

REPORT REFERENCE: **8.0**

REGULATORY AND OTHER COMMITTEE REPORT

NAME OF COMMITTEE:	Schools' Forum
DATE OF MEETING:	10 July 2012
SUBJECT:	School Funding Reform: Next steps towards a fairer system
REPORT BY:	Tony Warnock (Head of Finance – Children's and Specialist Services)
NAME OF CONTACT OFFICER:	Tony Warnock
CONTACT OFFICER TEL NO:	01522 553250
CONTACT OFFICER EMAIL ADDRESS:	tony.warnock@lincolnshire.gov.uk
IS REPORT EXEMPT?	No

SUMMARY

The purposes of this report are to:

- brief the Schools' Forum on recent Government announcements for school funding reform;
- outline the principles that the Local Authority (LA) is minded to adopt when responding to the reforms;
- seek the Schools Forum's views on the LA's provisional ideas for dealing with:
 - the LAs existing core formula factors, in light of the twelve that will be permitted next year;
 - the in-year adjustments that might be retained within the Schools Contingency budget;
 - centrally held budgets;
 - Higher Needs;

- Early Years.
- outline the proposed next steps for taking this work forward.

The DfE's proposals for school funding reform are quite radical and will have very significant implications for many Lincolnshire schools. The LA is required to work swiftly. A key date is the 31 October 2012 when the LA will be required to submit to the Education Funding Agency (EFA) its proposals for the funding of county schools from 2013/14.

DISCUSSION

Recent local developments in school funding arrangements

To provide context to this report, it is worthwhile noting a number of recent important developments in local school funding arrangements. In April 2010, the LA revised the school funding arrangements for SEN, including statements at Bands 1 to 5. In April 2011, a new Early Years Single Funding Formula (EYSFF) was introduced. At the same time, a completely new system for funding special schools became operational. In April 2012, the LA mainstreamed a number of grants totalling £67m in to the DSG and, as part of that process, simplified school funding arrangements by removing several formula factors and a number of in-year adjustments operated through the Schools Contingency budget. All of this work places Lincolnshire in a good position to respond to the Government's school funding reforms.

The Government's school funding reforms

In the spring of 2011, the Government launched a consultation on school funding reforms. A second consultation followed in July 2011. Then, on 26 March 2012, the DfE took that work a stage further by announcing planned changes to school funding arrangements for 2012/13.¹ All of these were considered by the Schools Forum and the extract below from the report on 25 April 2012 outlined the key points:

- The government will not move towards a new national funding formula until the next spending period.
- The government will however simplify the way that LAs distribute funds to schools from 2013/14.
- The DfE's regulations will be amended so that funding can be distributed through ten factors only.
- The government intends to set an upper limit for the block allocation and has indicated that this may fall between £0.100m and £0.150m.
- Stability in funding remains a government priority.
- The Minimum Funding Guarantee has been confirmed at minus 1.5% for both 2013/14 and 2014/15.
- The government expects LAs to delegate as many services and as much funding as possible to schools. There should therefore no longer be a need for LACSEG payments from the Schools Budget.
- A new government grant may be used to fund relevant central education services. This will be paid on a national basis to LAs and academies, and so will replace LA central LACSEG.
- Changes to regulations governing Schools Forums are expected.
- The funding of academies will continue to be based on the LA's funding formula.
- Early Years funding will be simplified.
- There will be a new methodology for the funding of higher needs pupils.

That consultation closed on 21 May 2012. On 29 June 2012, the DfE published its response in a document entitled 'School Funding reform: Arrangements for 2013/14'. The majority of the original proposals remain unchanged. The main changes are:

¹ The 89 page document is available at www.education.gov.uk/consultations/

- There will be no minimum requirement for the amount of funding to be distributed through pupil-led factors in the first year;
- There are now twelve permitted factors, not ten;
- Funding for deprivation will be distributed through six bands, rather than five;
- The maximum cap on the lump sum has been lifted from £0.150m to £0.200m.
- LAs will be permitted to retain a ring-fenced grant for pupil growth, and all maintained schools and academies will be eligible for this.

The LA's approach

When considering amendments to the school funding formula, the LA's approach is to have regard to:

- a) The funding arrangements already in place in Lincolnshire;
- b) Children's Services priorities;
- c) Lincolnshire's key performance measures;
- d) The Government's vision of future school funding arrangements;
- e) The principles that ought to underpin a new funding formula;
- f) Other issues, including how statistical neighbours fund schools and how school funding is expected to change over the next three years due to the Pupil Premium.

Each of these issues is considered below.

a) The current funding arrangements in Lincolnshire

It is important to understand how Lincolnshire currently funds its schools. Details of school budgets are available on the LA's website. An analysis of 2012/13 budgets shows that:

- 96.7% of budgets are allocated to schools at the start of the financial year.
- A modest 3.3% of the funds are held in the Schools Contingency, but 42.8% of that is to fund early years providers, meaning that the funding retained for in-year adjustments to school budgets is only c.1.9% of the total funds directly available for schools.
- 48.3% of funds are distributed to secondary schools, with 44.8% distributed to primary schools.
- Most of the funding for primary schools is distributed through the awpu (67.5%) and block (13.9%), with the next largest allocations being for SEN (11.0%).
- Most of the funding for secondary schools is distributed through the awpu (71.7%) and block (8.6%), with the next largest allocations being for SEN (10.8%).

Analysis produced for a working group in September 2011 showed that in 2010/11, the range in per pupil funding between the largest and smallest schools was:

- £5,925 in primary schools, giving a ratio (minimum to maximum) of 1 : 3.02
- £2,461 in secondary schools, giving a ratio (minimum to maximum) of 1 : 1.57

The position is unlikely to have changed radically since that time. These figures illustrate the wide variation in the size of county schools and reflect the fixed costs of operating small, rural schools.

b) Children's Services priorities

When considering how the school funding formula in Lincolnshire might be reshaped to comply with new DfE regulations, it is important to ensure that the proposed changes support the county's priorities.

On 19 August 2011, Children's Services launched a consultation on the Children and Young People's Plan covering the period 2011-14. The vision is:

'That every child in every part of the county should achieve their potential.' Furthermore, '... our commitment to ensure that every child achieves their very best remains our enduring purpose. Ensuring that every child in every part of the county achieves their potential continues to be our driving vision.'

The needs include:

- Narrowing the gender gap with boys not achieving as well as girls – this is a national trend.

- All children and young people to achieve their potential in academic, vocational and occupational study.
- Closing the gap so that children eligible for free school meals achieve as well as their peers.
- Children and young people to have access to and participate in rich and diverse cultural experiences through the arts, crafts, design and media, music and performing arts, outdoor learning and physical education and sport.
- Improvement in permanent exclusions from school.
- Reducing the number of 16 to 18 year olds who are not in education, employment or training (NEET).
- Improving the percentage of pupils achieving the English baccalaureate at KS4.
- Improving achievement of 5 or more A*-C grades at GCSE or equivalent including English and Maths.
- Reducing the achievement gap between pupils eligible for free school meals and their peers (KS2).
- Reducing the achievement gap between pupils eligible for free school meals and their peers (KS4).

