

<b>MEETING:</b>	<b>SCHOOLS FORUM</b>
<b>MEETING DATE:</b>	<b>13 MARCH 2015</b>
<b>TITLE OF REPORT:</b>	<b>PUPIL REFERRAL UNIT FUNDING PROPOSALS</b>
<b>REPORT BY:</b>	<b>SCHOOL FINANCE MANAGER</b>

## **Classification**

Open

## **Key Decision**

This is not an executive decision.

## **Wards Affected**

County-wide.

## **Purpose**

To update Schools Forum on proposed changes in pupil referral unit (PRU) funding effective from 1 September 2015 prior to considering final proposals in June 2015.

## **Recommendation(s)**

**THAT:**

- (a) Schools Forum comments on the Herefordshire PRU funding proposals and approves formal consultation with the Herefordshire Association of Secondary Headteachers (HASH);and**
  
- (b) final proposals be presented for agreement at the next meeting in June 2015.**

## **Alternative Options**

- 1 A range of options have been explored with School Forum's budget working group (BWG) and further consultation is proposed with Herefordshire Association of Secondary Headteachers (HASH). Any additional viable options will be identified by this process and will be considered by Schools Forum in June 2015.

## **Reasons for Recommendations**

2. To update Schools Forum on the proposed changes to PRU funding effective from 1<sup>st</sup>

September 2015 and permit Schools Forum to comment on the proposals prior to formal consultation with HASH.

## Key Considerations

### Background

3. From April 2011 Schools Forum approved PRU charges of £3,000 per place each year that the pupil remained in the PRU, irrespective of the reasons for the placement. This was the first time a charge to schools had been made rather than providing direct funding for PRUs. This partially pre-empted subsequent DfE changes in policy in recognising the need for market forces in providing PRU places. Also from April 2011 funding was delegated to secondary schools (based on a formula) to help them pay the PRU charges. This, in effect, gave the schools a purchasing choice as to whether they would use this funding to develop their own provision or continue to purchase PRU places (or a combination of both).
4. In April 2013, the DfE introduced place funding of £8,000 per commissioned place and Schools Forum agreed top-up funding of £8,650 per pupil. In order to continue the principle of school contributions based on usage, it was agreed to split this top-up fee equally between the local authority and the school. However, following consultation with HASH, it was agreed that in return for the increase in placement cost to schools (£3,000 to £4,325) schools would only pay for first year placements with second and third year charges fully funded by the LA because the school no longer received any funding for these pupils once they were off-roll. Funding was identified in the high needs block to pay for the second and third year placements.
5. For key stage 3 (KS3) pupils at the Aconbury PRU charges have been made on a pro-rata basis as most placements are for short stay intervention. It has therefore been more difficult for the KS3 centre to achieve the same revenue per place as key stage 4 (KS4) because of vacant places between students and acceptable induction periods for new students. Rather than increasing the charges for KS3, which would potentially deter usage in KS3 it was decided to have uniform charges across the secondary age-range and support KS3 from the overall PRU budget.
6. In September 2014, the three PRUs were amalgamated into a single institution on two sites in Hereford city. This offered the opportunity for some efficiency savings with only two sites to maintain, one less Head of Centre and some reduction of support staff. The PRU will operate with a single budget from April 2015.
7. The DfE have now increased the funding for each PRU place to £10,000 from September 2015. This brings funding into line with special schools and other specialist provision but also results in the need to revise the PRU funding once again.

### Principles

8. A series of principles and practicalities have been developed to provide a solid basis for funding change to ensure that the financial model supports the development of the PRU operating model:
  - PRUs need to be funded sufficiently in order to offer all students a 'suitable full-time education' in accordance with the 2013 statutory guidance (or pro-rata thereof if part time).
  - Care needs to be taken to avoid creating perverse incentives in designing any funding model.

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Further information on the subject of this report is available from Malcolm Green, school finance manager, on Tel (01432) 260818

- A school will have made appropriate provision prior to seeking a PRU place including, where appropriate, applying for, and using, top-up tariff funding to address pupil needs.
- Application for top-up funding should be carried out prior to the pupil arriving at the PRU, including where appropriate, through statutory assessment.
- The integrity of the top-up high needs tariff funding model should be maintained, i.e. funding follows the pupil irrespective of setting and is based on need.
- Schools should contribute towards the cost of a PRU placement – and this includes academies and free schools.

