

Birmingham City Council Consultation

**SCHOOL FUNDING REFORM:
INFORMATION BRIEFING AND CONSULTATION
ON
ARRANGEMENTS FOR 2013/14**

Autumn Term 2012

Our Ref.: CYPF/AN/LETTER/Y:/SAJ

Date: 17th September, 2012

**To: Chairs of Governing Bodies & Head Teachers of all
Maintained Schools, Academies, Free Schools & Other Consultees**

Dear Colleague,

The financial year 2013/14 will see the introduction of national changes to school funding. This document provides a summary of those changes based on current information and guidance. It also provides you with an indication of the potential financial impact on your school (Primary and Secondary schools only).

Although a large part of the funding reforms are prescribed, there are some areas which we can consult on and would welcome your views on. These are set out in Section 2

Could you please respond and return by email the completed questionnaire to fairfunding@birmingham.gov.uk

Yours sincerely,



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1 Outline of Funding Reforms

1.1 Introduction

1.1.1 The Department for Education (DfE) have set out a number of major changes to the school funding system which are to be implemented from 1st April 2013. These include:

- Allocating the Dedicated Schools Grant (DSG) to Local Authority's (LA's) in 3 separate blocks i.e. Schools (Reception to Year 11), Early Years (pre school) and High Needs (for pupils with high cost Special Educational Needs (SEN) – from Birth to 25). The blocks will not be ring-fenced and funding could be moved from one to another
- A new simplified funding formula for delegating funding to Primary and Secondary Schools (Reception to Year 11), whereby LA's will be restricted to a maximum of 12 prescribed formula factors in their Fair Funding Formula. In addition LA's will only be able to use pupil and other data supplied by the DfE to determine funding allocations. These will be based on the October census completed by schools.
- A new approach to funding pupils with SEN both in mainstream and specialist settings.
- Increasing the amount delegated to schools by significantly reducing the amount of budgets held and managed centrally – in some cases it will mean individual schools taking responsibility for funding certain costs, and in other cases there will be growth in school budgets.
- Transferring funding for high needs pupils in post 16 provision from the Education Funding Agency (EFA) to the High Needs block within the DSG.
- Transferring funding of the pilot 2 year old funding to DSG as well as changing the basis on which the DfE fund LA's for 3 year olds. The Early Years Single Funding formula will however remain in its current structure.

The new funding formulas will apply to both mainstream schools and Academies.

1.1.2 The purpose of this document is to:

- Brief you on the detail of the changes.
- Consult on certain areas where the LA has some flexibility i.e. the primary and secondary (reception to year11) formula.
- Indicate the potential impact on your school for 2013/14 – although the modelling at this stage is just restricted to primary and secondary (reception to year11) funding.

- 1.1.3 The work needed to ensure implementation in a very tight timeframe is extensive and wide ranging with both financial and operational implications. The Local Authority has also since April 2012 through to September provided regular and ongoing briefings/updates to Schools Forum in addition to briefings to Primary, Secondary and Special Forum. This has been paralleled by a number of Fair Funding Technical group meetings over the same period where the Authority has presented the outcomes of its modelling and provided opportunities for Head Teachers and other representatives to raise issues, ask questions and seek clarification. It is also to be noted that a report to Cabinet is in the process of being submitted alerting members to the changes.
- 1.1.4 Given the above engagement with the various fora it is hoped that you are familiar with the general thrust of the DfE reforms. The following sections will focus on those parts of the funding reforms that will directly impact on schools and in some cases (not all) there will be consultation questions where we would welcome your views.