These needs should be addressed whilst making best use of resources and providing better services locally.

Another of the LA's key priorities is to protect small, rural schools. The importance of this, and the LAs commitment to it, was illustrated by the allocation of significant additional resources to support small primary school collaborations and increase the block allocation for small secondary schools in 2012/13.

c) Lincolnshire's key performance measures

Naturally, Lincolnshire's priorities will be reflected in its key performance measures. School funding and changes to it, can have a significant impact upon performance, so these should also be considered as the plans for altering the way that Lincolnshire fund its schools are developed.

Lincolnshire already performs well across a range of measures. The key measures were listed in a report to the Council's Value for Money Committee on 6 September 2011, when it received a copy of the Council's Business Plan. The key indicators that will be used to demonstrate how the Council is performing include:

- Percentage of children achieving at least 78 points across the Early Years Foundation Stage with at least 6 points in each of the scales in Personal Social and Emotional Development and Communication, Language and Literacy;
- Percentage of children achieving 5 or more A*-C grades at GCSE or equivalent including English and Maths;
- Percentage of young people achieving a Level 2 qualification by the age of 19;
- Percentage of young people achieving a Level 3 qualification by the age of 19;
- Narrowing the percentage gap between the lowest achieving 20% of children in the Early Years Foundation Stage Profile versus the rest;
- The percentage of children progressing by 2 levels in English between Key Stage 1 and Key Stage 2;
- The percentage of children progressing by 2 levels in Maths between Key Stage 1 and Key Stage 2;
- Percentage of Looked after children achieving 5 A*- C GCSEs (or equivalent) at Key Stage 4 (with English and Maths);
- Percentage achievement gap between pupils eligible for free school meals and peers achieving the expected level at Key Stage 2;
- Percentage achievement gap between pupils eligible for free school meals and peers achieving the expected level at Key Stage 4;
- Special Educational Needs versus non-Special Educational Needs gap – achieving Key Stage 2 English & Maths threshold;

- Special Educational Needs versus non-Special Educational Needs gap – achieving 5 A*-C GCSE including English & Maths;
- Percentage of young people from low income backgrounds progressing to higher education.

These key indicators should be borne in mind when considering how the school funding arrangements might be altered to help improve performance across the county.

d) The Government’s vision of future school funding arrangements

Although key points from the final arrangements for school funding reform are highlighted earlier in the report, it is worthwhile reflecting on the general philosophy that underpins the reforms. In its second consultation document in July 2011, the Government signalled its intentions which, other than deferring changes to the way LAs are funded for schools, have remained largely unchanged. The Government believes that the new funding system should:

1. Deliver similar levels of funding to similar schools.
2. Recognise the different characteristics of pupils.
3. Be easy to understand and explain.
4. Support the objective of raising the aspirations and attainment of all pupils.
5. Provide funding to schools and academies on a fair and transparent basis.
6. Require funding to be moved between schools over time, with stability in school funding remaining a key objective.
7. Target additional resource towards pupils with additional needs, including children from deprived backgrounds.
8. Be simplified to ensure greater consistency between areas, by restricting the number of local formula factors that can be used.
9. Provide more transparency over the calculations for academies.
10. Continue to separate out the pupil premium over the medium term.

The LA needs to have regard to this underlying philosophy as it develops its response to the school funding reforms.

e) Principles to underpin the new funding formula

Before developing detailed plans in response to the Government’s school funding reforms, it is important to first establish as a foundation, a set of underlying principles. As explained earlier in this report, the LA has made a number of significant changes to various aspects of schools funding in recent years (i.e. the SEN factor, Early Years Single Funding, special schools formula and the mainstreaming of grants) and those developments have been underpinned by the following list of key principles. The school funding system should be:

- Equitable - and reflect the relative needs of pupils in each school.
- Transparent – to increase understanding and confidence in the system.
- Effective - in helping raise pupil achievement and narrow the gap in attainment levels between children.
- Simple - so that it is easily understood by all interested parties.
- Responsive - to changes in local needs.
- Objective - to reduce the risk of undue influence.
- Stable - to offer a significant degree of confidence in future funding and assist schools’ financial planning.
- Predictable - to aid schools’ planning.
- Affordable - within current funding constraints and sustainable in the future.
- Efficient – by helping secure value for money through efficient distribution and use of resource.

These principles should underpin the proposed new approach to funding.

f) Other issues

It is important to note briefly, a number of other issues, including how school funding is expected to change over the next three years, the impact of the pupil premium and how statistical neighbours fund their schools.

- There should be relative stability in school funding for the foreseeable future. In the Comprehensive Spending Review (CSR) of 2010, the Chancellor announced that the funding for education would increase by £4bn. This comprises £1.5bn for demographic growth and £2.5bn for the pupil premium. Further stability is offered by the Minimum Funding Guarantee, which will remain at minus 1.5% for the next two years. The CSR did not make provision for inflation and pay awards and so to the extent that they occur in the four year period, all schools will have to finance those by securing efficiencies.
- Although the pupil premium offers growth in funding, it has become increasingly clear that schools will not be able to use that to offset budget pressures, as the Government will be holding schools to account for the use of those funds and the impact that it has had on narrowing the gap. Although some schools will benefit more than others, it should be noted that previous work has highlighted the fact that Lincolnshire distributes relatively little funding through deprivation factors. Furthermore, analysis produced last September for the working group looking at the mainstreaming of grants showed that the impact of the 2011/12 pupil premium allocations was around 1% or less for the majority of schools in each sector. This is illustrated in the table below. The Pupil Premium allocations for 2011/12 were: £2.9m for primary, £1.2m for secondary and £0.2m for special schools. In total, this equates to c.1% of the delegated budgets to schools. Although under the CSR, the 2011/12 allocations are expected to quadruple by 2014/15, that will not have a material impact on the majority of schools' budgets and, as stated above, schools will be held accountable by Government for the use of those funds. It is clear that the Government does not want LAs to undermine its approach to narrowing the gap by altering other aspects of the funding formula to counter-act the benefits of this additional funding.

% increase in budget	Primary no. of schools	Primary % of schools	Secondary no. of schools	Secondary % of schools	Special no. of schools	Special % of schools
0	29	11	12	28	10	48
1	119	44	25	58	11	52
2	73	26	6	14		
3	34	12				
4	13	5				
5	2	1				
6	2	1				

- Work undertaken for the mainstreaming of grants in 2012/13 showed that Lincolnshire's relative funding of the primary and secondary sectors is comparable with its statistical neighbours. That is not to suggest that it is correct, or does not need to be changed in light of current priorities, but it is nevertheless noteworthy.

