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Subject: DfE School Funding Reforms for April 2013

Classification: Unrestricted

Summary: This report provides an overview of the latest DfE School Funding Reforms and the challenges now facing Local Authorities (LA) and schools in its implementation. The majority of the changes required are directed by the DfE, but there are a small number of specific changes that require Cabinet approval, as set out in section 7 at the end of this report.

1. Background

- 1.1 In 2011, the DfE commenced a three stage consultation on the reform of school funding. The first two stages; “Rationale and Principles” and “Proposal for a Fairer System” were concluded in 2011. The final stage titled “Next Steps Towards a Fairer System” was launched on 26 March with a closing date of 21 May. To describe the third stage as a consultation is misleading as it is effectively a direction to implement a number of funding reforms from April 2013. The LA and the Schools Funding Forum (SFF) response to the consultation in the main questioned the need for many of the changes, the significant loss of local decision-making, and in particular highlighted considerable reservations around the changes to funding for High Needs SEN pupils. These changes will have the effect of negating the impact of the work done on the KCC funding formula over the past few years, particularly in the case of special schools. This work had the full support of Kent schools and Academies.
- 1.2 The DfE had suggested that the final stage of consultation would take place during the summer of 2012, and the earlier than expected final stage of the consultation is probably confirmation of the DfE intention to move to a simple national funding formula for all schools and Academies that could well take place following the next spending review in 2015-16. The changes from April 2013 are a significant step in this direction.
- 1.3 The funding reforms cover three main areas;
 - The simplification of Primary and Secondary School funding formulas
 - Further delegation of the Dedicated Schools Grant (DSG)
 - Reform of funding for High Needs pupils (Place Plus) in Special Schools, Specialist Mainstream Provisions (SMPs)/Units, High Needs SEN pupils in Mainstream Schools and Pupil Referral Units. There will also be a new method for funding Hospital Education Provisions.

Each of these reforms is covered in more detail later in this paper.

- 1.4 The pace of change has meant a challenging time table for implementation. The DfE website FAQs are now at 110 pages (over 350 questions) which reinforces the view that this is not a straight forward process. There are recent indications that the DfE may be getting concerned about the impact of the changes, given all the responses they have had from LAs, school and Academies. The first public acknowledgment came in a DfE letter in October confirming that the Department will review the new arrangements and will make further changes in 2014-15 if it finds that the long term consequences for schools are unacceptable.
- 1.5 The letter also confirms that the Minimum Funding Guarantee (MFG) will continue to apply at – 1.5% per pupil in 2013-14 and 2014-15. To address the concerns that some schools and authorities have raised about a potential ‘cliff edge’ in funding from 2014-15, the letter gives reassurance that a MFG will continue beyond 2014-15. As this falls in the next spending review period they are unable to confirm the value of that MFG. Final confirmation of the funding reforms was issued on 28 June and data to model the impact on LA schools and academy budgets was only made available in the middle of July.
- 1.6 LAs needed to consult with both maintained schools and academies on the few remaining elements of the formula where there is still local discretion and provide illustrative budgets modelling the changes in funding. KCC consulted with schools and academies from 5 to 28 September, at 12 District based briefing sessions for Headteachers, Finance Staff and Governors. Around 170 people attended the 12 briefing sessions and we have had 15 responses to the consultation, which is disappointing from schools and academies. It is likely that the low engagement from schools/academies is simply due to the short time table of implementation and having to run it during September when schools/academies are focusing on the start of the new academic year. We have continued to talk to schools about the impact of the changes at meetings of KAH, KASS, Bursars and our Area Headteacher meetings.
- 1.7 LAs were required to have completed the whole process of reviewing the new formula by the end of October 2012, and have to submit a pro-forma to the Education Funding Agency (EFA) detailing the breakdown of our new funding formula as the changes we are required to make now have to be authorised by the EFA before we are allowed to run our formula process. In common with other LAs we were clear with the EFA that the consultation processes with schools and our own decision-making processes – including this Cabinet meeting – meant that we would not meet their deadline.
- 1.8 The government’s rationale for change is the need for transparency, equity and fairness in funding for all schools and academies which is something that can only be supported. However, we continue to have serious reservations given that most of the funding differences between authorities are largely down to the national distribution of DSG and those differences between schools within authorities have all been agreed by schools. We are still of the view that in their quest for simplicity the DfE will remove the ability to target funding where it is most needed and end up with a system that is simplistic, less fair and not fit for purpose.
- 1.9 The DfE has not in any way addressed the variations in national funding which are a major factor when comparing funding for similar type schools in different parts of the country. It has applied the Minimum Funding Guarantee at -1.5% for 2013-14 and 2014-15, that means there will be little change in the bottom line funding of primary schools and secondary schools. As there will be this level of stability it partly negates the impact and we question the need to rush the changes. It appears to be partly driven by the need of the EFA to more easily calculate academy budgets. A continuing

frustration is that LAs still have to calculate all academy budgets in full and then pass the funding back to the EFA. Whilst we know the funding we hand over for each academy, we do not know the budgets that academies are issued with.

2.0 Funding Reforms Part 1 - The simplification of Primary and Secondary funding formulas

- 2.1 From April 2013 the number of allowable factors in a primary school and secondary school funding formula will be reduced from 37 to 12. We currently use 21 factors in Kent. Appendix 1 provides details of the current factors used in Kent's local funding formula and compares them to the likely factors that will be used from April 2013. It is important to note that in the short term the impact resulting from the change of factors used to distribute funding will be minimised due the MFG. In the medium to long term the changes will work their way through each schools individual budget and will in some cases cause considerable turbulence in funding.

Main changes

- 2.2 Schools are currently funded on the number of pupils as at the date of the January census, from April 2013 this will be changing to the date of the October census. DfE have recognised that this may have a detrimental impact on some schools where they have a staggered Yr R January intake. LAs will receive additional DSG funding based on the increase in Yr R pupil numbers between the previous year January and October census numbers and will be allowed to adjust funding for Yr R pupils to reflect increases in the January pupil intake. Moving the count date forward to October is ultimately helpful for LAs as the DfE will be able to confirm the amount of Dedicated Schools Grant (DSG) by the middle of December. This will mean that school budgets will be issued in February/March with a confirmed DSG allocation, whereas budgets are currently issued in March and confirmation of the amount of DSG is provided in July.
- 2.3 Premises floor area is no longer an allowable factor in the formula. Currently £44m is allocated to primary schools and secondary schools through the Kent formula. The removal of this factor will generate a high degree of turbulence, however some of this will be offset by an increased lump sum.
- 2.4 Deprivation funding is currently allocated to schools using Mosaic/Index of multiple deprivation (IMD). This allocates funding on how deprived a pupil is and identifies a deprivation weighting for each household. From April 2013 the DfE's allowable deprivation indicators are Income Deprivation Affecting Children Index (IDACI), Free School Meals (FSMs) and Ever Six FSMs. The guidance allows either one of the three indicators to allocate deprivation funding or a combination of IDACI and FSMs or IDACI and Ever Six FSMs. This will mean that Mosaic will no longer be allowed as an indicator to distribute deprivation funding. Out of the three available indicators, IDACI is the closest match to Mosaic and on that basis is our preferred option. This was supported by the Schools' Funding Forum at their meeting on 12 October 2012. This is one of the issues where Cabinet approval is needed as it is not a Schools' Funding Forum decision. Mosaic measures how deprived a pupil is and goes down to household level, where as IDACI will measure if a pupil is deprived or not deprived and is at Super Output Level (SOL) which is based on returns from 400 families around 1500 people.
- 2.5 This change is a significant step backwards for Kent as it will not target funding as effectively and will cause a significant level of turbulence. Appendix 2 is a summary of

the movement in funding. It shows that the movement is more dramatic in primary schools than secondary schools. 26% of primary schools will see an increase in deprivation funding of more than 50% and 9% of primary schools will see a decrease in deprivation funding of more than 50%.