1.2 Outline of Overall Funding of Schools

1.2.1 Summary of Funding Streams for Primary Schools

Current Funding Available to Primary Schools :	What will Change from 1 st April 2013	Section Reference for further detail
Primary Delegated Budget for Reception to Year 6	Delegation will be via a new simplified formula containing a maximum of 12 factors. Minimum Funding Guarantee (MFG) will continue to apply for 2 years	2 and Appendices A & B
+		
Early Years delegated funding (Nursery Classes)	Funding will still be delegated on the same basis via the Early Years Single Funding formula although there will be changes in how some funding is allocated.	4
+		
Pupil Premium Grant	No change and expected to increase	
+		
Devolved Funding for High Cost CRISP	Will now be part of new DfE arrangements for High Cost Pupils	3 (3.7 – 3.10)
+		
Resource Base delegated budget	Will now be part of new DfE arrangements for High Cost Pupils	3 (3.4 – 3.6)
+		
Access to School Contingencies and funding held centrally	Funding will be delegated to schools to fund any costs themselves. LA will have no funds to support schools in financial difficulty.	5
+		
Access to School Contingencies and funding held centrally	Funding will also be delegated for schools in respect of budgets held centrally that will be discontinued & as such will be growth in school budgets	5
+		
School Carry forward balances - as at 31 st March 2012 net primary surplus balances were £49m	No changes – schools will still have access to their balances	

1.2.2 **Summary of Funding Streams for Secondary Schools**

Current Funding Available to Secondary Schools :	What will Change from 1st April 2013	Section Reference for further detail
Secondary Delegated Budget for Year 7 to Year 11	Delegation will be via a new simplified formula containing a maximum of 12 factors. MFG will continue to apply for 2 years	2 and appendices A and B
+		
Post 16 funding (where applicable)	Funding will be on a new national formula to take effect from the 2013/14 academic year.	
+		
Pupil Premium Grant	No change and expected to increase	
+		
Devolved Funding for High Cost CRISP	Will now be part of new DfE arrangements for High Cost Pupils	3 (3.7 – 3.10)
+		
Resource Base	Will now be part of new DfE arrangements for High Cost Pupils	3 (3.4 – 3.6)
+		
Access to School Contingencies and funding held centrally	Funding will be delegated to schools to fund any costs themselves. LA will have no funds to support schools in financial difficulty.	5
+		
	Funding will also be delegated for schools in respect of budgets held centrally that will be discontinued & as such will be growth in school budgets	5
+		
School Carry forward balances – as at 31 st March secondary net surplus balances were £32m	No changes – schools will still have access to their balances	

1.2.3 **Summary of Funding Streams for Special Schools**

Current Funding Available to Special Schools :	What will Change from 1st April 2013	Section Reference for further detail
Special Delegated Budget	Delegation will be via a new simplified formula : <ul style="list-style-type: none"> • £10,000 per agreed place • Top Up funding for individual pupil needs in excess of the £10,000 place funding (to funded by Birmingham and Other Local Authorities directly to the school) 	3 (3.1 – 3.3)
+ Pupil Premium Grant	No change and expected to increase	
+ Access to School Contingencies and funding held centrally	Funding will be delegated to schools to fund any costs themselves. LA will have no funds to support schools in financial difficulty.	5
+ + School Carry forward balances – as at 31 st March special net surplus balances were £6.4m	Funding will also be delegated for schools in respect of budgets held centrally that will be discontinued & as such will be growth in school budgets No changes – schools will still have access to their balances	5

1.2.4 **Summary of Funding Streams for Nursery Schools**

Current Funding Available to Special Schools :	What will Change from 1st April 2013	Section Reference for further detail
Nursery Schools Delegated Budget via Early Years Single Funding Formula	Funding will still be delegated on the same basis via the Early Years Single Funding formula, although there will be changes in how some funding is allocated.	4
<p style="text-align: center;">+</p> Access to School Contingencies and funding held centrally	Funding will be delegated to schools to fund any costs themselves. LA will have no funds to support schools in financial difficulty.	5
<p style="text-align: center;">+</p> <p style="text-align: center;">+</p>	Funding will also be delegated for schools in respect of budgets held centrally that will be discontinued & as such will be growth in school budgets	5
<p style="text-align: center;">+</p> School Carry forward balances – as at 31 st March Nursery net surplus balances were £3.4m	No changes – schools will still have access to their balances	

2 Primary and Secondary (Reception to Year 11) New Fair Funding Formula Implementation from 2013/14

2.1 What is the Change?

A key element of the national school funding reforms that will be implemented from 2013/14 is a major simplification and rationalisation of the Primary and Secondary Fair Funding Formula. Local Authorities will only be able to use a maximum of 12 formula factors in their Fair Funding Formula.