Developing new funding arrangements

Having considered: the current funding arrangements in Lincolnshire; Children's Services priorities; Lincolnshire's key performance measures; the Government's vision of future school funding arrangements; the key principles that ought to underpin the new funding formula; how school funding is expected to change over the next three years; the impact of the pupil premium, and; Lincolnshire's funding relative to its statistical neighbours, it is necessary to begin to develop plans for how the funding arrangements might work from 2013/14.

Please note that the remainder of this report sets out the LA's initial thoughts. These are based on officers' understanding of the Government's latest plans which still appear to be evolving and are the

subject of on-going clarification. As illustrated in the Next Steps section below, the LAs proposals will be the subject to extensive consultation, including with all county schools in September.

Appendix 1 sets out the LA's initial thoughts for dealing with core formula factors

Appendix 2 sets out the LA's initial thoughts for dealing with schools contingency budgets

Appendix 3 sets out the LA's initial thoughts for dealing with centrally held DSG budgets

Appendix 4 sets out the LA's initial thoughts for dealing with Higher Needs

Appendix 5 sets out the LA's initial thoughts for dealing with Early Years.

Please note that these initial thoughts and ideas may change as officers' understanding of the DfE's proposals develop, modelling work is undertaken, the DfE provides further clarification on the proposals and, feedback from Schools Forum, individual schools and other groups is received.

Key concerns

As stated above, the work undertaken by the LA in recent years to amend various aspects of school funding has provided a firm foundation from which to respond to the Government's school funding reforms. With stability in funding remaining a key priority for the LA as we move forward, it is possible to respond positively to the reforms without creating excessive instability. However, there are a number of critical issues which may be extremely difficult to overcome:

- The Government's requirement to have only one lump sum for both the primary and secondary sectors, with a cap at £0.200m, is the most significant concern. If the lump sum is set high, it would be possible for primary schools with very small numbers on roll to survive financially and that would not lead to efficient use of resources. Alternatively, if the lump sum is set lower than £0.200m, small secondary schools are likely to lose an even more significant sum, not least as those schools appear to have no other unique characteristic that would enable the resource released by the reduction in lump sum to be distributed back to them.
- There appears to be no simple way to continue to fund the small primary schools collaborations that the LA launched earlier this year. The lump sum for all primary schools could be increased, but if that was funded from the age weighted pupil unit value (awpu), there is likely to be an adverse re-distributional effect upon larger primary schools. Again, there is no immediately obvious means of returning this element of funding to those schools under the Government's reforms.
- Although the Government reforms will allow LAs to fund English as an Additional Language (EAL) as a formula factor, it will not permit Lincolnshire to continue operating a threshold. As a consequence, if the current level of funding for that is maintained, the budget allocations to those schools with high levels of EAL will be significantly diluted. However, if the budget allocations to those schools are to be maintained, funding from other areas of the formula (e.g. awpu) will need to be reduced correspondingly.

These concerns were registered with the DfE through the consultation in May 2012, and more recently with local Members of Parliament.

Despite these serious concerns, it is important to note that transitional arrangements will apply for at least the next two years and there should not be a major, immediate impact upon any school. The Government is nevertheless seeking to simplify the MFG calculation. Although it will in future exclude the block allocation from that calculation, interim measures will offer a degree of protection from next year and also, lower level SEN funding will become part of the MFG calculation. In time, transitional arrangements will end, but it is not possible to state when the full effect of the reforms will be in force.

Next steps

The next steps proposed by the LA are set out in the table below. A critical milestone is the submission of a proforma setting out the LA's proposals for the future funding of schools to the EFA on 31 October 2012. Many of the activities listed below have to fit around that critical date and it is clear that the time available to develop, consult upon and formally approve a new funding system is extremely limited.

It is important to note that the LA will have to consult all schools on its proposals. Although far from ideal, the timescales and processes dictate that this will need to be in the first two weeks of the new academic year.

Other groups may be consulted and the issues will be debated at the area Headteacher meetings in the autumn.

17 July 2012	The DMT considers the views from the meeting of the Schools Forum on 10 July 2012 and confirms the general direction for the development of detailed proposals.
18 July 2012 to 31 August 2012	Detailed proposals are developed for the future funding of schools.
5 September 2012 to 19 September 2012	Individual Governing bodies are consulted on outline proposals.
Mid September 2012	A meeting with all special school headteachers will be held to explain the proposals for special schools.
21 September 2012	The responses from schools are collated and analysed.
24 September 2012	A working party of schools representatives is formed to consider key issues and the feedback from schools.
25 September 2012	The feedback from schools and the working group is considered by the Executive DMT.
2 October 2012	A report outlining the LA's proposals is drafted for the Schools Forum.
10 October 2012	The report is considered by the Schools Forum.
11 October 2012	The Executive DMT considers feedback from schools, the working group and Schools Forum.
12 October 2012	A formal report for the Executive member to approve is drafted and published.
26 October 2012	A formal decision is made by Executive member.
31 October 2012	The LA submits its proposal for the future funding of schools to the EFA for approval.

RECOMMENDATIONS

The Schools' Forum is asked to:

- a. Note the contents of the report;
- b. Consider and comment upon the detailed proposals set out in the Appendices;
- c. Feedback to the finance team in July and August, any further issues that they wish to raise (bearing in mind that this report has not been circulated a week in advance of the meeting, as is usually the case, in order to allow officers time to assess the implications from the DfE' announcement on 29 June 2012).

APPENDICES (if applicable) - these are listed below and attached at the back of the report.
<p>Appendix 1 - The LA's initial thoughts for dealing with core formula factors in primary and secondary schools</p> <p>Appendix 2 - The LA's initial thoughts for dealing with schools contingency budgets in primary and secondary schools</p> <p>Appendix 3 - The LA's initial thoughts for dealing with centrally held DSG budgets.</p> <p>Appendix 4 - The LA's initial thoughts for dealing with Higher needs</p> <p>Appendix 5 - The LA's initial thoughts for dealing with Early Years</p>

BACKGROUND PAPERS			
PAPER TYPE	TITLE	DATE	ACCESSIBILITY
Report to Schools Forum	Education Funding Announcement: School Funding Reform: Next steps towards a fairer system	25 April 2012	County Offices, Newland, Lincoln, LN1 1YQ
Letter from the EFA	School Funding reform: Arrangements for 2013/14	29 June 2012	http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsvenuefunding/a00205567/school-funding-reform-final-arrangements-for-2013-14

The LA's initial thoughts for dealing with core formula factors – primary and secondary

The key points from the DfE' consultation document are:

- A new Schools Block will be created within the DSG.
- As much funding as possible should be delegated to all schools.
- The majority of funding should be pupil led.
- From 2013/14, LAs will be permitted to use only twelve factors.
- Factors should only exist where they directly impact on attainment or address significant, unavoidable costs.
- DfE' regulations will be amended to allow only:
 - 1) A basic per-pupil entitlement – which allows a single unit for primary aged pupils and either a single unit for secondary pupils or a single unit for each of Key Stage 3 and Key Stage 4 (see below);
 - 2) Deprivation measured by FSM and/or the Income Deprivation Affecting Children Index (IDACI);
 - 3) Looked after children;
 - 4) Low cost, high incidence SEN;
 - 5) English as an additional language (EAL) for 3 years only, after the pupil enters the compulsory school system;
 - 6) A lump sum of limited size;
 - 7) Split sites;
 - 8) Rates;
 - 9) Private finance initiative (PFI) contracts; and,
 - 10) For the 5 local authorities who have some but not all of their schools within the London fringe area, flexibility to reflect the higher teacher cost in these schools.
 - 11) Existing post-16 commitments;
 - 12) Pupil mobility.
- The EFA will consider applications for exceptional circumstances relating to premises where it applies to less than 5% of schools in the LA, and accounts for more than 1% of the budget for the schools affected.

Suggestions for dealing with this are set out below. A key priority underpinning those suggestions is the desire to ensure stability in school funding. This seems appropriate because as part of the mainstreaming of grants work last year and the broader review of school funding which accompanied it, the LA, the working party and Schools Forum were broadly content with the current funding mechanism. In the absence of any major drivers for change, it therefore seems appropriate to try to retain stability in school funding, as far as possible.

No.	Factor	Purpose and background / Suggestion and Rationale
1	Age Weighted Pupil unit factor	<p><u>Purpose:</u> this factor delivers most of the funding to school budgets. Different weightings are applied to each Key Stage. The relative weightings were affected in 2012/13 by changes to other elements of funding.</p> <p><u>Suggestion and rationale:</u> for primaries, combine the KS1 and KS2 weighting because the differential between the weightings is marginal; the justification for differential is historic and may no longer be relevant or justifiable based on the costs of running each key stage, and; the impact upon the vast majority of schools is likely to be quite modest.</p> <p>For secondaries, retain the current weightings for Key Stage 3 and 4 because the current differentials are significant; the costs of Key Stage 4 will be higher (although these haven't been measured recently and that would be a complicated task), and; a decision to combine them could result in significant</p>

		gains and losses in some schools, if they have comparatively more pupils in one Key Stage compared to the other.
2	Net YPLA post-16 funding	<p><u>Purpose:</u> the funding for sixth form pupils is determined by a formula set by the EFA. The LA has no control or influence over it. However, the LA has historically made a c.£1m deduction from these allocations for non-awpu factors, to avoid double funding. The DfE has indicated that this can no longer continue.</p> <p><u>Suggestion and rationale:</u> remove the non-awpu deduction and recover those funds from the awpus for secondary schools only. Secondary schools without sixth forms will lose out however.</p>
3	Special Needs Units	<p><u>Purpose:</u> there are now very few special needs units in schools, following a decision a decade ago to phase those out. Those that remain are specialist in nature and deal with hearing and visually impaired pupils.</p> <p><u>Suggestion and rationale:</u> each place will be funded from the Higher Needs block at £10,000 p.a., with a top-up fee being paid by the commissioner for the additional costs. The number of places to be purchased will be agreed at the start of the year. The top-up fees will be determined after a review of current costs for each unit. This approach will ensure compliance with DfE' regulations.</p>
4	Extraordinary social requirements (ESR)	<p><u>Purpose:</u> this factor was introduced in 1990 and was designed to target resources to schools serving areas of deprivation.</p> <p><u>Suggestion and rationale:</u> direct this funding through the free schools meals deprivation factor as now, because this will be permitted by the DfE regulations; it will reduce instability in school funding, and; is likely to target deprivation funding in a more refined way than will the new DfE' deprivation factor which has only six bands.</p>
5	SEN factor	<p><u>Purpose:</u> this factor allocates 20% of funding via free schools meals and deprivation, and 80% through prior attainment measures.</p> <p><u>Suggestion and rationale:</u> direct <i>all</i> of the funding through the DfE's new prior attainment factor (which is similar to that element of the LA's factor) by removing the element for deprivation. This is proposed because the LA needs to be able to demonstrate as far as possible that c.£6,000 is routinely available in schools' delegated budgets to meet the costs of children's lower level SEN. Also, it is proposed that the similar funding streams created following the mainstreaming of grants will also be consolidated in to this factor. Although this whole approach may have a modest re-distributional effect, <i>lower level</i> SEN will become part of the MFG and so that will offer significant protection. The prior attainment measures will be reviewed and will take account of the recent decision by DfE to allow an extra measure.</p>
6	SEN Statements at Bands 6 to 8	<p><u>Purpose:</u> this factor finances statements at bands 6 to 8.</p> <p><u>Suggestion and rationale:</u> this will be funded from the Higher Needs block. The existing sums will need to be retained at broadly the same level, to prevent a significant loss of funding to some schools. However, the sums payable should be reviewed to help ensure that the amounts payable are commensurate with average TA costs (over time, they have tended to drift towards the lower end of the TA pay scale).</p>
7	Building rents	<p><u>Purpose:</u> this factor provides funding mostly to very small primary schools that don't have access to basic accommodation or facilities that all pupils have a right to expect.</p> <p><u>Suggestion and rationale:</u> remove this factor as this will not be permissible under the DfE' regulations. The impact upon individual school budgets is not sufficient for the EFA to permit this as an exception.</p>
8	High turnover	<p><u>Purpose:</u> this factor provides funding to those schools that face a significant level of change in numbers on roll mid term.</p> <p><u>Suggestion and rationale:</u> remove this factor because although this will now be</p>