- 2.6 An example of the impact IDACI has on a group of schools can be demonstrated by looking at three schools in the Dover area that are in close proximity to each other, Aylesham Primary, St Joseph's Catholic Primary (Aylesham) and Sibertswold;
- Aylesham Primary – Mosaic £482 per pupil, IDACI £259 per pupil - overall loss £43,000
 - St Joseph's Catholic Primary School – Mosaic £465 per pupil, IDACI £231 per pupil – overall loss £ 20,000
 - Sibertswold CEP Primary School - Mosaic £47 per pupil, IDACI £253 per pupil – overall gain £ 40,000
- 2.7 The average amount per pupil using IDACI as a factor is now in the range of £231 and £259, compared to the range of £47 to £482 when using Mosaic
- 2.8 Currently we use Low Prior Attainment scores to target funding at high incidence low cost Special Education Needs (SEN). For Primary Key Stage 1 (KS1) results are used and secondary KS2 results are used. For secondary there will be minimal change as the factor chosen by the DfE is very similar the one currently used in the Kent Formula. For the primary phase KS1 will be replaced with Early Years Foundation Profile (EYFP) and this will cause a high level of turbulence.
- 2.9 The concern here is that local discretion is being removed and the change in funding will cause unnecessary turbulence in school budgets. Appendix 3 summarises the change in funding for High Incidence Low cost SEN funding .10% of Primary schools will see an increase of more than 50% in High Incidence Low cost SEN funding and 18% of Primary schools will see a decrease of more than 50% in High Incidence Low cost SEN funding. The final point to note is that the EYSP uses a score to measure the attainment of a pupil and a score of 78 is considered to be the score achieved for a pupil of average development. Pupils scoring 78 and below will trigger funding under the new method for distributing funding using EYFP, but from 2013-14 the national scoring method will be replaced by a judgement. The judgement will be one of three categories 'Emerging', 'Expected' (meeting all the Early Learning Goals) or 'Exceeding'. The change to this method will again cause further turbulence unless one of the three new categories is a direct match to the children currently achieving a score of 78 and below.
- 2.10 There will be no capacity to identify travellers in the new formula, and this is a concern as they are a vulnerable group and general AEN/SEN indicators such as post code (IDACI) and Prior Attainment tend not to pick up this group of pupils.
- 2.11 We also face the same issue over the funding we target to schools with significant numbers of children from service families. This funding provides additional support to help schools cope with the specific demands/problems arising from the arrival/departure of battalions at the various bases in Kent. The new reforms prohibit us from having this factor any more.

- 2.12 There can no longer be a curriculum protection or small school factor, however as there is still an allowable lump sum factor that can be set as high as £200k but must be at the same level for primary and secondary schools. Modelling shows that the optimum level for protecting small schools (schools with less than 200 pupils) is to set the lump sum at around £120,000 see Appendix 4. By setting the lump sum at £120,000, 172 schools out of 192 schools with a roll of 200 pupils or less will see an increase in their budget share. The main aim of the new lump sum is to provide protection for schools due to the removal of the small schools protection factor.
- 2.13 The Minimum Funding Guarantee (MFG) will still exist and has been set at -1.5% for 2013-14 and 2014-15. MFG will be applied in a far more simplistic way with the main change reflecting the amount per pupil a school will receive or have taken away if pupil numbers change from the previous year. Currently any increases in numbers are funded at 80% for primary schools and 87.5% for secondary schools of the average amount per pupil and any decreases are only deducted at 80% or 87.5% of the average amount per pupil. From 2013 all increases and decreases in numbers will be adjusted at the full amount per pupil, this will benefit schools with rising rolls and provide less protection for schools with falling rolls. The rationale provided by the government is that they want to encourage the expansion of successful schools.
- 2.14 Appendix 5 sets out the overall movement in school budgets and shows that 17.1% of primary schools will see an increase of more than 5%, and 6% of primary schools will see a decrease in funding of more than 5%. The MFG will in the main protect individual school budgets, however a school on the MFG will see a per pupil decrease of 1.5%. It is likely that the unravelling of the changes to school budgets will take many years to fully feed through into individual school budgets. On the current assumptions and assuming that this is likely to continue into the next spending review 9% of primary schools will see reduction to their budget for four years. In the medium to long term some schools will see significant changes to their budget. At the most extreme Aylesham Primary will see a fall of 12% in its budget.
- 2.15 PFI - An area of great concern is PFI. In Kent we have 11 schools that collectively make a LA contribution towards PFI costs of £7,000,000. The funding is currently allocated to schools then recouped at the same level. This achieves a neutral impact on a school's budget. Currently LA PFI funding is excluded from the MFG, however, under the new funding reform guidance PFI is not excluded from the MFG, but LAs can submit an application to have this removed. Kent has requested the removal from the MFG on two occasions and have been turned down. We continue to lobby the DfE on this issue.
- 2.16 The impact is that schools could see an increase or decrease in funding in relation to their number of pupils on roll. The amount recouped from schools ranges between £800 to £1,600 per pupil, however the amount will be fixed that is recouped from a school. For example, if a school's roll decreased by 30 pupils and the PFI amount per pupil is £1,600 a school would see a reduction in their budget of £48,000 ($30 \times £1,600 = £48,000$). We have laboured this point with the DfE and what seems to be a simple and fair solution has been ignored. From the correspondence we have had with the DfE we can only conclude 1) that they do not understand or 2) they do understand but will not deviate from their quest to apply a simplistic formula that gives precedence to simplicity over fairness.
- 2.17 Submission of budgets to the DfE 18 January 2013 - One implication as a result of calculating and submitting budgets to the DfE by the 18 January is that we are unlikely to have any decision for school budgets on local pay awards. Whilst it will not affect

the level of funding available from DSG, we will not be able to reflect any pay award as we have done to date.

