

# CABINET

26 February 2013

## SCHOOLS FUNDING REFORM EARLY YEARS BLOCK/ HIGH NEEDS BLOCK

Report of the Strategic Director for People

STRATEGIC AIM:	<b>Creating a Brighter Future for All.</b>		
KEY DECISION	NO	DATE ITEM FIRST APPEARED ON FORWARD PLAN	October 2012

### 1. PURPOSE OF THE REPORT

- 1.1 This report provides the background information on the work completed on the Early Years Block and High Needs Block (Schools' Funding Reform) by the Schools Forum, with a recommendation to Cabinet on the preferred options to be implemented 1<sup>st</sup> April 2013.

### 2. RECOMMENDATIONS

- 2.1 **That Cabinet approve the recommendations put forward by the Rutland Schools Forum for submission to the Department for Education. Implementation on 1<sup>st</sup> April 2013.**

### 3. REASONS FOR THE RECOMMENDATIONS

- 3.1 To put arrangements in place to enable compliance with the changed requirements for schools' funding coming into effect on 1 April 2013. Currently local authorities have received Delegated Schools Grant (DSG) based on a basic per pupil amount which for Rutland is £4,748.83 per pupil which is allocated to mainstream schools. As from 1<sup>st</sup> April 2013 the Dedicated Schools Grant (DSG) will be split into three notional blocks.

- 1) Schools Block
- 2) Early Years Block
- 3) High Needs Block

This paper sets out the proposals to enable new arrangements to commence on 18 April 2013.

### 4. BACKGROUND

- 4.1 In April 2012 the Department for Education announced proposed changes to reform the school funding. As a result of this the Rutland Schools Forum put in place a 'Task and Finish Group' and 2 subgroups with representation from schools, colleges, early years and the local authority to complete this work. The work on the Schools Block has been completed as reported to Cabinet in Report No. 213//2012 on 16<sup>th</sup> October 2012 and has been accepted by the Department for Education for implementation 1<sup>st</sup> April 2013. This report covers the detail related to the Early Years Block and High Needs Block.

- 4.2** The Early Years Block - a review was completed of the current formula for the allocation of 3 and 4 year old funding alongside the guidance provided by the Department for Education for the new arrangements.
- 4.3** The Early Years Block is to be calculated from the early year's census. This collects information on private, voluntary and independent providers and is collected once a year, on a census date in January. Early Years funding differs from main school funding as providers have to be funded for the pupil numbers that they actually have during the financial year, rather than on an earlier fixed date point. The DfE rationale is that there are many small providers which need to be paid promptly for increases in numbers of children in order to be able to cope with cash flow.
- 4.4** The DfE has also confirmed that Local Authorities will not be required to hold significant contingencies for early years when setting overall budgets.
- 4.5** The DfE has confirmed that a Minimum Funding Guarantee (MFG) will be in place for 2 years and will only apply for base rates. This funding relates to the provision of universal free entitlement of 15 hours a week of early education for 3 and 4 year olds.
- 4.6** The DfE has recommended that the formula should be simple and transparent and from 2013/14 local authorities will be required to complete and publish a proforma setting out their early year's formula. This proforma will require local authorities to explain how their EYSFF operates including levels and barriers.
- 4.7** The School Finance Regulations set out the factors local authorities may use, however there is a requirement for a deprivation supplement as part of the formula and must be based on the circumstances of the child rather than the setting. This will enable funding to be targeted on supporting disadvantaged children in settings as well, encouraging settings to take disadvantaged children by making this more financially appealing.
- 4.8** Where schools provide early education and have converted to academy status, the local authority will continue to be responsible for funding across academies, maintained schools, private, independent and voluntary sectors.
- 4.9** The development of the Rutland Early Funding Formula took account of the DfE guidance and in addition considered the LA guidance.

Rutland currently has base rates for different types of provision and is based on qualification levels.

Base Rate 1 – Manager at Level 3 + 50% of staff at Level 2.

Base Rate 2 – One member of leadership at Level 4 and 50% of staff at Level 3.

Base Rate 3 – One member of Leadership qualified to graduate or EYPS and 60% of staff Level 3 + 10% staff at Level 4.

In addition, currently rurality and deprivation are also included.

Total funding available for 2013/14 is £1,010,710.

The LA plans to retain £105,500 as below:

Education for Under 5s	£76,600
Early Years Foundation Stage	£28,900

Following the completion of the Schools Forum subgroup, a number of options were removed and criteria not included identified below:

- Flexibility
- Lump sum

#### 4.10 Early Years Base Funding Calculation – recommendation and comparison

	2013/14	2012/13	Difference
Base Rate 1	£4.00	£3.37	£0.63
Base Rate 2	£4.00	£3.47	£0.53
Base Rate 3	£4.00	£3.61	£0.39
<b>Deprivation based on IDACI (Income Deprivation Affecting Children Index)</b>			
Rurality	£0.11	£0.11	
Quality	£0.00	£0.11	

Income Deprivation Affecting Children Index – this is an index of deprivation used in the United Kingdom and measures social deprivation which is deemed to have had a historic impact of the achievement of particular groups of people.

