

**Children and Young People
Overview & Scrutiny Committee
14 December 2011**

**Local Schools Funding Formula Review
Summary of the Current Position**

Recommendations

- (1) To approve the processes undertaken and the stakeholder involvement in the reviews of the Main Local Schools Funding Formula and the Early Years Single Funding Formula
- (2) To approve the basis of the recommendation to Cabinet, from the Schools Forum, and to note the potential impact of these recommendations

1.0 Background

- 1.1 In April 2011, the Department for Education (DfE) issued the first of two consultations regarding a review of education funding and the Dedicated Schools Grant (DSG), in particular:
 - The way in which DSG is calculated
 - The methodology and basis on which DSG funding is allocated to local authorities
 - The way in which local authorities allocate this funding to schools, by use of the Local School Funding Formula
- 1.2 After considering the responses to this, the DfE issued a second consultation in July 2011, making some formal suggestions regarding future funding arrangements. Warwickshire submitted a response to the second consultation in October, in agreement with the Schools Forum.
- 1.3 The key proposals in the latter consultation document are as follows:
 - The way in which the Local Authority (LA) is funded by the government will change to take account of the number of pupils, the level of deprivation, a lump sum per primary school or a sparsity factor, an area cost adjustment to reflect differential labour costs where they exist and possibly English as an additional language
 - There will still be a local funding formula, although there will probably be restrictions in how we allocate funds to schools, essentially AWPU (Age-Weighted Pupil Unit), additional pupil needs, rates, site specific, lump sums and a small element for local factors
 - Funding should support the needs of pupils, be clear and transparent and enable all schools to make informed decision and be funded on a broadly comparable basis

- The Schools Forum should be a decision-making body, rather than a consultative body
 - There should be forced delegation of all schools DSG funding, with the option for maintained schools to de-delegate these funds to the LA if preferred
 - The way LACSEG (Local Authority Central Spend Equivalent Grant) is recouped from the LA should be changed
 - Schools should be funded £10,000 for each child with special educational needs, any funding over this level to be negotiated from the High Needs Block
 - The Early Years Funding Formula should be relatively simple, concentrating on core funding plus an element of deprivation
 - The Pupil Premium will probably be allocated on a revised Free School Meal indicator
- 1.4 There is uncertainty as to the timing of the implementation of these changes. However, it is noted that there could be some immediate changes introduced; that is for LAs to reduce the headings in their local formulae, introduction of a pro forma to calculate academy budgets, changes to the way LACSEG is recouped from LAs and the forced delegation of all schools block funding.
- 1.5 The final sentence in the consultation paper notes that “we suggest that local authorities begin to consider what changes could be made to their local formulae in order to make them simpler and transparent in line with the proposals for the future”.
- 1.6 The key proposals of the national consultation and the suggestion that formulae should become more clear and transparent sooner rather than later, have formed the basis and direction of the decision-making processes involved in the review with the Project Board. The basic outline of a fairer funding system was used as the baseline to propose improvements that could be made to Warwickshire’s school funding formula. However, this has been carried out whilst bearing in mind that the national position is still uncertain at this stage and that some factors will undoubtedly be imposed on our local formulae in the next few years.

2.0 Project Approach

2.1 Given difficulties that were experienced when a similar review was undertaken four years ago, which resulted in the formula review not being agreed through either the Schools Forum or Cabinet, it was decided that an open and consultative project management approach would be adopted. As a result, and as agreed through the Schools Forum, the following groups were established to oversee the work within the project:

- **Project Board**, which consisted of:
 - Mark Gore, Head of Service, Learning and Achievement.
 - Heather Timms, Portfolio Holder for CYPF
 - Peter Kent, Headteacher (and chair of the School Forum)

- Chris Smart, Governor Representative
 - Simon Smith, Strategic Finance Manager (then CYPF)
 - Sara Haslam, Project Manager, School Funding and Strategy Manager
- **Project Team for the Main Formula**, which consisted of a range of officers, head teachers, governors and a representative of the Diocese
 - **Project Team for the Early Years Formula**, which consisted of a range of officers, head teachers, governors and representatives from the private sector

2.2 Regular updates of progress were shared with each School Forum during the process and resulted in the Schools Forum agreeing, almost unanimously, a formal recommendation for Cabinet to consider at its December meeting.

3.0 Consultation and Reporting

3.1 Consultation has been undertaken through the project teams, and separate specific consultation with a variety of stakeholders, throughout the process, including:

- Schools Forum
- All head teachers
- All governors
- Members

3.2 It is evident from the national consultation that the LA will retain some responsibility in calculating budgets for Academies. Therefore, all consultation with head teachers and governors included those for schools who have or will become Academies.

3.3 Throughout the project, various additional consultations have been undertaken. An initial consultation with head teachers and governors was used to formulate the “look and feel” of any revised formula. Further consultation was undertaken where specific issues were raised and required further consideration, for example, the use of Free School Meals indicators for issuing deprivation funding or proposals to allocate Specialist Schools Funding. These views were taken into account when putting forward final options for consideration by the Schools Forum.