9. In addition to these principles there are also the following practical considerations:

- It is recognised that some students who arrive from out-county will need to be assessed on arrival.
- The new funding methodology needs to incorporate the savings that were identified as a result of the merger from three into one institution.
- Revised charging arrangements will need to be implemented from 1st September 2015 to coincide with the national requirement for place funding to increase from £8,000 to £10,000 as described above.

### **Current Position**

10. In 2014/15 the local authority commissioned 80 places at £8,000 per place. The place rate is set by the DfE. The top up is £8,650 shared equally between school and local authority for first year placements. This provides for a total cost for comparison purposes of £16,650 per pupil (setting aside the complexities of unfilled places).
11. A conscious decision was taken not to change the PRU funding when high needs top-up tariffs were newly introduced into mainstream and special schools in September 2014. It was decided not to change the PRU funding model because it had been re-modelled the previous year before the national changes were evident.
12. Sampling of ten pupils from St David's Centre and nine from Aconbury indicates that the average top-up tariff for the PRU would be £5,080 for St David's and £4,900 for Aconbury with top-ups typically tariff C with some tariff B and tariff Ds. Comparisons to other high needs pupils in schools suggests the matrix assessment has been scored fairly and given no concerns no further sampling or moderation is proposed.
13. From September 2015, the PRU funding model will be based on £10,000 per place (as set by the DfE) plus an average high needs top-up of £5,000. The actual top-up allocated to each individual student will vary, either above or below the £5,000, and is dependent upon the individual high needs assessment. Based on this average, this overall average figure of £15,000 (compared to £16,650 provides the opportunity to deliver the promised savings from the amalgamation. It also meets the DfE requirements and reinforces the coherence of the high needs tariff further into the Herefordshire schools system in that it covers all pupils irrespective of need or institution.
14. There are some strong indications that the current funding model in which schools pay a one-off charge for the first year of a pupil's placement does not adequately

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provide for the cost of second and third year PRU placements and that there has been a greater burden on the high needs block than had originally forecast. It is therefore essential that schools are asked for an appropriate contribution in order to avoid over burdening the high needs block.

15. The local authority is trying to strike a balance between schools making appropriate placements early in KS4 when it is apparent that students will not thrive in a mainstream school and ensuring that schools are not simply placing students inappropriately in order to exclude from their KS4 statistics. The aim is that appropriate students having two years attending an alternative provision will result in them having a fresh start with sufficient time to gain accredited qualifications and reengage with education or training.

### Proposals

16. The following table provides summary of all the funding models discussed with the BWG based on a standard dataset collected from pupils attending PRUs during a three year period 2009-2012. The table sets out the costs based on the standard assumptions on a comparative basis for each of the funding models.

<b>Basic information collected for pupils entering PRUs between Sept 2009 and August 2012</b>	<b>St Davids</b> 56 places 75% occupancy rate 14 vacant places 22 1 <sup>st</sup> year places 20 2 <sup>nd</sup> year places	<b>Aconbury</b> 24 places 75% occupancy rate 6 vacant places 9 1 <sup>st</sup> year places re intervention 9 2 <sup>nd</sup> /3 <sup>rd</sup> year (6+3)	<b>Total Costs – Full year costs are shown to provide for a fair comparison</b>
<b>Current funding model</b> <ul style="list-style-type: none"> <li>Committed place funding at £8k</li> <li>Pupil top-up at £8,650 each</li> <li>School funded</li> </ul>	£448,000 i.e. 55% £363,300 i.e. 45% £95,150 i.e. 12%	£192,000 i.e. 55% £155,700 i.e.45% £38,925 i.e. 12%	St David's £811,300 Aconbury £347,700 Total £1,159,000
<b>Option 1 : New High Needs Top-up Model</b> <ul style="list-style-type: none"> <li>Committed place funding at £10k</li> <li>Pupil top-up at £5,000 each</li> <li>School funded</li> </ul>	£560,000 i.e. 73% £210,000 i.e. 27% £0	£240,000 i.e. 73% £90,000 i.e. 28% £0	St David's £769,960 Aconbury £330,000 Total £1,099,960
<b>Option 2 : New High Needs Top Up Model</b> Local authority commissions vacant & 2 <sup>nd</sup> /3 <sup>rd</sup> year places New 1 <sup>st</sup> year placements "Pay as you Go" LA/school contribution on sliding scale of £10,000	£340,000 i.e. 47% £220,000 i.e. 29%	£150,000 i.e.46% £90,000 i.e. 28%	St David's £770,000 Aconbury £330,000 Total £1,100,000