- Basic per Pupil Funding
- Deprivation
- Low Cost High Incidence SEN
- Looked After Children (LAC)
- English as an Additional Language (EAL)
- Lump Sum
- Split Sites
- Rates
- Public Finance Initiative (PFI)
- Pupil Mobility
- London Specific
- Post 16 (only applies to certain authorities, not applicable to Birmingham)

The EFA will also use the new LA formula to determine Academy budgets.

2.2 What I should know about the new factors?

2.2.1 The Basic per Pupil Funding (i.e. Pupil Entitlement) and deprivation are compulsory factors within LA formulae – all the other factors are optional. Pupil numbers will also be based on the October 2012 census (excluding subsidiary pupil numbers and resource base pupils).

2.2.2 For the basic pupil entitlement there can only be one primary funding rate. In the case of secondary there is a choice of using one single rate or one each for KS3 and KS4. Birmingham is proposing to use a single funding rate for secondary age pupils.

2.2.3 Deprivation may be funded by using Free School Meal (FSM) data or IDACI data or both. IDACI stands for Income Deprivation Affecting Children Index and is a subset of the Index of Multiple Deprivation (IMD) data, which is currently used to determine funding allocations to schools – it uses national information collected at Lower Super Output Area (LSOA) level to determine the probability that a child living in the LSOA will be deprived. In addition:

- * We may use up to 6 nationally defined bands to allocate IDACI funding. Each band represents the probability of a pupil coming from a deprived background.

DfE Nationally Defined Band

Band	IDACI Score (Probability of a child being from a Deprived Background)
0	0 – 0.2
1	0.2 – 0.25
2	0.25 – 0.3
3	0.3 – 0.4
4	0.4 – 0.5
5	0.5 – 0.6
6	0.6 - 1

For example the top band (6) will allocate funding to those pupils who have a probability of 60% and above of coming from a poor income background. Birmingham is proposing to use the top 3 bands which will cover pupils with a 40% and above probability – this represents 55% of the total pupil population. A different funding rate will be applied to each band with funding targeted to more deprived pupils.

- * In the case of FSM data, the FSM Ever 6 Version may be used, which means that funding can be allocated on the basis of any pupil having received FSM in the previous 6 years. This has the advantage of mirroring how the Pupil Premium grant is allocated. Alternatively the current practice of using one year data as per the census return could be used. Birmingham is proposing to use the FSM ever 6 data.

- 2.2.4 Up to now CRISP profiles and SEN Audit data have been used to drive low level SEN funding to schools. From 2013/14 such direct identification of SEN measures will not be permitted and Low Cost High Incidence funding will be driven by Lower Prior Attainment (LPA) data. In the case of primary, LPA will be driven by the Early Years Foundation Stage Profile scores and in secondary it will be KS2 results.
- 2.2.5 Although English as an Additional Language (EAL) is a permitted factor, funding will only be for the first 3 years of a child entering the statutory school system. The DfE believes this is sufficient time for a school to support a pupil with EAL.
- 2.2.6 The lump sum must be the same value across both the primary and secondary sectors. The maximum allowed is £200k. Birmingham is proposing a £170,000 lump sum for primary and secondary schools.
- 2.2.7 Pupil mobility will be based on the number of pupils who joined the school in the last 3 academic years at any other time than August or September (and January in the case of reception classes).
- 2.2.8 The data for all the above factors will be provided by the DfE – The LA will not be permitted to use its own data.

2.2.9 The Split Site and Private Finance Initiative (PFI) factors relate to specific schools and cannot be applied across all schools.

2.2.10 Funding for domestic rates will continue unchanged and be based on the LA's estimate of actual costs.

2.3 **How have the amounts to be delegated through the new Formula Factors been Determined?**

2.3.1 We have as a starting point worked on the basis of using all but two of the new factors available. The two we are not using is one that is London specific and another that is a Post 16 factor which does not apply to Birmingham. From this we have sought to:

Consultation Question 1

Birmingham is proposing to use all the 10 formula factors available to it (the remaining 2 do not apply). Do you agree?

(Refer to paragraph 2.1)

2.3.2 Map existing factors to those of the 10 that they most correlate to. For example existing FSM funding has been mapped to the FSM Ever 6 element of the new deprivation factor and IMD mapped to IDACI. Where there is no correlation the funding has been mapped into the basic entitlement per pupil factor as the default factor – this is particularly the case for the existing premises factors. Appendix 1 sets out how each existing factor has been mapped.