3.4 Several reports have also been taken to the Schools Forum, one in September where principles for change were agreed and then one in October where the financial impact of these considerations was presented.

3.5 There has been much involvement in the process of the Project Team and the Project Board; both agreed to the option put forward to the Schools Forum in October.

3.6 The financial impact on secondary and special schools regarding the proposed change to the Specialist Schools Funding was also distributed to

the relevant schools as a means of advanced communication. This resulted in a significant volume of feedback, which was considered by the Project Board and influenced the proposed recommendation.

- 3.7 Separate briefings have been offered to various Members, particularly those included in the Schools Forum, to provide further understanding regarding the review. Cllr June Tandy took advantage of this offer. Similarly, Cllr David Wright and Cllr Carolyn Robbins have been briefed regarding the implications of the review and Cllr Heather Timms has been actively involved in the Project Board.

4.0 Schools Forum Agreement

- 4.1 Following earlier discussion through the Project Board and the Schools Forum, a range of options were developed for consideration by the Schools Forum at its meeting in October. These options were developed using clear evidence-based data to support the recommendations, with an indication of the impact of each of the suggestions. Each option resulted in a different impact across schools, school sectors (e.g., primary or secondary) and area, although the latter saw little movement across geographical areas. Following that meeting, the Schools Forum agreed that the following aspects should be recommended to Cabinet as a means of adjusting the Local School Funding Formula for implementation in April 2012:

- Agree to the reduction of headings within the Main Schools Funding Formula
- Agree that lump sums be transferred to the Age Weighted Pupil Unit (AWPU)
- A Free School Meal (FSM) indicator is used for the allocation of all deprivation funding and that FSM Ever 3 years is the specific FSM indicator to be used
- Agree to add the Extended Schools Cluster Funding to the AWPU
- Specialist School Funding is allocated on a per pupil basis, but the funding is retained within the existing sector
- The move to allocating Specialist School funds out on a per pupil basis is managed over a 3-year transition period on an equal basis
- A base allocation of £95,000 is allocated to all primary schools and the current base allocation levels are retained within the secondary and special schools (subject to review in the future) but the small school adjustment to secondary schools is removed
- Agree to improve the Ethnic Minority Achievement Grant (EMAG) allocation process with an updated proposal brought back to the Forum in the new year
- Recycle EMAG funding currently delegated to schools to a centrally held English as an Additional Language (EAL) budget
- Consider introducing a one-year capping arrangement to minimise losses arising from the changes in formula

- Consider capping increases to schools with large gains arising from the changes to the formula to ensure these changes are affordable within the total DSG allocation
- Retain the Early Years funding formula without any amendments
- Endorse these changes and recommend they be formulated into a formal recommendation to Cabinet

These recommendations are considered in more detail in the following sections.

4.2 Reduced headings

4.2.1 Analysis of the data within the current schools funding formula showed there were key pieces of data that were utilised to allocate various funding streams. Once these data sets were amalgamated, for example, all pupil number related funds have been transferred to the AWPU and any FSM allocated funds have been transferred to deprivation; it was possible to reduce the number of formula headings.

4.2.2 The headings that are suggested, including whether they are changing under the review, are as follows:

	Description	Change under review
1	Age Weighted Pupil Unit (AWPU)	Yes – increasing
2	Deprivation	Yes – change basis
3	Special Educational Needs (SEN)	No
4	Premises	No
5	EMAG/EAL	Yes
6	Base Allocation/small school adjustment	Yes
7	Rates	No
8	Special Schools Matrix	No
9	Site Specific	No
10	Specialist Schools	Yes – with transition protection
11	Minimum Funding Guarantee	No – retain -1.5%

4.2.3 Whilst the table above indicates our proposed local position, apart from the Premises heading, this is also in line with the suggestion within the national consultation of how the government would like a local formula to be constructed. It may be, however, that the Premises element needs to be reviewed in the future.

4.3 Lump Sums

4.3.1 Within the current schools funding formula there are various lump sums, allocated directly to individual schools, totalling in excess of £9m. These stem from the historic allocation of funds by the Department for Education (or its predecessors) relating to a variety of specific grants, such as the School

Development Grant. Whilst these amounts may have had some meaning when originally established, moving forward they are not transparent and are no longer relevant.

- 4.3.2 As such, it is proposed that these funds are allocated to schools on a per pupil basis (AWPU), helping to maximise funding that follows each pupil, another key characteristic of a fair funding system.

4.4 **Deprivation**

- 4.4.1 There is evidence that children from deprived backgrounds under achieve and this is an area where it is felt that the present formula could be improved. In the current schools funding formula, money is allocated to schools partly based on pupils who currently claim free school meals and partly on historical attainment data as a way of targeting funding to those schools with pupils from deprived backgrounds and those with lower attainment levels.