3.0 Funding Reforms Part 2 - Further Delegation

- 3.1 From April 2013 the element of funding academies receive that is “equivalent” to the cost of services that are now their responsibility due to converting to academy status, (currently known as the schools LACSEG) will no longer exist. All the budgets that academies received a share of will now in the first instance be delegated to all schools and academies and for a limited number of these budgets the DfE have decided that the LA could retain them if the Schools Funding Forum agree to ‘de-delegate’ these budgets for maintained primary and secondary schools only. The DfE have decided that special schools should be treated as academies for this issue and ‘de-delegation’ is not an option. There is no obvious reason for this. At their meeting on 12 October 2012 the Forum agreed to de-delegate all the budgets where this was permissible. The one exception to this was in respect of Trade Union duties where the Forum have asked for further work to be done and we will be returning to the Forum to discuss that on 7 December 2012.
- 3.2 Appendix 6 provides details of the further budgets that will need to be delegated from April 2013. Fortunately there are not too many as much of this was anticipated last year with our local decision to delegate more.
- 3.3 Initially the DfE required that pupil growth funding (line 3 appendix 6) would have to be delegated and then LA schools could de-delegate their share of this funding. The DfE have now reconsidered this and pupil growth funding can be retained by the LA with the consent of the relevant phase members of the SFF. Full criteria for allocating this funding was agreed by the Forum on 12 October 2012, and both LA schools and academies will have access to this funding on the same basis from next April. The report agreed by the Forum is included as Appendix 8. This is also an issue that requires Cabinet approval.
- 3.4 For the remaining non-delegated school budgets the DfE have set criteria where these can still be retained however, the DfE have decided that they cannot exceed the level at which the budget was set in 2012-13, i.e., no new commitments can be made. Budgets will be frozen and where applicable will decrease in the future as commitments are realised, for example termination of employment costs will be delegated to all schools and academies as and when historic commitments have been paid in full. The following are budgets that will not be allowed to increase from 2013-14
 - Admissions
 - Servicing of schools forum
 - Carbon reduction commitment
 - Capital expenditure funded from revenue
 - Contribution to combined budgets (including expenditure shown under miscellaneous if appropriate)
 - Schools budget centrally funded termination of employment costs
 - Schools budget funded for prudential borrowing costs.
- 3.5 This approach is misguided, given the nature of those costs means that there will be increases at times and some of the historic commitment will not be finally paid for decades.

4.0 Funding Reforms Part 3 - High Needs SEN Funding “Place Plus”

4.1 High Needs SEN Funding is the area of greatest change and is causing the most concern. From April 2013 a standard approach for funding - Place Plus - will be applied to all High Needs SEN pupils in Special Schools, Resourced Provision/Units, Mainstream schools without a Resourced Provision/Unit and PRUs. On the face of it, it would appear to be a simple system for funding High Needs SEN pupils, however Place Plus will be applied differently in each type of provision and consequently will present a different challenge. The actual change will cause turbulence in funding, greater complexity in calculating funding rates and an increase in administration and bureaucracy.

4.2 Place Plus will comprise of three components:

- (1) Element 1 (E1) or “Core Education Funding” = This will vary depending on the type of provision, but generally will be set a level of around £3,000 or £4,000.
- (2) Element 2 (E2) or “Additional Support Funding” = £6,000.
- (3) Element 3 (E3) or “Top Up Funding”. This element will be the additional funding over and above Elements 1 and 2 that is needed to meet the pupils assessed need.

The combined funding from 1, 2 & 3 is known as the “Pupil Offer” or “Funding Offer”.

4.3 Special Schools, Resourced Provision/Units and PRU’s will be funded on a number of places (E1 & E2). Funding for all provisions will also be triggered on the number of pupils actually placed (E3) in the provision based on the additional need of the pupil, and the DfE are requiring that this will be paid in or close to the real time movement of the pupil, on a monthly basis (!)

Special Schools

4.4 Appendix 7 is an illustration comparing the funding for a Special School in 2012-13 to how it will be calculated and allocated in 2013-14. The Special School used for the illustration has a budget of £1,500,000 and is funded for 100 places. The Special School is notified of its budget in March for the financial Year period April to March. The Special School currently knows that they will receive a minimum of £1,500,000 that will be funded from one source (the LA) for the period and subsequently can plan the resource of the school knowing that there is stability in its funding. This will no longer be the case as funding will come from a number of sources and element 3 will now vary. This will impact upon a school’s ability to plan its staffing as whilst element 3 funding may change on a monthly basis, a school cannot make changes so easily. It could mean schools having to hold larger reserves to smooth this out (but where would those reserves come from?) or employ more agency/temporary staff who, whilst more expensive, will give greater flexibility. To take one example, an initial estimate is that Valence Special School could need a working reserve of £500k in order to make sure it can do the basics such as pay its staff every month.

4.5 For the purpose of the illustration we will assume that all of the variables are identical between the two years i.e., pupil numbers and need type mix of pupils.

- (a) Turbulence in funding – £ 502,000 (Element 3) of the schools funding will now follow the pupil on a monthly basis, if the school is at full capacity then they will receive the same level of funding as in year 1. This element of funding will vary

from school to school and in a residential school could be as high as £80,000 per pupil.

- (b) Different funding rates – The overall need type funding rate of the pupil will be at the same level regardless of whether they are a Pre or Post 16 pupil, however E1 will be different for a post 16 and pre 16 pupil, post 16 will be based on the 16-19 national formula for the individual provision. The implication of this is that E3 will need to be set at a different rate for Pre and Post 16, Post 16 rates could change during the financial year as there are two academic years that overlap the financial year April to March.
- (c) Different sources of funding – E1 & E2 will be paid by the LA for maintained schools and E1 & E2 will be funded by the Education Funding Agency for Academies (EFA). E3 will be paid by the commissioning LA, where a school has a Other Local Authority (OLA) pupil, the school/academy will need to collect this funding from the OLA. This will be an extra task and cost for schools, and for some will also have significant cash flow implications
- (d) Administration- Each month the LA commissioning the place in the school will need to reconcile with the school the number of pupils on roll, this funding will then follow the pupil. Special Schools that have OLA pupils will need to make contact with the commissioning LA and collect funding for the individual pupils placed in their school, in Kent we have around 140 pupils placed in our special schools. Currently the LA carries out this process (known as recoupment) on behalf of all Special Schools, this will not exist in the future and all Special Schools will be responsible for collecting the funding in relation to OLA pupils placed in it.

4.6 The funding rates for each Special School will be based on the schools budget for the previous year, a number of places will be funded based on the rates for E1 & E2 and top-up funding based on the unique characteristics of the school will be allocated for each placed pupil. A process for calculating this has been agreed with Kent Association Special Schools (KASS) Executive in order to minimise turbulence as far as possible.

Resourced Provision/Unit

- 4.7 All High Needs SEN pupils in mainstream schools, regardless of whether they are in a unit or not, are currently funded on actual numbers. There are four different need type funding rates based on the day rate for special schools. The funding rate per pupil is reduced depending on the number of pupils with the same need type in the school which takes into consideration the economy of scale associated with the resources needed to support pupils with a similar need.
- 4.8 From April 2013 a Resource Provision/Unit will receive guaranteed funding for a number of places this will consist of Elements 1 & 2, and top-up funding for the number of pupils placed in the Resourced Provision/Unit will follow the pupil in or close to the real time movement of the pupil (monthly). Schools will no longer receive any elements of funding in their main school budget for Resourced Provision/Unit pupils, all Resourced Provision/Unit pupils will be solely funded through a separate Resource Provision/ Unit budget.
- 4.9 A working group made up of school headteachers and LA officers has recommended a process for funding Resourced Provisions/ Units from April 2013. They recommended, and the Forum agreed that the calculation of a Resourced Provision budget should include the following three components:

- An average of the basic element (AWPU) times the number of agreed places in the Resourced Provision
- The average notional AEN/SEN amount per pupil (notional AEN/SEN budget divided by number of mainstream pupils)
- The average amount per Resourced Provision pupil, based on the current level of funding that would be allocated to a Resourced Provision. For example a resourced provision has 3 ASD pupils @ £ 14,551 and 3 SLD pupils at £ 12,603 total funding £81,462. The new funding rate would be $£81,462 / 6 = £ 13,577$.