2.3.3 Minimise turbulence by for example:

- a) Using FSM Ever 6, which modelling indicates gives a better result than just using one year of FSM data as present.

Consultation Question 2

Do you agree with using Free School Meals Ever 6 which means deprivation funding will be allocated on the basis of any pupil ever having received FSM at any time during the previous 6 years? The alternative would be to continue as present and use the one year census data

(Refer to paragraph 2.2.3)

- b) Using both IDACI with FSM to allocate deprivation funding contributes to reduced turbulence and reduces reliance on one proxy measure.

Consultation Question 3

Do you agree that deprivation funding should be delegated using both FSM Ever 6 and IDACI data?

(Refer to paragraph 2.2.3)

- c) Allocating funding using the IDACI data to pupils in the top 3 bands only, to ensure funding is targeted to the most deprived pupils.

Consultation Question 4

Birmingham is proposing to allocate the IDACI element of deprivation funding through only 3 of the 6 bands in order to target funding to those most in need. We believe using all 6 bands would while increasing coverage is at the expense of diluting the impact. Do you agree?

(Refer to paragraph 2.2.3)

- d) Setting the lump sum at £170k - increasing it to £200k has a marginal impact and we are conscious the DfE will look to reduce the £200k maximum in future years.

Consultation Question 5

Do you agree with setting the lump sum at £170k?

(Refer to paragraph 2.2.6)

- e) In order to minimise peaks and troughs for secondary schools it is proposed to utilise one per pupil funding rate for all secondary age pupils

Consultation Question 6

Do you agree with using one Basic Pupil Entitlement Funding Rate for secondary age pupils?

(Refer to paragraph 2.2.2)

Consultation Question 7

In the case of Low Cost High incidence SEN we are allowed to target funding to primary schools based on pupils who do not achieve 78 points or more in the Early Years Foundation Stage Profile or who do not achieve 73 points or more.

Birmingham is proposing to use the higher threshold of 78 points or more. Do you agree?

(Refer to paragraph 2.2.4)

- 2.3.4 Given we will no longer have a mainstreamed grants factor we have used the individual pre 2011 grant components as a guide to allocation and have essentially allocated funding between the basic per pupil, deprivation, LPA and lump sum factors.

2.4 What Does This Mean in Practice?

2.4.1 Instead of delegating funding through 30 plus formula factors as we currently do, funding will be delegated through a maximum of 10 formula factors as set out above. **Because of this and because some of the data driving the new formula factors will be different to that currently used**, there will be changes in how much individual schools will receive – there will be schools who have a reduction in funding and those that gain.

Appendix A sets out how the existing formula factors have been mapped into the new factors.

Appendix E outlines some of the key reasons for the losses and gains schools will experience in their funding.

2.4.2 Based on modelling using 2012/13 budgets (excluding Early Years, Resource Base and Post 16 funding) approximately **43%** of schools may see a reduction in funding and **57%** an increase in funding. A number of modelling scenarios have been shared with Schools Forum and the Fair Funding Technical group. In applying the modelling Appendix B shows how much funding has been delegated via the new factors and the unit values that have been applied (still subject to change). The actual 2013/14 budgets will only be produced once the October 2012 pupil census data and other data sets become available.

2.4.3 The impact of any negative financial turbulence in school budgets will be mitigated by:

- The Minimum Funding Guarantee. This will continue to apply for the next 2 years at least and means no school will lose more than 1.5% of current per pupil funding. However a school experiencing falling rolls, irrespective of any funding changes will still see its total budget reduce - but that is no different to current practice.
- In order to fund the MFG protection a cap will be placed on the amount of funding any school can gain as a result of the move to the new formula. The value of the cap will be approximately 30% i.e. a school which is gaining will only keep 30% of its gain.
- Additional funding being delegated to schools – Please refer to section 5
- Accessing existing and additional resources in the form of school balances and Pupil Premium respectively.
- Understanding that any gains or losses arising from the introduction of a new formula is only one part of the funding equation – to get a true and accurate picture you will need to take into account all the other funding streams such as Early Years Provision, Post 16 and Resource Bases – as applicable. These are covered in the following sections.
- Separate funding for pupil premium will continue – the amount per pupil increased from 2011/12 to 2012/13 (£488 to £600 per pupil) with a further increase expected (but not yet confirmed) in 2013/14.

