that up to 50% of pupils attend additional activities at any one time.
 - An integrated working allowance of £37500.
 - A cost in respect of the extended curriculum of £500 per pupil.
 - Additional meal allowance based on Local Authority costings.

It is recognised that the BESD schools will have to revise their “offer” in the light of this specification if they are to accommodate the commensurate reduction in their budgets.

4. At present each of the BESD schools makes a contribution towards the total PFI costs for the authority, this equates to a little over £200,000 per school. As an outcome of this review the PFI contribution has been reassessed for each school and reduced to £85217 (under review), this reduction will not impact on the BESD school budgets since the budget provided and charges will be reduced accordingly.

The secondary BESD special schools have expressed their concern through the consultation process as to the outcome on their budgets of: the new formula, the funding of actual places rather than potential capacity and the reduced level of funding and the prescription for the extended day offer. The Local Authority will monitor carefully the impact of these changes for children and young people attending BESD schools and will review the funding arrangements if it is deemed appropriate.

How will the Local Authority provide protection to school budgets?

1. Officers will calculate all school budgets using the new special schools formula factors based on the 2011 census returns.
2. Officers will use the most recent budget figures to calculate the special school budget share for 2011/12.
3. Officers will seek approval to provide full protection to those school budgets in 2011/12.

4. The Local Authority will off set the cost of such protection by applying a “ceiling” to those schools whose budget share increases as a result of the new formula.
5. It is proposed that the transitional arrangements are similar to those adopted in 2010/11 for mainstream schools following the introduction of the new SEN funding formula for statements, school action and school action plus. It is therefore proposed that ‘floors’ and ‘ceilings’ operate, firstly, to protect schools from immediate losses and, secondly, to restrict initial gains to help finance that protection. With respect to schools that lose funding, it is proposed that there are no losses in the first year, and that losses are phased in over two further years, such that the school with the largest loss manages that in, broadly, two equal steps. With respect to schools that gain funding, it is proposed that the school with the largest gain has that phased in over three years in, broadly, three equal steps. It is not possible to put values on the floors and ceilings for each year at this time, as they would probably be inaccurate and therefore misleading if the modelling data was used for this purpose.
6. Officers will ask schools to reassess their population in respect of the five Bands in the autumn of 2011. This will then inform the pupil element calculation for the period 2012/13 to 2014/15
7. Officers will make adjustments to a schools budget if the band profile of the school changes substantially during the three year period as a result of reconfiguration implemented by the Local Authority.
8. The Local Authority has identified £100,000 within the DSG to support in year admissions.

How will the Local Authority manage growth?

1. The Local Authority will commit as far as resources at the time will allow, to provide additional funding for any increase in pupil numbers in special schools.
2. It will not fund unexplained or unsubstantiated drift over time to more expensive bands, if this occurs the total funding will not change, the value of bands will decline accordingly. The Local Authority will establish rigorous monitoring procedures in partnership with special schools to ensure that children and young people are correctly identified to the five bands.
3. The Local Authority will monitor carefully any drift in the re-classification of school group sizes resulting in an increase in block funding.

Work outside of the formula to be completed

Split Site allowance – A block allocation is currently being developed in respect of the special school that operates on a split site.

Hospital Schools – A version of the formula is being developed in respect of these schools, with a focus on funding primarily through a staffing and non staffing block given the fluctuation in pupil numbers and their part time attendance/access.

Residential places – Officers are currently working with the three schools that offer residential provision with the intention of agreeing a county policy on the use of such provision and then determining future need based on this.

With the exception of the split site allowance it is anticipated that this will not be completed until July 2011. Accepting that this is the case the funding for the outstanding work has been removed from the overall special school budget and will be allocated for 5/12th of the 2011/12 financial year based on the present arrangements.

Minimum Funding Guarantee

To introduce this new system of funding, the Local Authority may have to suspend the application of the minimum funding guarantee for the period of transition. Under recent changes to DfE regulations, it appears that the Secretary of State's approval to this may be required. However, that is not expected to be a problem as the Local Authority is seeking to introduce transitional protection

which guards against losses in the first year and provides significant notice for those schools that may face reduced funding after that.

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January 2011

Appendix 2



"Schools Forum
Appendix 2.xls"