This recommendation is based on the current levels of funding allocated to High Needs SEN pupils. In the longer term work will need to be carried out in conjunction with the current SEN review that will base the funding rate on the costed provision of the Resourced Provision/ Unit.

4.10 The points outlined in 4.5(b) different funding rates, (c) different sources of funding, and (d) administration will also be common to Resourced Provisions/Units. The point highlighted in 4(a) will also be common to Resourced Provisions/Units however this will be to a lesser extent as E3 will generally be set a lower level.

High Needs Pupils in Mainstream Schools without a Resourced Provision/ Unit

4.11 This is going to be a substantial challenge and will cause discontent with schools if it is not applied in the right way. There are number of problems around the implementation which stems from the fundamental concept of applying Place Plus. In a mainstream school the DfE expectation is that E2 will come out of the schools notional AEN and SEN budget. Put simply, if we fund at comparable rate for a Resourced Provision/Unit pupil and a pupil in a mainstream school without a Resourced Provision/Unit (logic would suggest that this will be the case) the mainstream school would in the future be £6,000 worse off per High Needs SEN Pupil.

4.12 The DfE guidance defining a High Needs SEN pupil is a pupil requiring provision that costs more than £10,000 per annum. The DfE have deliberately chosen a financial threshold to define a pupil with high needs, as opposed to an assessment based threshold. There are currently pupils that are not assessed under the IAR criteria in Kent that would meet the new DfE definition of a High Needs SEN pupil, and the LA is looking at ways of defining these pupils, but this will take time to adapt our current system. For example an ASD pupil that does not meet the current criteria to trigger IAR funding, may have an assessed need of over £10,000. This is a fundamental change to how we categorise and fund High Needs SEN pupils.

4.13 A High Needs SEN pupil will have a costed provision of resource allocated to them known as the "Funding Offer". To illustrate this, an example of a High Needs SEN ASD pupil currently attracting £17,227 of funding (AWPU - £2,676 plus ASD (IAR) - £14,551) of provision in a Primary school has been chosen, this example also applies to pre 16 pupils in a secondary school.

- Element 1 (E1) will be the basic entitlement (AWPU) £ 2,676
- Element 2 (E2) will be £6,000 and will come direct from the schools notional AEN/SEN allocation

- Element (E3) will be the difference between the total cost £17,277 less E1 and E2 = £ 8,601.
- E1 in a secondary school this will be based on the basic entitlement of the phase of education the pupil is attending (E1= KS3 £3,744, E2 = £6,000, E3 = £8,551 Total funding £18,295)

4.14 For a post 16 pupil the composition of the three elements will be:

- E1- EFA 16-19 National Funding formula (this will vary school to school) formula
- E2 - £6,000 additional guaranteed funding provided to the school
- E3 will be the top funding (E1 = approx. £4,300 but will vary, E2 = £6,000 and E3= £4,700 total funding £15,000).

The difference between the two is that in pre 16 the E2 £6,000 will come from a school's notional AEN/SEN budget and in Post 16 will be funded in full.

4.15 Part of the Place Plus methodology is for the funding triggered in E3 to follow the pupil in or close to their real time movement. Currently a IAR pupil will have funding guaranteed for the financial year with the exception of a change in phase of education. The top up funding (E3) will now follow the pupil on a monthly basis. In addition, E3 will be paid by the commissioning LA and this will mean that where a pupil is placed in a Kent school by another LA, the school will be responsible for collecting the funding for E3 from the other local authority, and not KCC.

4.16 In Kent we have for many years chosen to fully fund IAR pupils so that a pupil with similar needs is fully funded on the same basis no matter what provision they are placed in. There are around 430 IAR pupils that are placed in around 230 mainstream schools without a resourced provision, a significant proportion of these pupils (26%) are placed in primary schools with less than 200 pupils. It is common for a small primary school to have a low notional AEN/SEN budget, and therefore a contribution of £6,000 (E2) towards the provision of support for High Needs SEN pupils will have a dramatic impact on the school's budget. This is also a significant problem for some selective schools where generally notional AEN/SEN budgets are at a low level.

4.17 The DfE in setting the recommended level of contribution at £6,000 for E2 have recognised that this will have a disproportionate impact on some schools where High Needs SEN pupils are placed but have a relatively low notional AEN/SEN budgets. Where this is the case LAs can agree a clear and transparent policy that will allow schools to have their notional AEN/SEN budgets topped up to a level that recognises the disproportionate contribution of funding towards the cost of a High Needs SEN pupil.

4.18 The mainstream High Needs SEN working group (made up of Headteachers and LA officers) have recommended a method of topping up the notional AEN/SEN budget for schools where they are disproportionately affected by the £6,000 contribution for element 2. The basis of this recommendation is to retain stability based on the current method of allocation applied by Kent for High Needs SEN pupils. The recommendation in the short term (April 2013) is to retain the current rates and IAR criteria and to reimburse notional AEN/SEN budgets using the following criteria.

- A school will contribute for each high needs pupil either 3% of its notional AEN/SEN budget or up to a maximum of £6,000, whichever is the lowest.
- The overall contribution from a school's budget will not exceed 20% of its notional AEN/SEN budget.

- 4.19 The introduction of the requirement for schools to contribute E2 funding from their notional AEN/SEN budgets will have the effect of saving funding from the current IAR budget. The top up funding to school notional AEN/SEN budgets would be funded from the saving to the current IAR budget.

Alternative Provision - PRUs

- 5.0 PRUs will be funded at £8,000 per place and an amount of top up funding per pupil (E3) for all pupils placed in the PRU. Determining the top up rate and tracking the pupil will be more problematic than a Special School due to the turnover of pupils in the Unit and on our current PRU structure we will have different rates for each PRU.
- 5.1 The DfE have recommended that the top up funding (E3) for permanently excluded pupils is paid termly and fixed term exclusions are paid on a daily rate. This is going to present a considerable challenge, not only in setting the appropriate rate (E3) but also the administration of tracking and paying pupils. This will worsen as PRUs become delegated schools with bank accounts and cash flow to consider, let alone conversion to academies.

Pupils in Hospital Education

- 5.2 By hospital education, the DfE mean education provision offered to a pupil as a result of the pupil having been admitted to a medical facility as a result of their medical needs. In other words, provision where the admission and commissioning is health-led, rather than local authority-education led.
- 5.3 All LAs will have their DSG top-sliced at a rate of £8.50 per pupil and this will form a national cash envelope for funding pupils in Hospital Education. The contribution Kent will make is around £1.6 million and its cost of funding Hospital Education is around £2.4 million. The difference between the £1.6 and £2.4m (£0.8m) will in effect cover the cost of Hospital Recoupment that no longer exists under the new funding system.