The precise impact for your schools can be accessed via the following link
[Formula Modelling 2013/14](#)

3 High Needs Funding

Special Schools **New Fair Funding Formula Implementation from 2013/14**

3.1 What is the Change?

3.1.1 A key element of the National School Funding Reforms to be implemented in 2013/14 is the change to how high needs pupils are funded across all sectors.

3.1.2 The new approach will see provision for high needs pupils and students funded on a mixture of a place and pupil-led basis, known as the “Place-Plus” approach.

3.1.3 From a Special Schools perspective, this will mean that the formula funding received will be in two distinct and clearly-identified components.

- Each school will receive a base level of funding of £10,000 per agreed place with Birmingham Local Authority – a nationally set figure. This funding of £10,000 per place will be paid to academies by the EFA.
- Over and above this there will be ‘Top Up’ funding based on the assessed needs of the child.

3.1.4 In the case of a Birmingham pupil placed in a Birmingham Special School the top up will be funded by Birmingham Local Authority. It will likewise fund the top up for a Birmingham pupil in an academy or another local authority school.

3.1.5 In the case of a pupil from another local authority placed in a Birmingham Special School all ‘top up’ funding will be paid by the pupil’s home Local Authority. The MFG rate of minus 1.5% will not be applicable and it will be the schools responsibility to liaise directly with the responsible Local Authority to negotiate and secure the top up funding - this will in effect remove the need for the current inter authority recouplement arrangements.

3.1.6 Top Up funding will be paid in or close to the real-time movement of the pupil i.e. the funding will follow the pupil. The practicalities of how this will operate in Birmingham will be developed over the forthcoming months.

3.2 How have the “Top Up” amounts been determined?

3.2.1 In agreement Special Head Teachers have already made the decision to base the “Place-Plus” approach for 2013/14 on the current funding methodology (using categories of need) and the budget allocations for 2012/13.

- 3.2.2 Based upon this decision a place plus approach has been developed which ensures as a minimum the same level of funding received in 2012/13 will be allocated to individual pupils in 2013/14, subject to the minimum funding guarantee of minus 1.5%.
- 3.2.3 A model of what this would look like for an individual special school is set out in Appendix C (i) with accompanying notes (Appendix C (ii)) showing how the figures have been derived. It demonstrates that the funding allocated via the new formula can deliver the same amount of funding in 2013/14 as was received in 2012/13. However there are a number of important caveats that apply:
- The model is based on the 2012/13 S251 budget statement and does not take account of any budget share additions made in 2012/13. These will be included in the final budget calculations for individual schools before MFG is calculated.
 - The budget for 2013/14 will need to be increased to reflect the full year effect of the additional places agreed in 2012/13 by Schools Forum.
 - For residential schools the school specific budget has been split into residential and non residential budgets. This will allow for the allocation to residential places to be higher than day places to cover the additional cost associated with residential provision i.e. residential head lump sum.
 - The model assumes no change in the mix of the school population by category of need in 2012/13.
 - The model assumes all pupils have been commissioned by Birmingham Local Authority in calculating the top up element.
 - In future all pupils placed in Birmingham special schools by other Local Authorities, will have their "Top Up" funded by those commissioning Local Authorities.

3.3 **What Does This Mean in Practice?**

- 3.3.1 Instead of delegating funding through the current place, pupil and numerous non pupil funding elements i.e. lump sums, premises factors, funding will be allocated through 2 factors only "Place" and "Top Up"
- 3.3.2 In order to minimise the turbulence in school budgets the Minimum Funding Guarantee will continue to apply for the next 2 years at least. This means the pupils "Top Up" funding will not reduce by more than 1.5% of funding.
- 3.3.3 For pupils from another Local Authority placed in a Birmingham Special School any top up will be paid by the pupil's home Local Authority. The MFG rate of minus 1.5% will not be applicable and it will be the schools responsibility to liaise directly with the local authority to negotiate and secure the top up funding.