		a factor permitted by the DfE, the sum distributed through it is very modest (c.£0.130m); the allocations to individual schools are often below £5,000 and many of these are currently for secondary schools and so are relatively modest in value; there now appears to be much less turbulence in schools close to the bases for armed forces, and; this approach follows the spirit of the Government's plans in terms of simplifying the school funding formula.
9	Block allocation	<p><u>Purpose:</u> this factor provides a fixed sum to each school, regardless of size. The amounts vary by sector and are designed to reflect the fixed and semi-variable nature of some schools' costs. To address a key strategic priority, the block allocation for secondary schools below 700 on roll was increased by £0.073m to £0.393m in 2012/13. The block allocations for primary schools vary a little by size of school but are c.£0.094m.</p> <p><u>Suggestion and rationale:</u> subject to modelling and assessment of the impact, consider setting the block allocation at c.£0.030m above the current primary level; ring-fence the current funding for the block allocation by sector; use the £3.6m allocated for primary school re-organisations this year to help fund that and reduce the awpu in primary schools to help finance the balance, and; strongly encourage small primary schools to collaborate. Redistribute the reduction in block funding to small secondary schools through the factor which most minimises their loss in funding, to provide a degree of stability. A degree of protection against losses will be offered through the MFG. Although setting a block below £0.200m will adversely affect small secondary schools, that very critical issue is nevertheless far outweighed by the risks of setting it too high because the smallest of primary schools could remain financially viable and that could result in poor educational outcomes, reduced opportunities for pupils, poorer value for money and very inefficient use of resource. The block may need reducing however, because of the impact of rates (see below). It should be noted that the DfE could lower the block to £0.150m after the first year. Please note that for MFG purposes, the lump sum that will be excluded from the 2012/13 baseline calculation will be the same value of the lump sum that is applied in 2013/14.</p>
10	Small schools	<p><u>Purpose:</u> this factor offers additional financial protection of up to c.£0.008m to c. 65 primary schools with less than 80 pupils on roll (£181 per pupil is paid for up to 50), and to c. 2 secondary schools with less than 300 on roll (£883 per pupil is paid for up to 100).</p> <p><u>Suggestion and rationale:</u> remove this factor and undertake modelling to try to redistribute that element of funding back to small primary schools, possibly by increasing the block allocation and reducing the awpu. This will provide stability. Also, ring fence the very modest funding for secondary schools and redistribute that through secondary school awpus.</p>
11	Free school meals	<p><u>Purpose:</u> this factor delivers funding for the provision of free schools meals. The new formula was amended in 2012/13 to fund 100% at the start of the financial year (not 75% as before) and thereby remove the need for an end of year reconciliation and adjustment.</p> <p><u>Suggestion and rationale:</u> remove the factor, ring-fence the funding by sector and distribute it through the free school meals element of the deprivation factor (not IDACI) because the factor will not be permitted by the DfE and this approach is most likely to secure stability in funding.</p>
12	Mandatory Rate Relief	<p><u>Purpose:</u> this deduction to school budgets ensures that those schools that are able to claim charitable status do not gain a material financial advantage from having to pay only 20% of the school's rates bill.</p> <p><u>Suggestion and rationale:</u> as indicated under Rates below, create a rates factor and thereby remove this problem by funding schools for their actual rates bills. This will retain the fairness of the current system.</p>

13	Threshold	<p><u>Purpose:</u> this factor provides funding for the additional costs of staff that have moved through the upper pay scale. The factor was amended for 2012/13 to fund only those schools where staff are actually paid on the upper pay scale, and to use an annual snapshot undertaken on the preceding autumn census date, with no end of year reconciliation.</p> <p><u>Suggestion and rationale:</u> remove this factor, ring-fence the funding by sector and re-distribute it via the awpus. The DfE' regulations will not permit this factor to continue and although this will have a negative re-distributional effect for some schools, especially those with more staff with longer service records, losses should be protected through the MFG. There is a broad correlation between pupil numbers and staff paid through the Threshold, so awpu is the logical distribution mechanism.</p>
14	Personalised Learning	<p><u>Purpose:</u> this factor targets funding to schools serving the most deprived pupils, and is based on IDACI scores and a graduated scale.</p> <p><u>Suggestion and rationale:</u> remove this factor, ring-fence the funding by sector and model the distribution through both the free school meals and IDACI factors (IDACI will be limited to six bands) and choose the mechanism which most closely matches the current distribution. This will ensure compliance with DfE' regulations and minimise turbulence.</p>
15	Economic Disadvantage subsidy	<p><u>Purpose:</u> this is a form of funding deprivation using free school meals data.</p> <p><u>Suggestion and rationale:</u> remove the factor and re-distribute the funds through the permitted free schools meals element of the deprivation factor. This should minimise turbulence in funding.</p>
16	Rates	<p><u>Purpose:</u> to meet the actual costs of each school's rates bill.</p> <p><u>Suggestion and rationale:</u> Lincolnshire has not previously operated a rates factor to fund schools but it is suggested that one is created now because analysis shows that the rates costs per pupil do vary quite significantly across schools in each sector. That creates inequalities that can be regarded as unfair. There has never been a realistic opportunity since 1990 to introduce such a factor. Unless this approach is adopted, the LA will no longer be able to remove the financial advantage that some schools would gain through Mandatory Rate Relief. All schools and academies would need to supply the LA with the necessary information for this system to operate. Rates will be excluded from the MFG calculation.</p>
17	Split site factor	<p><u>Purpose:</u> to meet the costs of those schools that operate across more than one site.</p> <p><u>Suggestions and rationale:</u> create a new factor to fund a small but increasing number of schools that are operating across more than one site following recent re-organisations, and utilise an approved policy framework which allows reasonable additional costs to be funded, but also provides enough flexibility to recognise the unique circumstances of each school.</p>
18	Advanced Skills Teachers	<p><u>Purpose:</u> this funds the ASTs that are employed by some schools.</p> <p><u>Suggestions and rationale:</u> remove the factor, ring-fence the funding by sector and re-distribute the funding through awpus. This factor will not be permitted by the DfE, there is no way of targeting that funding to existing schools under permissible factors and, even if that were possible, many schools would probably regard that as unfair.</p>
19	Looked After Children (LAC)	<p><u>Purpose:</u> this factor could provide funding for LAC.</p> <p><u>Suggestions and rationale:</u> not to introduce such a factor because LAC already attract the pupil premium which is likely to double in value; many LAC will also trigger SEN funding, and; there is no evidence that there is a shortage of funding for LAC which could help improve their outcomes.</p>

The LA's initial thoughts for dealing with schools contingency budgets – primary and secondary

The key points from the DfE' consultation document are:

Contingencies can be retained for maintained schools but only in a limited range of circumstances:

- Exceptional unforeseen circumstances which it would be unreasonable to expect governing bodies to meet.
- Schools in financial difficulties.
- Additional costs relating to new, reorganised or closing schools.
- Significant pupil number growth.

These funding streams would be delegated in the first instance, but if maintained schools in a phase collectively agree (through the Schools Forum) they can be provided centrally by returning the funding to the LA. The final delegated budget available to each maintained school would then exclude these amounts.