6. Conclusion

- 6.1 These reforms are probably the most radical since the introduction of local management and simply turn upside down much of what we have developed and agreed locally with Kent schools for many years. The proposals are generally ill-thought through, simplistic, unnecessarily rushed and seem to be largely driven by an academies agenda. The root cause of many of the financial variances between schools/authorities that the DfE wish to address is the national distribution of DSG funding and that issue is simply left to one side. For some schools, particularly special schools, there are going to be considerable administrative challenges. It is already possible to identify some of the consequences of this but based upon past experience of wholesale DfE changes there will be many more unintended ones.
- 6.2 Whilst most of the changes being made are directed by the DfE, there are some aspects of the changes to the formula that requires a decision by Cabinet, and these are detailed below.

7. Recommendations

7.1 Members of the Committee are asked TO:

- (i) NOTE the report and the impact that the changes will have for Kent schools and academies;
- (ii) AGREE to the use of the Income Deprivation Affecting Children Index (IDACI) as the replacement for MOSAIC within the funding formula as detailed in Paragraphs 2.4 – 2.7;
- (iii) AGREE the new proposals for managing the pupil growth funding (previously known as rising rolls) that were agreed by the Schools' Funding Forum on 12 October 2012 as detailed in Appendix 8;
- (iv) AGREE the approach to the setting of special school budgets that is summarised in Paragraph 4.6. This has been agreed with the Schools' Funding Forum and Kent Association of Special Schools in order to minimise budget turbulence as far as is possible;
- (v) AGREE the approach supported by the Schools' Funding Forum for the transitional funding arrangements for Resourced Provision set out in Paragraph 4.9 of the report;
- (vi) AGREE the approach supported by the Schools' Funding Forum for the transitional funding arrangements for High Needs SEN pupils in mainstream schools without a Resourced Provision as set out in Paragraph 4.18 of the report.

KEITH ABBOTT

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Current method of distribution- as per school budget statement	New Method of distribution	Implications
1. Basic Amount per pupil		
Primary		
AWPU - Yr Group - Amount R - £2,880 1 - £2,880 2 - £2,620 3 - £2,669 4 - £2,669 5 - £2,669 6 - £2,669	Single basic AWPU rate for all primary pupils R to 6	Currently there is a high rate of funding for Years R to 1 in acknowledgement that there is a lower pupil teacher ratio in these year groups. Likely outcome is for a neutral impact in an All Through, an increase in a Junior school and decrease in an Infant school.
Secondary		
AWPU - Yr Group - Amount 7 - £3,364 8 - £3,364 9 - £3,364 10 - £3,733 11 - £3,733	AWPU rate for KS3 and KS4	No potential impact in funding if the differential between KS3 and KS4 funding rates are retained
2. AEN and SEN high incidence low cost		
Primary and Secondary		
(a) Deprivation funding and Challenging Circumstances. Currently use Mosaic which is linked to the Index of Multiple Deprivation (IMD)	Income Deprivation Affecting Children Index (IDACI) - Weightings will be in bands. Or FSMs, either single count or "Ever 6" as per Pupil Premium Or a combination of both	Mosaic – the deprivation weighting used in Mosaic is IMD- IDACI indicators are a subset of IMD. This is a backward step as IDACI bases is weightings on a Lower Super Output Area of around 400 households (1,500 residence), where as Mosaic is a single household
Primary		
(b) Prior Attainment (PA)-funded on a flat rate for all pupils achieving level 2C and below	Early Years Foundation Stage (EYFS) , can use a point score of either 78 or 73	We are hoping that this will not generate a significant level of turbulence, will select score of best fit to current distribution. It is important to note that from 2013 the method used to score foundation stage will no longer be reflected by a score, instead it will be

Current method of distribution- as per school budget statement	New Method of distribution	Implications
		replaced by a judgement, we are unsure at this stage how this will translate into a average score
Secondary		
(c) Prior Attainment (PA) based on KS2 results level 3 and below funded at a flat rate.	KS2 Prior Attainment level 3 and below at a flat rate.	Pupils will only qualify if they are below 3 in English and Maths. Currently funding is distributed based on the individual level for English, Maths and Science. It is unknown at this point what turbulence this will cause.
Primary and Secondary		
(d) Looked After Children (LAC) Amount per pupil- different rates for primary and secondary pupils	Can fund on the same basis as currently used in the local formula	Implication will have to use the same rate for Primary and Secondary pupils.
Primary and Secondary		
(e) English as an additional Language (EAL) Amount per pupil, phase specific	EAL pupils will be funded for either 1, 2 or 3 years.	Can have different rates in primary and secondary phase, however number of years must be consistent.
Primary and Secondary		
(f) Traveller Children Amount per pupil different rates for primary and secondary pupils	No factor in the new formula for traveller children	No targeted funding for Travellers, we fund 1,662 pupils with seven schools having more than 30 pupils. Therefore this will impact on specific schools.
(g) Military Children Amount per pupil different rates for primary and secondary pupils	No factor in the new formula for traveller children	Military Children are only funded in the formula when their parent lives in military housing. Mosaic does not recognise deprivation for these pupils. The introduction of IDACI will resolve this anomaly and there will only be minimal implications from removing this factor.

Current method of distribution- as per school budget statement	New Method of distribution	Implications
3. Premises Funding		
Primary and Secondary		
a) Floor area -Utilities, Cleaning, Caretaking and Insurance is all funded through a premises factor based on the square metreage of the schools	No premises specific factor can be used in the formula.	The two most relevant factors that can be used in the future are the basic entitlement and lump sum. A level of significant turbulence will be caused a result of this change.
Primary and Secondary		
b) Grounds Amount per hectare	No Ground specific factor can be used in the formula.	Same as above but to lesser extent as Grounds funding is not a material element of funding
Primary and Secondary		
c) Rates school reimbursed on actual cost	Same as current method	No implication
Primary and Secondary		
d)Rentals Some schools receive funding for rentals when they do not have sufficient facilities in order to deliver the curriculum	No factor in the new formula.	No factor in new formula, however can apply for special exemption where it over 1%. We have a few schools where this is the case, initial view SFF is not to proceed with this request.
4. Specific factors		
Primary and Secondary		
a) Lump sum – one lump sum- includes a number of small lump sums within it. Different amount for Primary and Secondary schools	Lump sum up to £ 200k, must be the same for primary and secondary schools.	Will to a certain extent stabilise the changes caused by the removal the premises floor area factor and curriculum protection.
Primary		
b) Curriculum protection – allocated on a sliding scale for schools with less than 210 pupils	No capacity to reflect existing factor in currently formula.	Lump sum should mitigate against the adverse impact of the removal of small school protection
Primary and Secondary		
c) London Fringe Funding is allocated to eligible schools based on a weighted amount per pupil.	Simply a flat rate of 1.6% is applied to factors in the formula that are linked to the funding of teacher	Initial modelling suggests impact is marginal compared to current level of funding.