- 3.3.4 Extensive modelling using the 2012/13 data has been shared with Special Schools Forum and the Fair Funding Technical group.

Mainstream School Resource Bases **New Fair Funding Formula Implementation from 2013/14**

3.4 What is the Change?

- 3.4.1 A key element of the National School Funding Reforms to be implemented from 2013/14 is the change to how high needs pupils are funded across all sectors.
- 3.4.2 The new approach will see provision for high needs pupils and students funded on a mixture of a place and a pupil-led basis, known as the “Place-Plus” approach
- 3.4.3 From a Mainstream Resource Base perspective, this will mean that the formula funding received will be in two distinct and clearly-identified components:
- Each school will receive a base level of funding of £10,000 per agreed place with Birmingham Local Authority – a nationally set figure. This funding of £10,000 per place will be paid to academies by the EFA.
 - Over and above this there will be ‘Top Up’ funding based on the assessed needs of the child, in excess of £10,000.
- 3.4.4 In the case of a Birmingham pupil in a Birmingham mainstream school the top up will be funded by Birmingham Local Authority. It will likewise fund the top up for a Birmingham pupil in an academy or another local authority school.
- 3.4.5 In the case of a pupil placed by another local authority in a Birmingham mainstream school any top up will be paid by the pupil’s home Local Authority. It will be the schools responsibility to liaise directly with that Local Authority to secure the top up funding - this in effect will remove the need for the current inter authority recoupment arrangements.
- 3.4.6 Top Up funding will be paid in or close to the real-time movement of the pupil i.e. the funding will follow the pupil. The practicalities of how this will operate in Birmingham will be developed over the forthcoming months.
- 3.4.7 Mainstream schools will no longer in line with the school funding reforms be eligible for receiving Age weighted Pupil Unit (AWPU) funding for pupils based in Resource Bases for whom the school will now receive “Place Plus” funding.
- 3.4.8 The Minimum Funding Guarantee of minus 1.5% does **not** apply to mainstream resource base funding in 2013/14.

3.5 How have the “Top Up” amounts been determined?

3.5.1 A place plus approach has been developed which ensures as a minimum the same level of funding received in 2012/13 is allocated to individual pupils in 2013/14.

3.5.2 A model of what this would look like for an individual special school is set out in Appendix D (i) with accompanying notes (Appendix D (ii)) showing how the figures have been derived. It demonstrates that the funding allocated via the new formula can deliver the same amount of funding in 2013/14 as was received in 2012/13. However there are a number of important caveats that apply:

- The model is based on the S251 budget statement and does not take account of any budget share additions made in 2012/13. These will be included in the final budget calculations for individual schools before MFG is calculated.
- The model assumes no change in the number or mix of the school population by category of need or CRISP assessment in 2012/13.
- The model assumes all pupils have been commissioned by Birmingham Local Authority in calculating the top up element.
- All pupils placed in Birmingham mainstream schools by other Local Authorities will have their “Top Up” funded by those commissioning Local Authorities.

3.6 What Does This Mean in Practice?

3.6.1 Instead of delegating funding through the current specification model and CRISP formula, funding will be delegated through 2 factors only “Place” and “Top Up”.

3.6.2 For pupils from another Local Authority placed in a Birmingham school any top up will be paid by the pupil’s home Local Authority. The MFG rate of minus 1.5% will not be applicable and it will be the schools responsibility to liaise directly with the local authority to negotiate and secure the top up funding

3.6.3 The Minimum Funding Guarantee of minus 1.5% does **not** apply to mainstream resource base funding in 2013/14.

3.6.4 Modelling using the 2012/13 data has been shared with Schools Forum and the Fair Funding Technical group.

Notional SEN Budget and High Needs Funding in Primary and Secondary Non Specialist Settings

3.7 The SEN Notional budget highlights that part of a school's annual delegated budget which is allocated to support pupils with SEN. Under the new funding reforms to be implemented from April 2013 mainstream schools and academies will be expected to use their notional SEN budget to:

- Meet the needs of pupils with low cost high incidence SEN and
- Contribute, up to £6,000 per pupil towards the cost of provision for pupils with high needs (including those with high cost, low incidence SEN).

The Notional SEN budget is therefore part of your School Budget Share and not an addition to it.