The subgroup has recommended a small contingency of £21,000 to cover any shortfalls in awaiting adjustment of DfE funding. The delegation of this funding will have no impact on RCC revenue provision.

**4.11** The Local Authority has a statutory duty to ensure there are sufficient childcare places within the County. Agreeing an appropriate simple formula which provides a fair share of early years funding available will support the provision of childcare places in Rutland.

#### 4.12 Background to the High Needs Block

- In line with the Government policy for school funding reform, new arrangements will be implemented for funding educational provision for pupils and students with High Needs as of April 2013. The details of this new approach were set out in *School funding reform: Next steps towards a fairer system*, published in March, and in *School funding reform: Arrangements for 2013-14*, published in June.
- The term ‘high needs’ is used to describe young people who need educational provision that costs more in total than approximately £10,000 per year. This threshold defines the level of need that the DfE would expect to be met through mainstream funding and the notional SEN budget allocated to educating institutions. This will include pupils aged from birth to 19 with high-level special educational needs (SEN) and those aged 16-25 with high-level learning difficulties or disabilities (LDD) including those aged 19-25 who are subject to a learning difficulty assessment (LDA).
- The new funding arrangements for high needs provision in mainstream schools and Academies will be similar to current pre-16 funding arrangements: educating institutions will receive formula funding (Element

1), and a notional SEN budget (Element 2), from which they will be expected to contribute to the cost of provision for high needs pupils. Additional per-pupil funding will be provided (Element 3) where needs require funding above this level i.e. £10,000.

- For post-16 provision in mainstream schools and Academies, educating institutions will receive an allocation through the 16-19 national funding formula plus £6,000 per post-16 high needs pupil. This allocation will usually be based on the number of high needs students in the last academic year.
- Top-up funding (Element 3) above the £10,000 will be agreed between the commissioning LA and the educating institution, and paid directly to the educating institution by the commissioner.

#### 4.13 The 3 elements explained (please also see Appendix A)

a) **Element 1 (or “core education funding”)**

The mainstream unit of per-pupil funding. For pre-16 pupils, this is the age-weighted pupil unit (AWPU), while for post-16 this is the mainstream per-student funding as calculated by the national 16-19 funding system.

b) **Element 2 (or “additional support funding”)**

A clearly identified budget for providers to provide additional support for high needs pupils up to an agreed level i.e. the notional SEN budget of £6,000 per high needs pupil

c) **Element 3 (or “top-up funding”)**

Funding above elements 1 and 2 to meet the total cost of the education provision required by a high needs pupil based on the pupil’s assessed needs.

#### 4.14 High Needs Sub Group

- The DfE provided guidance as to what elements of the new funding formula should be used to calculate the Notional SEN budget for schools (Element 2). The High Needs Sub Group has identified the notional budget using the following elements:
  - a) 5% of AWPU
  - b) 30% of a deprivation factor – Free School Meals has been used
  - c) 100% of the Low Incidence, High Cost SEN factor
- This provides assurance that schools will have adequate funds to support those with High Needs.
- Post 16 funding will now be included in the High Needs Block. This previously sat with the EFA but will now be included in the DSG to fund the ‘top up’ element of Post 16 which will be allocated on the same basis as Pre 16.
- In the same way as the current process for Pre 16 SEN, ‘top up’ funding will be allocated following individual assessment of needs to identify the additional support required over and above the £10,000 threshold. Direct support hours are allocated to meet identified needs. The difference between the cost of the support hours and the £10,000 will determine the amount of ‘top up’ funding required.

- With regards to the Designated Special Provision at Catmose College and Oakham CofE Primary School, base funding on a per place basis has been allocated and banded funding rates have been defined for High Needs pupils above the £10,000 threshold. This follows a similar process to the agreement currently in place with both establishments.

## 5. FINANCIAL ARRANGEMENTS

- 5.1** Early Years Block – the formula recommended is defined within the allocated budget with a contingency built with no financial risk to RCC.
- 5.2** The High Needs Block uses a range of elements to ensure schools will have adequate funds to support those with high needs. The LA is awaiting final allocation information for the High Needs Block; this is expected in March 2013. If there is any overspend, the DfE have confirmed that this is to be carried forward and the deficit taken from the Schools Block which will have impact on schools' budgets.