Current method of distribution- as per school budget statement	New Method of distribution	Implications
	salaries	
Primary and Secondary		
d) Split Site Funding Schools that meet the criteria receive an amount per pupil	Allowable factor in the new formula	SFF have suggested that in the future this factor is not included in the formula. It is not a material amount and there are difficulties around the data verification of sites, especially academies.
Primary and Secondary		
e) Schools with detached playing fields	No factor in the new formula	Only 16 schools currently receive this funding which ranges from £ 1.8 k to 21.8k, the removal of this funding will have minimal impact on schools in general.
Primary		
f) Schools with offsite P/E facilities	No factor in the new formula	Only 15 schools currently receive this funding which ranges from £ 1 k to 3.5k, the removal of this funding will have minimal impact on schools in general.
Primary and Secondary		
g) Private Finance Initiative (PFI) Amount allocated to school on an amount per square metre	Allowable factor in the new formula, implications around the MFG. LA have applied for an exemption.	Currently the LA contribution is allocated to schools on premises square metreage. As this factor will no longer be used in the formula the obvious replacement will be pupil numbers. The removal of premises factors will impact on the calculation of the schools PFI contributions.
Primary		
h) Free School Meal (FSM) eligibility Amount per FSM meal pupil towards the cost catering	Allowable FSM factor in the formula	The only potential problem in the future which has been highlighted in the guidance is that the FSM indicator is likely to become obsolete from October 2013 when the

Current method of distribution- as per school budget statement	New Method of distribution	Implications
		government reforms the welfare system and introduces the Universal Credit
Primary		
i) Maintenance of Kitchen equipment Primary schools receive an amount per pupil based on the metrage of the school	No factor in the new formula.	Currently funding is allocated at 0.29 p per square metre. The maximum a school get is 1.1k, the removal of this factor will have minimal impact on school budgets.
Primary		
j) Client Services	No factor in the new formula	Currently funding is allocated on an amount per pupil. As all primary schools have taken delegation of catering in 2012-13. Funding at the current rate could be universally included in the primary AWPU and there would not be any change in the distribution of this funding.
Primary		
k) Lunch Grant Amount per pupil for primary schools, the equivalent amount is already included the Secondary AWPU	No factor in the new formula	Currently funding is allocated on an amount per pupil. As all primary schools have taken delegation of catering in 2012-13. Funding at the current rate could be universally included in the primary AWPU and there would not be any change in the distribution of this funding.
Minimum Funding Guarantee (MFG)	MFG to continue for at least the next two years 2013-14 and 2014-15 at minus 1.5%.The MFG from 2013-14 will be a far more simplistic method, there will only be two exemptions (High Needs Pupils, Lump Sum and	Baseline will not exclude current exclude items.

Current method of distribution- as per school budget statement	New Method of distribution	Implications
	xxx)PFI would not be excluded unless exceptional circumstances were agreed by the EFA.No 80% or 87.5 % Benefit expanding schoolsRate only exceptional Changes	

Movement in Deprivation funding Mosaic to IDACI

Primary

Movement in relation to level of deprivation funding included in budget

Increase/Decrease	% movement	Number of Schools
Increase	More than 50% Gain	119
	41 to 50	16
	31 to 40	7
	21 to 30	19
	11 to 20	22
	1 to 10	41
	0	7
Decrease	-1 to -10	45
	-11 to -20	46
	-21 to -30	49
	-31 to -40	19
	-41 to -50	19
	More than 50% loss	41

Secondary

Movement in relation to level of deprivation funding included in budget

Increase/Decrease	% movement	Number of Schools
Increase	More than 50% Gain	6
	41 to 50	5
	31 to 40	7
	21 to 30	10
	11 to 20	10
	1 to 10	16
0	1	
Decrease	-1 to -10	11
	-11 to -20	14
	-21 to -30	9
	-31 to -40	1
	-41 to -50	2
More than 50% loss	0	

Movement

Largest Increase £	£93,518	426%	£53,715	73%
Largest Decrease £	£59,437	61%	£69,265	31%

Movement in High Incidence low cost SEN Funding

Primary
Movement in relation to level of PA funding
included in budget

Secondary
Movement in relation to level of PA funding
included in budget

Increase/Decrease	% movement	Number of Schools
Increase	More than 50% Gain	47
	41 to 50	15
	31 to 40	23
	21 to 30	30
	11 to 20	30
	1 to 10	47
	0	2
Decrease	-1 to -10	39
	-11 to -20	39
	-21 to -30	36
	-31 to -40	32
	-41 to -50	26
	More than 50% loss	84

Increase/Decrease	% movement	Number of Schools
Increase	More than 50% Gain	0
	41 to 50	0
	31 to 40	0
	21 to 30	1
	11 to 20	5
	1 to 10	21
	0	11
Decrease	-1 to -10	19
	-11 to -20	8
	-21 to -30	1
	-31 to -40	2
	-41 to -50	0
	More than 50% loss	24

0.10398
2
0.18584
1

Movement

Largest Increase £	£132,077	83%	£143,959	12%
Largest Decrease £	£65,667	60%	£60,896	39%

Summary Distribution of lump sums

Lump sum amount	50,000	60,000	70,000	80,000	90,000	100,000	110,000	120,000	130,000	140,000	150,000	160,000	170,000	180,000	190,000	200,000
Small schools-less than 200 pupils																
Decrease in funding	148	138	134	125	105	64	37	22	15	13	9	9	5	3	2	2
Increase in funding	44	54	58	67	87	128	155	170	177	179	183	183	187	189	190	190
Total number of schools	192	192	192	192	192	192	192	192	192	192	192	192	192	192	192	192
Primary																
Decrease in funding	171	168	171	170	162	135	127	125	135	140	147	155	154	159	161	164
Increase in funding	279	282	279	280	288	315	323	325	315	310	303	295	296	291	289	286
Total number of schools	450	450	450	450	450	450	450	450	450	450	450	450	450	450	450	450
Secondary																
Decrease in funding	50	50	51	51	52	51	51	53	54	53	50	49	48	49	46	45
Increase in funding	42	42	41	41	40	41	41	39	38	39	42	43	44	43	46	47
Total number of schools	92	92	92	92	92	92	92	92	92	92	92	92	92	92	92	92
Overall																
Decrease in funding	221	218	222	221	214	186	178	178	189	193	197	204	202	208	207	209
Increase in funding	321	324	320	321	328	356	364	364	353	349	345	338	340	334	335	333
Total number of schools	542	542	542	542	542	542	542	542	542	542	542	542	542	542	542	542

Appendix 5

Movement in funding between current formula and new formula, prior to the application of the MFG

	% movement	Number of Primary schools	Number of Secondary schools	Overall
Increase/Decrease				
	20	0	0	0
	19	0	0	0
	18	0	0	0
	17	0	0	0
	16	1	0	1
	15	0	0	0
	14	0	0	0
	13	0	0	0
	12	0	0	0
	11	3	0	3
	10	2	0	2
Increase	9	3	0	3
	8	9	0	9
	7	13	0	13
	6	20	0	20
	5	25	0	25
	4	48	0	48
	3	40	3	43
	2	45	7	52
	1	46	13	59
	0	34	19	53
	-1	37	26	63
	-2	35	14	49
	-3	44	6	50
	-4	19	1	20
	-5	13	2	15
	-6	3	0	3
	-7	5	1	6
	-8	2	0	2
Decrease	-9	2	0	2
	-10	0	0	0
	-11	0	0	0
	-12	1	0	1
	-13	0	0	0
	-14	0	0	0
		450	92	542
Total		255	23	278