High needs top-up pro-rata £5k average	£210,000 i.e. 28%	£90,000 i.e. 28%	
School funded			
2015/16 school £4,000	£88,000 i.e.12%	£36,000 i.e. 11%	
2016/17 school £5,000	£110,000 i.e. 15%	£45,000 i.e. 14%	
2017/18 school £6,000	£132,000 i.e. 18%	£54,000 i.e. 17%	

17. The preference is for option 2 as this meets the principles set out in paragraph 8 above to a much greater extent. Option 1 is rejected because it provides for no school contribution. It is considered essential that schools contribute to the cost of a PRU placement as this provides a check on excessive school placement.
18. In the development of this work it was estimated that there could be potential savings from the reorganisation of the PRUs, estimated at up to £100,000. It is an important principle that where efficiency savings are made, this is returned to the DSG and in particular to the high needs block which itself is under pressure. This was endorsed by the BWG which had the view that pupils should benefit. A further model which included additional funding for PRU second year summer places has been discounted because of the extra cost.
19. Option 2 delivers savings of a minimum £59,000 compared to the current funding model and further savings may arise from the first year place commissioning process..
20. These proposals will develop a market in first year places with schools and although there will be additional complexity in the commissioning process this is very much what the DfE intended for high needs provision. The BWG considered such a market appropriate and recognised that PRUs cost money and that if secondary schools require high quality provision then the funding must be put in place.
21. Overall the funding proposals provide a fair basis for PRU funding from 1<sup>st</sup> September 2015. The previous funding model allowed St David's and the Priory to make a small surplus and Aconbury operated at a deficit. In total the surplus was used to offset the deficit and the PRU as a whole operated on budget. This was the case in 2013/14 and a similar position is forecast for 2014/15.
22. To make the KS3 provision more cost effective it is proposed to charge a termly place fee (based on the £10,000 place cost) which takes account of the short term nature of key stage 3 intervention places and the difficulties in immediately filling a vacant place. The proposed termly fee will be £3,333 for the autumn term, £2,500 for the spring term and £4,167 for the summer term, any intervention placement in the term will incur the full termly cost instead of the strict pro-rata charge as now. However, it still needs to be recognised that the PRU budget is a single entity which needs to balance its overall budget.
23. The local authority is concerned that increasing numbers of pupils are staying on for second and third year placements. It is accepted that schools do not feel they should be asked to pay once the pupil is off the school's roll in the second or third year. However there is an increasing cost that has to be funded somehow, the BWG

suggested a phased three year change to the charge to schools for first year placements which reflects the increasing probability that a pupil will stay in the PRU for 2 or 3 years. This seems a practical solution that will be acceptable to all and it therefore proposed to apply increases to the schools place contribution on a sliding scale as follows;

- 2015/16 local authority £6,000 school £4,000 (which is a savings on the current £4,325 charge)
- 2016/17 local authority £5,000 school £5,000
- 2017/18 local authority £4,000 school £6,000

24. The cost of increasing second and third year places will be met from the DSG high needs block. The increased contribution from schools may allow the number of commissioned places to be adjusted to reflect the increased income to the PRU. Under the proposals this will not be necessary until 2016/17 at the earliest. Detailed financial projections will be discussed with the PRU prior to any adjustment for 2016/17.

## **Community Impact**

25. There is no community impact as the proposals simply seek to rebalance how schools and DSG fund the PRU. Only if schools, as a result of these proposals, modify their usage of PRU places there will be a community impact as it is possible that the number of places on offer will have to be reduced.

## **Equality and Human Rights**

26. There are no implications for the public sector equality duty.

## **Financial Implications**

27. The costs of the PRU funding proposals are met in full by Dedicated Schools Grant and the proposals seek to provide a fair balance between schools and the high needs block of DSG in light of DfE mandatory funding changes. Following consultation with HASH, this balance will be reviewed prior to further consideration by Schools Forum in June 2015. The financial changes are necessary due to the DfE increasing the commissioned place cost by £2,000 to £10,000 from September 2015

## **Legal Implications**

28. The purpose of this report is to update the Schools Forum on proposals prior to considering final proposals in June 2015. As such there are no specific legal implications.
29. Section 10 of the Schools Forums (England) Regulations 2012 sets out the local authority's duties to consult with the Schools Forum on school funding issues.

## **Risk Management**

- 30 The consultation process with HASH and the BWG ensures that risks are identified and minimised prior to a final decision by Schools Forum in June 2015. There is a risk is that the funding model does not provide a sustainable budget for the PRU and in which case Schools forum will be asked to consider revised charges.

## **Consultees**

- 31 None.

## **Appendices**

None

## **Background Papers**

- None identified.