Suggestions for dealing with this are:

No	Factor	Purpose and background / Suggestion and Rationale
1	Summer Update	<u>Purpose:</u> this provides awpu funding for those reception children admitted at the start of the summer term and therefore after the January census. <u>Suggestion and rationale:</u> remove this factor because the total sum distributed through it is relatively modest; the allocations to individual schools are often quite small (it is typically distributed to c.60 schools with most allocations being for one pupil (c.£2,200) and half a dozen qualifying for 3 pupils (c.£6,600)). This would simplify the funding formula as the Government wishes. Also, the actual cost to schools of absorbing the additional pupils is likely to be marginal. Note, for overall funding purposes, the October census will be used.
2	11+ Procedures	<u>Purpose:</u> this funds the cost of the 11 plus examinations. <u>Suggestion and rationale:</u> remove this factor as the total sum distributed through it is relatively modest (the funding allocated to each school is quite small - it is typically distributed to c.16 schools with average allocations being c.£8k), and; the DfE' regulations will not permit this factor to continue to operate.
3	Admission Appeals	<u>Purpose:</u> this funds the admission appeal costs in those schools where the LA is not the admissions authority. <u>Suggestion and rationale:</u> remove this factor as the DfE' rules will not permit this and because the allocations are usually relatively modest (typically c.37 schools qualify with the average amount allocated c.£2,000, and the highest c.£9,000). There will be an adverse impact upon those schools that are their own admissions authorities, because the LA will still have a statutory duty to continue with this role for some schools.
4	September Trigger	<u>Purpose:</u> this provides funding when there is significant growth in September each year. <u>Suggestion and rationale:</u> remove this factor because, historically, few primary schools have ever qualified; the allocations in recent years have been rather modest, and; the recent bulge in birth rates is unlikely to impact upon secondary schools for six or seven years. It is worth noting that in its announcement on final proposals, the DfE has allowed such a funding mechanism to be retained, as long it is applied fairly to all schools and academies.
5	SEN statements at	<u>Purpose:</u> this funds in-year adjustments for statements of special educational needs at Bands 6 to 8.

	Bands 6 to 8	<u>Suggestion and rationale:</u> this will be part of the Higher Needs block and it will be necessary to continue to fund in-year adjustments. See above.
6	Medical Funding	<u>Purpose:</u> this funds in-year adjustments where unexpected medical or similar issues arise. <u>Suggestions and rationale:</u> this will be part of the Higher Needs block. It is necessary to continue to fund such cases and a policy is being developed by SEN services to provide a clearer framework and ensure that a consistent approach is applied to all cases.
7	FSM Transport	<u>Purpose:</u> to provide funding for the transportation of free school meals where a local provider of meals is not available. <u>Suggestion and rationale:</u> remove this factor. The DfE' rules will not permit this to continue. The sums allocated are extremely small and if the cost of school meals is not a permitted factor, then it seems logical that the transport costs for those schools should also end.
8	Threshold	This is as stated under Core factors above: <u>Purpose:</u> this factor provides funding for the additional costs of staff that have moved through the upper pay scale. The factor was amended for 2012/13 to fund only those schools where staff are actually paid on the upper pay scale, and to use an annual snapshot undertaken on the preceding autumn census date, with no end of year reconciliation. <u>Suggestion and rationale:</u> remove this factor, ring-fence the funding by sector and re-distribute it via the awpus, because the DfE' regulations will not permit this factor to continue and although this will have a negative re-distributional effect for some schools, especially those with more staff with longer service records, losses should be protected through the MFG. There is a broad correlation between pupil numbers and staff paid through the Threshold, so awpu is the logical distribution mechanism.
9	English as an Additional Language	<u>Purpose:</u> this funds the costs of meeting the needs of pupils with EAL. Schools only receive funding where the number of children exceeds a threshold, i.e. EAL numbers above 5% of the n.o.r., or 14 pupils, qualify for funding. The sum distributed each year is typically £0.75m to c.30 schools. To ensure that funding is responsive, the funding is calculated termly and therefore distributed through Schools Contingency. <u>Suggestions and rationale:</u> Include a factor within school budgets that are issued at the start of the financial year and either, retain the same overall level of funding and allow the amount to be allocated for each pupil to be diluted as a result of more schools qualifying as no threshold will be in operation, or increase the funding available by redirecting money from the awpu in each sector, so that schools currently receiving allocations continue to receive similar amounts. Under the DfE's proposals, a formula factor to distribute funding to schools for children with EAL will still be permitted, but the proposed new approach does not allow targeting of funding to schools through operation of a threshold. It appears that funding will have to be based on the October census, not termly counts. The LA will consider whether different rates should apply in primary and secondary sectors.
10	Hard to Place pupils	<u>Purpose:</u> this funds pupils that are hard to place. <u>Suggestions and Rationale:</u> this can be funded from the Higher Needs block and needs to continue so that suitable provision can be made for the very small minority of pupils that are difficult to place in schools.

11	School re-organisations	<p><u>Purpose</u> this funds the additional costs that arise from significant re-organisations. There has been a proliferation of these in primary schools this year as Lincolnshire experiences similar pressures on schools places as those being felt elsewhere. It is necessary to fund additional staffing and equipment costs, etc, to ensure that the LA meets its statutory duty to provide sufficient school places. Historically, such costs have been funded from the DSG underspendings, as permanent base budgets were not necessary. The LA has recently drawn up a policy framework to ensure that allocations to schools are fair and consistently applied.</p> <p><u>Suggestions and Rationale:</u> continue, as far as possible, to fund this from DSG underspendings. Under that approach, the funding is effectively coming from the resources available to all county schools. An alternative, is to retain a sum in Contingency, but under the DfE' reforms, that can only apply to maintained schools and the Schools Forum members from the respective phase would have to agree to that. This approach would create unfairness, as maintained schools would be funding all such re-organisations, even though some of them are arising in academies.</p>
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The LA's initial thoughts for dealing with centrally held DSG budgets.

Centrally held budgets

The key points from the DfE' consultation document are:

- The government expects LAs to delegate as many services and as much funding as possible to schools. There should therefore no longer be a need for LACSEG payments to academies from the Schools Budget.
- The DfE will allow three exceptions to this:
 1. Where maintained schools agree that services should be centrally funded because this provides better value for money or pools risks. Those of most importance to Lincolnshire include:
 - i. contingency allocations - these can only be retained for:
 1. exceptional unforeseen costs;
 2. schools in financial difficulties;
 3. costs for new, re-organised or closing schools; and
 4. significant pupil growth.
 - ii. licences;
 - iii. support for ethnic minority pupils;
 - iv. staff costs.

The maintained schools in a phase must collectively agree for these funds to be retained centrally (schools in other phases, and all academies, would receive funding in their budget share).

2. Where there are historic commitments. Expenditure up to the limit budgeted for in 2012/13 will be allowed. No new commitments will be allowed however. The services include school capital expenditure from the revenue account (CERA), redundancies, PFI and Broadband. It will be for individual schools to decide whether *additional* funding should be used for such purposes and that would therefore probably require some form of buy back / insurance type arrangement.
3. Statutory functions which cannot be delegated. Expenditure up to the limit budgeted for in 2012/13 will be allowed. No new commitments will be allowed. This section includes the Co-ordinated Admissions Scheme, servicing the Schools Forum and Carbon Reduction.