Winners	161	50	211
Losers			
	76	0	76
Gainers 5 % and above	26	3	29
Losers 5 % and below			
	134,360	106,937	
Maximum gain			
	190,483	230,790	
Maximum loss			

Further Delegation

Appendix 6

A	B	C	D	E	F	
Ser	Budget lines	2012-13 DSG Budgets for LA Schools	Continue to retain centrally	Option to de- delegate	DSG budgets including element already recouped through the LACSEG	
1	Schools Contingency- Schools in Financial difficulties	200,000	No	Yes	200,000	-
2	Schools Contingency: Targeted Intervention Fund	2,158,000	No	No	2,158,000	-
3	Re-organisations (includes mobile moves)	5,215,142	Yes	N/A	5,215,142	-
4	1-2-1 Tuition	200,000	No	No	200,000	-
5	Modern Foreign Languages	50,000	No	No	50,000	-
6	Skillsforce (part-funded by DSG)	100,000	No	No	220,362	120,362
7	MCAS (non-traded element of service)	309,900	No	Yes	527,367	217,467
8	Education Assessment Service (FSC)	204,100	No	Yes	347,323	143,223
9	Assessment of eligibility for free school meals (team costs)	107,100	No	Yes	107,100	-
10	SIMs licence	591,300	No	Yes	681,466	90,166
11	Advanced Skills Teachers	2,000,000	No	No	3,012,404	1,012,404
12	Leading Teachers	80,000	No	No	120,496	40,496
13	Trade union duties	231,100	No	Yes	348,083	116,983
14	Schools Personnel Service (Support Kent Challenge in Schools)	100,000	No	Yes	150,620	50,620
						1,791,722

Year 1 A Special School Budget- Using Kent Current formula

Appendix 7

LA = Local Authority

OLA= Other Local Authority

		Number of pupils	Day rate per pupils	Total Funding
ASD	Pre 16	40	£12,000	£480,000
	Post 16	10	£12,000	£120,000
SLD	Pre 16	35	£8,000	£280,000
	Pre 16 - OLA	5	£8,000	£40,000
	Post 16	10	£8,000	£80,000
Total pupils		100		
Lump Sum				£300,000
Premises				£200,000
Total				£1,500,000

Amount per pupil ASD = (12,000 + £5,000) £17,000

Amount per pupil ASD = (8,000 + £5,000) £13,000

Year 2 A Special School budget - Place Plus

	E1	E2	E3	Total	Number of Places	Guaranteed	Monthly Follow Pupil
ASD Pupil Pre 16	4,000	6,000	7,000	17,000	40	400,000	280,000

	Guaranteed funding Paid in full by LA		Follow pupil monthly Paid by LA						
ASD Pupil Post 16	3,900	6,000	7,100	17,000	10		99,000	71,000	-
	Guaranteed funding Paid in full by LA		Follow pupil monthly Paid by LA						
SLD Pupil Pre 16	4,000	6,000	3,000	13,000	35		350,000	105,000	-
	Guaranteed funding Paid in full by LA		Follow pupil monthly Paid by LA						
SLD Pupil Pre 16 OLA	4,000	6,000	3,000	13,000	5		50,000	15,000	-
	Guaranteed funding Paid in full by LA		Follow pupil monthly Paid by OLA						
SLD Pupil Post 16	3,900	6,000	3,100	13,000	10		99,000	31,000	-
	Guaranteed funding Paid in full by LA		Follow pupil monthly Paid by LA						
Total Funding							£998,000	£502,000	A
								£1,500,000	

SCHOOLS' FUNDING FORUM

SUBJECT:	Pupil Growth Funding
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AUTHOR:	Simon Pleace, Revenue Finance Manager
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DATE:	12 October 2012
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SUMMARY OF REPORT:

For many years the LA has retained DSG within Schools unallocated for pupil growth. As part of the new school finance reforms, LAs are required to reiterate and confirm these arrangements with the SFF.

1. Supporting schools with significant growth- DfE Guidance
 - 1.1 As part of the school funding reforms from April 2013, Local Authorities (LA) can continue to retain Dedicated Schools Grant (DSG) for pupil growth. The growth fund will need to be ring- fenced so that it is only used for the purpose of supporting 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 must be added to the following year's DSG and reallocated to maintained schools and academies through the local formula. Any overspend will be first call on next year's DSG settlement.
 - 1.2 Importantly, LA will be required to produce criteria on how any growth funding is to be allocated. These would provide a transparent and consistent basis (with differences permitted between phases) for the allocation of all growth funding. The criteria should both set out the circumstances in which a payment could be made and provide the basis for calculating the sum to be paid.
 - 1.3 LAs need to confirm the criteria to the SFF and gain its agreement before growth funding is allocated. The LA will also need to confirm the total sum retained and must regularly update the SFF on the use of the funding. It is essential that the growth fund is entirely transparent and solely for the purpose of supporting pupil growth.
 - 1.4 Eligible expenditure on growth can include funding schools and academies where very limited pupil growth nevertheless requires an additional class, as required by class size regulations.
2. Pupil growth – schools/academies
 - 2.1 It is important to remember from the outset why schools/academies need protection for pupil growth. From April 2013 all schools and from September 2013 all academies will be funded on the October pupil count for the period April to March. This will mean that any increase in pupil numbers to a schools/academies roll in September (the beginning of the academic year) will not be funded until the following April, i.e. a 7 month delay.

- 2.2 LAs have the statutory duty to ensure that all Kent children of statutory school age (5 to 16 years old) have school places, if their families wish to take these up. Area Education Officers (AEOs) are responsible for the planning of pupil numbers to ensure that Kent meets this duty and has to factor in 5% spare capacity into the overall numbers. The management of this is not a straight forward process, it involves careful planning, coordination and in many cases there are building/premises related issues.
3. Co-ordination of PANs
- 3.1 The LA has to consult with the Governing Bodies (GBs) of Community Schools and Voluntary Controlled (VC) Schools as to the Planned Admission Number (PAN) the LA intend to publish for their school (the LA is the admission authority). The GB can object to the adjudicator if they feel the number should be higher.
- 3.2 Foundation Schools, Voluntary Aided Schools and Academies (where the GBs are the admissions authorities) – no longer have to consult on the PAN and instruct the LA to publish their PAN. In addition to this they can also instruct the LA to offer more places than the PAN if they choose to do so. The LA can instruct community and VC schools and direct foundation/VA schools to admit additional pupils (although with direction there is an appeal right to the adjudicator).
- 3.3 With the different powers available to schools/academies to control their admissions numbers it is essential that the overall process is managed so that the LA complies with its statutory obligation and a surplus over 5% capacity in school numbers is achieved. Preferably the management of pupil numbers should be a mutual agreement between both parties (LA and school/academy) and stability in funding will be an integral part of this, which is why we have operated pupil growth contingency arrangements for many years.
4. Associated cost of pupil growth
- 4.1 Significant growth in pupil numbers in a school/academy will probably require the appointment of additional staff, and where it does the appointment process will need to commence before the September when the pupils are admitted to the school. The majority of growth is planned approximately 18 to 24 months in advance, and therefore schools can plan the receipt of additional pupil growth money.
- 4.2 Most growth scenarios are agreed in a timely manner, however unforeseen pressure points may occur each year. By March each year Area Education Officer's will have a good indication of the pattern of growth in pupil numbers and will liaise with schools/academies to agree additional capacity where pressure points in the surrounding /local area exists. The current rising roll mechanism funds a school for an increase in pupil numbers between the January and October count (the continuation of rising roll will be discussed later in this paper). The planning of growth and the matching of actual numbers in September is not an exact science therefore it is possible that a school/academy will not achieve its new admission number from the September.