3.8 In Birmingham's proposed new funding formula for Primary and Secondary schools the Notional SEN budget is made up of the following element:

- 5% of the Basic per pupil entitlement – primarily on the basis that all schools are required to have a SEN Coordinator (SENCo).
- 50% of your Deprivation funding (FSM ever 6 & IDACI data).
- 100% of your Prior Attainment Funding.

If we take the example of a Primary School with 300 pupils, the notional SEN would be worked out as follows:

FACTOR	QUALIFYING PUPIL No.'s	INDICATIVE UNIT VALUE	TOTAL	OF WHICH NOTIONAL SEN
Basic per Pupil Entitlement (5%)	300	£3,008	£902,400	£45,120
FSM Ever 6 (50%)	50	£876	£43,800	£21,900
IDACI Band 6 (50%)	20	£722	£14,440	£7,220
IDACI Band 5 (50%)	20	£149	£2,980	£1,490
IDACI Band 4 (50%)	5	£130	£650	£325
HILC - Prior Attainment (100%)	60	£1,454	£87,240	£87,240
Total Notional SEN Budget				£163,295

- 3.9 In the above example the £163,295 would be available to fund all low cost high incidence pupils and contribute **up to** £6,000 per pupil towards the provision for pupils with High Needs.
- 3.10 If costs for a High Needs pupil (not in a resource base) exceed the sum of the full pupil entitlement **plus** £6,000 the additionally (i.e. top up) will be agreed with and funded by the LA. In the above example if a pupil was assessed as needing £15,000 of support the school would contribute £3,008(Basic per Pupil Entitlement) plus £6,000 i.e. £9,008 and the LA £5,992.

4 Early Years Provision **New Fair Funding Formula Implementation from 2013/14**

4.1 What is the Change?

The National School Funding Reforms that will be implemented from 2013/14 require the following changes to how early years provision is funded:

- A key element of the reforms is to encourage simplification and transparency of the Early Years Single Funding Formula (EYSFF) used by Local Authorities. This will involve completing a pro forma setting out how the EYSFF operates and on the level of centrally retained spend.
- Minimum Funding Guarantee will apply to the EYSFF for all providers but only to base rates i.e. base rates per hour for 2013/14 should not fall by more than 1.5% compared to 2012/13.
- Local Authorities will be responsible for funding all academies for their early years funding including those established prior to September 2010.
- Funding for 2 year olds will transfer to the Dedicated School Grant from 2013/14. The DfE intends shortly through a separate consultation to seek views on how this funding could be allocated to authorities and whether it should be included in the EYSFF.
- The DfE intend to remove the 90% floor protection for funding of 3 year olds. Removal could cost Birmingham approximately £3m but the DfE is considering options which could substantially reduce this loss – a decision was expected end of July but will now be end of September.
- Income Deprivation Affecting Children Index (IDACI) data is to be used as the proxy indicator for funding deprivation

4.2 What Should I know about the Changes?

4.2.1 Birmingham's EYSFF is relatively simple and straightforward when compared to other Local Authorities funding formula and the Early Years reference group have reviewed the scope for any further simplification and agreed that the formula should remain unchanged for 2013/14, apart from the treatment of mainstreamed grants.

4.2.2 Mainstreamed grants (i.e. former standards fund) were delegated to nursery schools in 2012/13 on the basis of a lump sum replicating the amount formerly allocated via the grant mechanism. From 2013/14 this amount will be incorporated into the nursery base rate funding per hour and delegated to nursery schools.

- 4.2.3 The introduction of the MFG will ensure that the base rate funding per hour only (excludes deprivation rate etc.) will not fall by more than 1.5% of the current 2012/13 base rates in 2013/14.
- 4.2.4 IDACI data will replace the Index of Multiple Deprivation data currently used in the EYSFF formula from 2013/14. This will ensure consistency with the proposal to use IDACI in the Primary and Secondary formula. However there will be no change to the current bandings of deprivation used in 2012/13 of the top 5% and 10% in 2013/14.