Suggestions for dealing with this are:

No	Budget	Purpose and background / Suggestion and Rationale
1	School redundancies	<p><u>Purpose:</u> to fund part of the costs of school redundancies.</p> <p><u>Suggestion and rationale:</u> consider operating an insurance type approach with schools through a buy back arrangement. Robust processes already exist to ensure that redundancies are essential and fair. Alternatively, move towards a 'no redundancy' type policy whereby schools are encouraged to hold higher levels of reserves, encourage and make greater use of staff turnover, increase efforts to re-deploy staff, use more flexible contracts, etc, and, if necessary, schools to meet all redundancy costs in full with the LA licensing overspends for a period of time. Another alternative would be to seek support from the respective phases within the Schools Forum, to create a budget for 'schools in financial difficulties' to help meet such costs. The re-deployment officer's post is a commitment and so can continue to be funded.</p>

2	School Intervention and provision of Interim headteachers	<p><u>Purpose:</u> An array of circumstances can give rise to schools needing additional support, either for resources to respond to the LA's Schools Causing Concern process or OFSTED inspections, etc; or to provide interim headteachers when they are absent for various reasons or where posts are vacant.</p> <p><u>Suggestion and rationale:</u> seek approval from the members of the Schools Forum representing the primary sector to retain an appropriate sum in Schools Contingency for 'exceptional unforeseen costs'. The new DfE' regulations allow for this and, where appropriate, the funding could be allocated to individual schools to help meet their specific needs. Without such funding, many schools will be unable to address key issues and in many cases, they will take much longer to resolve. That could have a damaging impact upon outcomes for pupils.</p>
3	Staff costs	<p><u>Purpose:</u> to fund admin costs for CRB checks in schools and union activities.</p> <p><u>Suggestion and rationale:</u> The respective phase of the Schools Forum could be asked to support the retention of a budget for CRB checks, otherwise the CRB service to schools would need to be reviewed. If the Schools Forum representatives are unwilling to support the retention of a budget for union activities, discussions with the unions over the future funding would have to begin.</p>
4	Ethnic Minority Achievement Service (EMAS)	<p><u>Purpose:</u> to provide support to schools for ethnic minorities.</p> <p><u>Suggestion and rationale:</u> ask the respective phases of the Schools Forum to support the retention of a budget for EMAS. If the Schools Forum representatives are unwilling to support this, consideration could be given to offering a buy back service.</p>
5	Stamford Endowed Schools	<p><u>Purpose:</u> to fund places in the Stamford area where selective education is not available in the immediate vicinity.</p> <p><u>Suggestion and rationale:</u> continue to operate this as now. The latest DfE' guidance states that Schools Forum agreement is required. However, it is important to note that a contract exists for these pupils and that it requires a tapered reduction in the number of places to be purchased each year.</p>
6	CERA	<p><u>Purpose:</u> to help finance the costs of capital investment.</p> <p><u>Suggestion and rationale:</u> continue to operate this as now. The borrowing costs of capital investments made in previous years will continue to require the current level of contribution for some time.</p>
7	Overheads	<p><u>Purpose:</u> to meet the relevant share of Children's Services and corporate overheads currently added to DSG centrally held budgets.</p> <p><u>Suggestion and rationale:</u> with it being possible to retain fewer DSG budgets centrally, the contribution the DSG can make to directorate and corporate overheads will reduce.</p>
8	Schools Financial Value Standard	<p><u>Purpose:</u> The Schools Forum has previously supported the setting aside of £0.060m to allow internal audit to undertake short inspections of schools' financial practices. This supplements the full audit inspections which tend to take place approximately every five years.</p> <p><u>Suggestion and rationale:</u> delegate the funding to schools and consult them on whether they wish to enter in to a buy back arrangements for this service. Under new DfE' regulations, it will not be possible to retain a central budget for such purposes.</p>
9	Broadband	<p><u>Purpose:</u> this funds the cost of broadband in all schools.</p> <p><u>Suggestion and rationale:</u> Although no new commitments are permitted from 2013/14, a new contract will be in force from October 2012 and so that will not create a problem until the medium term.</p>

10.	EFA funding of Threshold and SEN, for 6 th forms	<p><u>Purpose:</u> this funding supplements the sixth form allocations and contributes to the costs of SEN and threshold payments to staff in sixth forms. Funding has been reduced in recent times.</p> <p><u>Suggestion and rationale:</u> seek clarification from the DfE that this funding will continue at current levels for the foreseeable future. If funding is set to decline, consider reducing the funding for all secondary schools awpu. This would have an adverse impact upon those secondary schools without sixth forms, but it is not clear how the impact can be targeted in a better way given the DfE' proposals (although modelling will be undertaken to assess the impact of reducing SEN funding instead).</p>
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The LA's initial thoughts for dealing with Higher needs

The key points from the DfE' consultation document are:

- An SEN factor will be permitted. Funds will have to be distributed via prior attainment. It is therefore similar to the scheme that Lincolnshire introduced in April 2010, although there will be fewer and less frequent measures.
- Statements at Bands 6 to 8 will be funded by the Higher Needs block. The government expects that funding routinely in schools budgets, plus c.£4,000 for the awpu, will deliver an initial £10,000 and it will be for the commissioner to pay top-up fees.
- Special schools will receive a £10,000 allocation for an agreed number of places and the commissioner will pay top-up fees.
- The budget for Learners with Learning Difficulties & Disabilities (LLDD) will be transferred to the LA in April 2013. Reassuringly, the funding provided from April 2013 will be based upon historic spend (Lincolnshire's spend has been greater than neighbouring LAs).
- The funding for Alternative Provision and Pupil Referral Units (PRUs) will be £8,000 per place with top-up fees being paid by the commissioner.

Suggestions for dealing with this are:

No	Budget	Purpose and background / Suggestion and Rationale
1	SEN factor	See above.
2	Statements at Bands 6 to 8	See above.
3	Special schools	<p><u>Purpose:</u> to fund special schools fairly and appropriately.</p> <p><u>Suggestion and rationale:</u> the new funding system introduced in April 2011 provides a solid platform for the continued funding of special schools. The system recognises the actual costs of special schools and was widely supported by headteachers across the sector. £10,000 place funding will be paid to the provider and top-up funding will be paid by the commissioner.</p> <ul style="list-style-type: none"> - The DfE has stated that there are to be no in-year adjustments for places (LCC's current system funds those) but there can be negotiations over the marginal costs which should be funded. This could create huge bureaucracy and complexity and so it is proposed that the system for in-year adjustments currently in operation is adapted. - The DfE's proposals around agreeing the number of places to be purchased each year could be a retrograde step for Lincolnshire and re-introduce the subjectivity and inaccurate estimates of the previous system. However, unless there are exceptional circumstances (e.g. a strategic plan to increase or decrease the number of places) the LA proposes to use January count as the starting point to help determine the number of places in each school. This will avoid the subjectivity, negotiations and the inconsistencies that beset the old system. - The marginal cost is likely to vary for each additional child that is admitted in each school and, as indicated above, that could lead to huge bureaucracy and complexity. Lincolnshire's new formula already recognises the fixed costs through two block allocations; the variable costs are recognised through the five bands. It is therefore proposed that the bands continue to be used as a basis for determining the top-up rates. - The DfE has suggested that the number of places in each school is fixed for two years. That may not be responsive enough in a small minority of cases