On the basis that schools/academies will need to employ staff to cater for the increase in their PAN/admission number it is necessary to provide a degree of financial stability

for the school/academy. In practice the majority of situations where this arises is in primary schools due to the increase to Yr R pupils, which is part of a national trend. In Kent the Year R intake has increased from 15,099 in 2009-10 to 16,483 in 2012/13 an increase of 1,384 pupils (9%)

- 4.3 The purpose of protection is not to fund a school/academy at an artificially high level in relation to their pupils on roll, but to give certainty in funding so that the school/academy can provide the right level of resource, for the increase in pupil numbers.
- 4.4 Protection should only be allocated, where it is agreed between the AEO and the school/academy to increase its admission number as part of the pupil planning process for the surrounding area. In general our recommendation would be for a school/academy to be protected only on the admission number for the initial academic year September to August.
5. Primary School Growth Funding
- 5.1 Funding protection in Primary schools can be split into two different types, one where the increase triggers funding that will meet the cost of the resource needed to support the additional intake (example 1) and the other where the increase in PAN will take a longer period of time to resource the need of the additional intake (example 2).

Example 1 - Where the increase in the PAN is 30, the extra pupils will fully fund the additional class. In this instance protection will be provided in the year of admission only.

Example 2- There are a wide range of PANs in the primary school phase. Sometimes where a school increases its PAN the initial change creates a situation where in the short term the schools finds that it has un-economical PAN. The best way to explain this is by looking at a primary school who has its PAN increased from 20 to 30 pupils. The Primary school has to comply with Infant Class Size legislation (cannot exceed more than 30 pupils in an infant class). Before the increase to the schools PAN, there would have been two classes for pupils in Years R to 2 (Yr R- 20, Yr 1-20 & Yr 2-20 = 60 pupils / 2 = 30 per class). However the change in the PAN would force the class structure of the school to change as follows:

- In Yr 1 the schools PAN will be (Yr R- 30, Yr 1-20 & Yr 2-20 = 70 pupils)
- In Yr 2 the schools PAN will be (Yr R- 30, Yr 1-30 & Yr 2-20 = 80 pupils)
- In Yr 3 the schools PAN will be (Yr R- 30, Yr 1-30 & Yr 2-30 = 90 pupils)

From Yr1 the school would have to run 3 classes in order to comply with Infant Class Size legislation, however they would not have an efficient PAN until Yr 3. In this instance the school would be protected on 90 pupils for the first three years until the new PAN had worked its way through. Where a school does not meet the criteria in example 1 then it will be at the discretion of the AEO to agree the period and number of pupils a school is protected on, however protection will not exceed three years.

- 5.2 Like we currently do, protection will be calculated by multiplying the number of protected pupil numbers by the basic entitlement (AWPU), plus £6,000 towards the set up cost of each new class.

Example - a school increases its PAN from 30 pupils to 60 pupils.

Protection for the period September to March (i.e. the first 7 months) = $30 \times \text{basic entitlement} \times 7/12$

Protection for the period April to August (i.e. the next 5 months) = 60 planned pupils less the actual number of pupils on roll in year R as at October census. For the purpose of this example the school has 55 pupils in Yr R. The school will be protected on 5 pupils for the period April to August (at $5/12 \times \text{AWPU}$).

- 5.3 Schools/academies can be requested to increase their PAN permanently or for a defined period i.e. one year, two years etc. In relation to where a school is requested to increase their PAN permanently, protection will be paid for a period of three years, this will only include protection for the individual year group in the year the expansion takes place.

6. Secondary School Growth Funding

- 6.1 Currently protection for secondary schools is not allocated unless there are exceptional circumstances. This is primarily due to secondary schools having a different economy of scale to primary schools, a view that the DfE until recently fully supported. The initial guidance in the funding consultation was that secondary schools/academies should be able to manage any growth in numbers within their annual formula budget. This has now been revised and growth funding for secondary schools can be retained and allocated on an agreed basis.
- 6.2 The recommended mechanism for doing this would be as per a primary school and the school/academy would be protected on its admission number in the year of increase and would need to be fully supported by the AEO. Funding for additional classes could be allocated on the basis £6,000 for every additional 30 pupils.

7. Rising Roll

- 7.1 Currently schools receive rising roll funding for increase in pupils numbers between the September and January intakes and this applies to both primary and secondary schools. The current eligibility criteria is detailed in appendix 1 and this was updated in 2011-12 by DFFG to recognise only schools with significant increases in pupil numbers.
- 7.2 This process acknowledges the unfunded additional cost generated by an increase to a school's roll for the period September to March and is calculated automatically on receipt of the October census pupil numbers. This could continue and be applied to both maintained schools and academies. In order for this to operate two changes would need to be made to the current system. The first is the January count date would need to be replaced by the October count. The second is that the individual MFG rate per pupil used for each individual school to calculate rising roll funding

should be replaced by the basic entitlement (AWPU), to ensure equity of funding between schools.

8. Recommendation

8.1 The SFF is asked to approve

- a) That we continue to retain funding for pupil growth
- b) That the LA continue to retain a budget of £6m for this purpose (£4m for pupil growth and £2m for rising roll)
- c) The method for allocating pupil growth funding to schools as set out in sections 5 and 6
- d) The amended method for allocating rising roll funding to schools as set out in paragraph 7.2 above

8.2 The SFF is asked to note

- a) That any underspends from this budget will be returned to schools in the following financial year
- b) That any overspends will be first call on the following years DSG allocation
- c) That the proposals in this paper will apply to all Kent maintained primary and secondary schools, and Kent recoupment academies. They will not apply to non-recoupment academies.

Appendix 1- Existing Rising Roll Contingency arrangements

Schools may be entitled to rising roll funding if they have an increase in pupil numbers. Rising roll funding includes year groups R to 11.

In order to trigger funding a school must fulfil the following criteria:

1. Firstly, funding will only be generated when there is an increase in pupil numbers between the January and September census that is greater than 2% of the pupils on roll and more than 5 pupils. When funding is triggered the payment will exclude the greater of the first 2% of pupils or the additional 5 pupils on roll.
2. Entitlement will only exist if the funding triggered after exceeding the thresholds in 1 above is greater than £ 2,000 for a primary school and £10,000 for a secondary school.
3. If a school fulfils the criteria in 1 & 2 above then funding is subject to a further threshold whereby the amount of funding triggered must be greater than 0.5 % of the schools initial budget for the period (April to March).

In cases where rising roll funding is triggered as above, the number of eligible pupils will be multiplied by the MFG baseline amount per pupil, and then multiplied by 7/12ths (September to March). If the school received funding through the MFG then this amount will be deducted to obtain the funding figure. It will be this figure that will be tested against requirements 2 and 3 above.