4.3 **What Does This Mean In Practice?**

- 4.3.1 The mainstreaming of grants into the base rate will invariably result in some Nursery Schools gaining and some losing (although the total amount will stay the same). There will also be an impact on all settings by moving over to the use of IDACI data. The biggest issue and unknown at this stage is how the DfE will manage the removal of the 90% floor protection referred to above – until we know this we cannot accurately quantify the impact for Birmingham. Once the DfE issue their decision at the end of September we will be able to:
- Quantify the impacts for early years settings and
 - Identify any mitigation available to address in part or whole any adverse impacts – for example the early years contingency could be legitimately reduced and funding redirected into the base rate.
- 4.3.2 The current safety net operating in the 2012/13 EYSFF will no longer exist in 2013/14. This is not a consequence of the school funding reforms changes and will have happened in 2013/14 if the current arrangements were still in place.
- 4.3.3 The financial impact arising from the above changes will be shared with the Early Years Reference Group and Schools Forum in early October.

5 Additional Delegations to Schools

5.1 What is the Change?

5.1.1 A key theme of the DfE paper: 'School Funding Reform Towards a Fairer System' issued on the 26th March 2012, is delegating more funding to schools from the LA centrally held DSG.

5.1.2 In total the amount held in the central part of DSG in 2012/13 is £87.5m (just under 9% of the total DSG). We estimate that of this approximately £41m will be allocated to the Early Years and High Needs blocks (but this is subject to DfE validation) with the balance of £46.5m being the Schools block share. The focus of this section is the School block element.

5.1.3 The DfE have categorised the centrally funded budgets into 3 exceptions, namely:

a) Exception 1 - Budgets that must be delegated:

- Schools Contingencies
- Behaviour Support Services (primarily Behaviour Support plans which are currently devolved to schools)
- Support to Under Performing Ethnic Minority groups
- Insurance
- Licenses/ Subscriptions
- Maternity Cover
- Staff with Disabilities
- Teacher Association/Union Duties
- Schools in Financial Difficulty
- 14-16 Practical Learning Options

b) Exception 2 – Historic Commitments

In these cases budgets can continue to be held centrally where commitments have been made and are ongoing. Once the commitments end the budget will have to be delegated. The budgets concerned are:

- Prudential borrowing
- CERA (structural repairs & maintenance)
- Premature Retirements
- Combined Services

c) Exception 3 – Statutory Functions

These can continue to be held centrally i.e.:

- School Admissions
- Schools Forum

5.2 **What Is to be Delegated**

5.2.1 While we are required to automatically delegate exception 1 budgets it is permissible to continue to 'de delegate' i.e. retain some funding centrally, with Schools Forum approval - specifically Primary and Secondary will have to separately agree. Funding cannot be 'de delegated' for Local Authority Special schools or Academies.

5.2.2 At School Forum on 13th September, members asked for additional information on the budgets under the 3 exceptions in order that they could consult more widely with their colleagues and make informed decisions at the next Forum meeting on the 18th October

5.3 **Growth Fund**

As part of the new school funding reforms Local authorities will be allowed to create a ring fenced growth fund from DSG in advance of allocating school budget shares. The sole purpose of the growth fund will be supporting in year growth in pupil numbers to meet basic need and will be for the benefit of both maintained schools and Academies. Any funds remaining at the end of the financial year will be added to the following year's DSG and reallocated to maintained schools and Academies through the local formula. It is estimated that for 2013/14 Birmingham will need a fund of £2.5m based on known in year increases.

5.4 **What will this mean in Practice?**

Subject to Schools Forum on the 18th October, additional funding will be delegated to schools in 2013/14. Some of this delegation will enable schools to pick up new cost responsibilities and some will represent growth. Once agreement has been reached with Forum, schools will be informed of the outcomes and what this will mean for schools.

6 Consultation Responses

6.1 How to respond

- 6.1.1 A consultation form is attached as Appendix F. This form should be completed and emailed to fairfunding@birmingham.gov.uk
- 6.1.2 Due to the short consultation period only responses emailed to the above mailbox will be accepted.
- 6.1.3 Please return the form by no later than **Friday 5th October 2012**, responses after this date will not be considered.
- 6.1.4 If you have any queries regarding the consultation paper these should be emailed to fairfunding@birmingham.gov.uk by no later than **Monday 1st October 2012**, enabling a response to be made before the consultation closure date of 5th October 2012.