## 6. RISK MANAGEMENT

RISK	IMPACT	COMMENTS
<b>Time</b>	L	The timescales for this piece of work are manageable in order to implement from 1 April 2013.
<b>Viability</b>	H	The changes to be implemented are in line with DfE guidance will have significant impact on the future allocation of the DSG. Confirming the formulas is crucial to implementation and future sustainability of schools in Rutland. The final allocations of funding will require agreement from the Schools' Forum.
<b>Finance</b>	H	The implications for schools, early years and SEN and the LA are significant and are described in this report. There are no risks to the Council in the implementation of the 2 blocks, however there could be an impact on schools budgets if overspends occur in the high needs block.
<b>Profile</b>	H	These changes are of national importance and will be of great interest and concern to the community of Rutland.
<b>Equality &amp; Diversity</b>	H	An EIA assessment has been completed and will require a full assessment due to the impact on education and learning provision.

### Background Papers

School Funding Reform – next steps towards a Fairer System  
Schools Funding Reform – arrangements for 2013/14

### Report Author

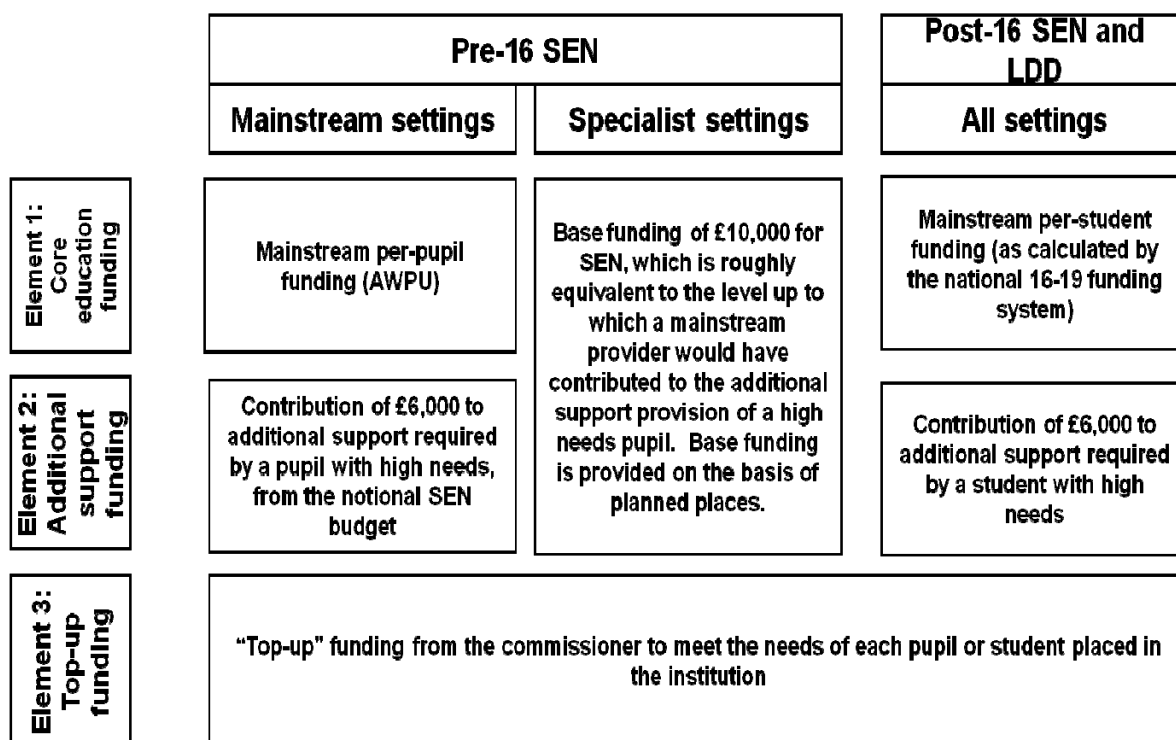
Sarah Bysouth  
Head of Service: Lifelong Learning

Tel No: (01572) 722577  
e-mail: enquiries@rutland.gov.uk

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.

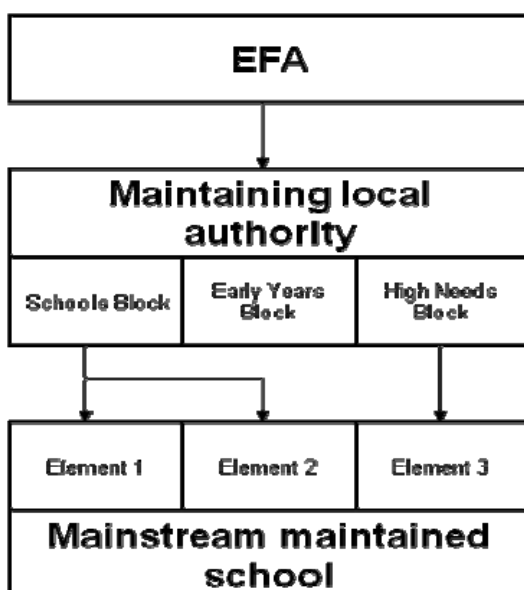
An illustration of the High Needs model:

## Overview: Reform of high needs funding



The following diagrams illustrate how funding streams will be passed to the educating institution depending on whether they are maintained or an Academy.

**Mainstream maintained school**



**Mainstream Academy**