		<p>and so, if permitted by DfE' regulations, an annual review may be sensible to help the LA both to respond to increased demand for places and deploy resources effectively.</p> <ul style="list-style-type: none"> - The DfE has proposed a monthly review takes place so that funding follows the pupils. The LA's new special school formula makes a similar provision and so it may be possible to adapt those arrangements (they record changes in pupils numbers on a weekly basis and any net gains funded). - The transitional arrangements introduced as part of the LA's new special schools formula in 2011 will not have been fully phased out by April 2013 and so some schools will receive more protection than might have been anticipated. The MFG (which has been set at minus 1.5%) will apply to special school budgets in 2013/14. <p>In conclusion, the current funding mechanism can be adapted to meet with the DfE's new requirement. Places can be agreed (based initially on the January count, with exceptions for major additional growth), albeit they may have to be fixed for two years. The five bands can be used to determine marginal costs, and in-year adjustments can be funded in a similar way to the current system.</p>
4	SEN units – speech and language and hearing impaired and Designated Special Units (DSU)	<p><u>Purpose:</u> to fund special units fairly and appropriately.</p> <p><u>Suggestion and rationale:</u> The units will receive £10,000 place funding, plus a top-up. This provision is still necessary, but the current costs will be reviewed, as will the number of places purchased, so that the funding level is appropriate. A new band descriptor can be developed, building on the system created for special school funding.</p> <p>The DSUs currently receive the special schools' band funding, as well as the awpu for registered pupils. Under the DfE's new arrangements, they will receive place funding of £10,000, so they could receive more funding than is necessary. The LA will therefore consult with the DfE as to whether these pupils should be excluded from the schools' funding (not the LA's DSG funding).</p>
5	Learners with Learning Difficulties & Disabilities (LLDD)	<p><u>Purpose:</u> to fund these needs fairly and appropriately.</p> <p><u>Suggestion and rationale:</u> The LA will continue to develop its strategies for meeting the needs of this group of young people and a review will be undertaken of the support offered and costs charged by various providers. Under DfE' proposals, independent providers will receive an allocation of £10,000 per place, with a top-up. The top-ups ought to be based on actual costs (as in the case for special schools, statements, SEN units), but it is not clear how the LA can obtain that information. Neighbouring LAs will be asked for their plans. The current Additional Learning Support allocations may be used but, in some cases, additional funding may be needed. A banding framework will therefore be developed to reflect providers' costs and identify the top-up funding required.</p>
6	Alternative Provision and Pupil Referral Units	<p><u>Purpose:</u> to fund these needs fairly and appropriately.</p> <p><u>Suggestion and rationale:</u> A range of contracts is currently in place and will run for one or two more years. To be funded directly, providers will have to offer full time education and become an independent registered school. However, through the Teaching and Learning Centre (TLC), which recently amalgamated the county's PRUs, the LA can commission these providers. This approach would be simpler to operate and less bureaucratic.</p> <p>Schools will also be able to commission the TLC. Outreach will be commissioned through the TLC, as now, with a one-off payment being made from the High Needs block.</p> <p>Given the frequent movement of pupils throughout the year, a key challenge will be to determine the correct number of places to purchase every two years Reference will be made to current provision.</p> <p>The top-ups will be calculated by reference to current costs. The current staffing</p>

		<p>structures and costs of the TLC are known and existing premises will continue to be used. For Solutions 4, the established cost per day for each provider can be used. The overall costs can therefore be determined and, once the number of places has been agreed, the shortfall in funding (after taking account of £8,000 per place funding) and hence the top-up can be calculated.</p> <p>In conclusion, the current costs of the TLC and Alternative Provision need to be reviewed and verified, and once the number of places to purchase has been determined and the top-up above the £8,000 per place has been calculated, all of the funding can then be channelled through the TLC.</p>
7	Hospital schools	<p><u>Purpose:</u> to fund these needs fairly and appropriately.</p> <p><u>Suggestion and rationale:</u> The DfE has been wrestling with how to fund hospital special schools which can be unusual because of the frequent and inconsistent flow of pupils in and out of this type of provision. In its latest announcement, the DfE has stated that the national DSG will be top-sliced for hospital schools, with that funding being passported to the schools via the LA, thereby avoiding the need for recoupment arrangements between LAs.</p>
8	Medical provision	<p><u>Purpose:</u> to fund these needs fairly and appropriately.</p> <p><u>Suggestion and rationale:</u> The LA will need to have regard to new guidance on auxiliary aids. The budget will continue to be retained in the Higher Needs block, to continue to provide some flexibility. The variability in the needs of individual pupils means that a banding system would be unworkable.</p>
9	Learning Support Service (LSS) and other SEN support services	<p><u>Purpose:</u> to provide support services to schools.</p> <p><u>Suggestion and rationale:</u> The LSS is almost entirely funded through a long established buy back arrangement with schools. Any radical change to that may generate pressures on other SEN services and so the LA is minded to continue operating it as now. It is proposed that other support services continue to operate as now.</p>
10	Out of County placements	<p><u>Purpose:</u> to meet the SEN of pupils where they cannot be met in established LA provision.</p> <p><u>Suggestion and rationale:</u> Further work is needed to explore the DfE' proposals which suggest that independent, non-maintained special schools will also be funded with base funding and top-ups.</p>

The LA's initial thoughts for dealing with Early Years

The key points from the DfE' consultation document are:

- Rates can be included Early Years Single Funding Formula (EYSFF).
- A new Early Years MFG will be introduced
- The DfE proposals should have a very limited impact upon the EYSFF.

Suggestions for dealing with this are:

No	Factor	Purpose and background / Suggestion and Rationale
1	Rates	<u>Purpose:</u> to meet the costs or rates. <u>Suggestion and rationale:</u> the LA will consider whether it would be beneficial to create a rates factor within the EYSFF.
2	Deprivation	<u>Purpose:</u> there must be a deprivation factor within the EYSFF. <u>Suggestion and rationale:</u> the LA will consider whether it would be beneficial to use the DfE's proposed new deprivation mechanism to fund this in future years.
3	SEN unit	<u>Purpose:</u> to ensure suitable provision for SEN in an early years setting. <u>Suggestion and rationale:</u> Retain the provision at Grantham nursery, as this is still necessary, but review the current costs and the number of places purchased so that the funding level is appropriate.