- 4.4.2 However, it is not viable to continue with this approach. The attainment allocation uses a 4-year average of a schools selected SATS results, weighted and utilising an age-related scoring system that is calculated by the Quality and Curriculum Development Agency (QCDA); a government body that is being abolished. This means that the sustainability of the data we currently use is in doubt and, in addition to this, it is possible that the SATS regime will change, leading to uncertainty regarding our calculation. Finally, there may well be little correlation between the pupil cohort in a school one year to that in a school four years ago, and it is difficult for a head teacher to have access to such data to see the impact of a change in pupil characteristics.

4.5 **FSM indicator**

- 4.5.1 In terms of looking for a more suitable methodology for allocating deprivation funding, both national and local evidence makes it clear that there is a correlation between Free School Meal (FSM) eligibility and attainment, i.e., those children claiming FSM tend to have lower attainment. Therefore, to assist in clarity and transparency, it is proposed that all deprivation funding is now allocated on a FSM basis.
- 4.5.2 In terms of the actual indicator used, there is again national and local evidence to show that not all children who are entitled to Free School Meals actually claim them. This means that, currently, some schools may not be receiving sufficient funding to provide the additional support that their pupils require. There is also evidence to suggest that if a child has claimed FSM for a period then they may have fallen behind academically and need support in their education in years following.
- 4.5.3 It is possible to determine those children who have previously claimed Free School Meals but are not currently doing so. In fact, the government is looking to use this data as a way of allocating the Pupil Premium. A record is kept of all children who claim FSM, so, even if they stop claiming part-way through

their education, the data is still available to identify them. This data tends to be grouped to show those children who have claimed and then stopped claiming within a 3-year period or those who have claimed and then stopped claiming within a 6-year period. The use of this dataset allows the LA to provide funding to schools for children who still need support but may not be currently identified as such.

- 4.5.4 In terms of whether the 3-year or 6-year dataset is used, evidence from the Warwickshire Observatory has indicated that there are in excess of 2,000 households in Warwickshire who were eligible for Free School Meals but are not claiming them. The indicator that identifies those children who have claimed FSM in the past 3 years will attract around a further 2,800 pupils. Whilst it cannot be confirmed that those pupils not claiming are definitely the ones being picked up under this 3-year indicator, there is the probability of a correlation between the two.
- 4.5.5 Therefore, it is proposed to include the 3-year Free School Meals indicator for the allocation of all deprivation funding to Warwickshire schools.

4.6 **Extended Schools**

- 4.6.1 In 2011/12, with the merging of the mainstreamed grants into the DSG, it was agreed that the Extended Schools Cluster funds would remain with the Cluster coordinator school for consistency. However, some of these cluster arrangements have disbanded now and to allocate this funding in the same way would no longer be appropriate. As such, and again in line with a move towards funding following the pupil, it is suggested that this funding is added to the AWPU. Should schools wish to work collaboratively in cluster arrangements, they are free to pool funds as necessary.

4.7 **Specialist Schools Funding**

- 4.7.1 In 2011/12, a number of previously separate grants were streamlined into the Dedicated Schools Grant. Even though the programmes or government initiatives were no longer valid as at 1 April 2011, due to the last-minute notification of this streamlining, the LA agreed, in consultation with schools, to continue the allocation of these funds to schools in a similar manner to previous years. This was to minimise turbulence to schools' budgets but it was noted at the time that this would be reviewed for 2012/13. Such grants included One to One Tuition, National Strategies and Specialist Schools Funding.
- 4.7.2 Because the programmes no longer exist, each of these mainstreamed grants, except the Specialist Schools Funding, has been slotted into the revised formula framework as part of the proposals. For example, where some were allocated on a Free School Meals basis, the fund has been included in deprivation and, as noted in paragraph 4.7, the lump sums have been included in the AWPU. It is proposed that to be consistent with other merged grants, the Specialist Schools Funding be re-allocated in the most appropriate manner, that is, on a per pupil basis.

4.7.3 The current Specialist Schools Funding is allocated only to secondary schools and three special schools and the recommendation is that the £5.328m Specialist Schools Funding is retained within the secondary sector and the £0.297m is retained within the special schools sector.

4.7.4 However, even with the funding staying in the same sector, in some cases, the impact of this change on schools is significant, particularly where a school had more than one specialism and a relatively small number of pupils. As such, it is recommended that this move is managed, on an equal pro-rata basis, over a 3-year transition period.

4.7.5 This approach has still not met with approval from all schools; comments and letters have been received from those schools seeing a reduction because of changes to Specialist Schools Funding. On the other hand, those expecting an increase request that the changes are made more quickly. The following points cover the key issues raised:

4.7.6 Against the proposal:

- The LA has the additional £5.625m DSG due to the efforts of certain schools who undertook efforts to secure the funding for their schools and were then required to carry out specific activities to maintain this funding. There is the “moral” argument that the schools generated the money and so should be allowed to keep it
- Not all schools received the same level of specialist funding as not all schools put in the same level of effort. To redistribute this funding on a per pupil basis will result in some schools benefitting from the previous actions of others
- The reduction in funding may lead to changes in the curriculum offered or teaching levels if alternative savings cannot be found

4.7.7 For the proposal:

- The Specialist Schools Programme is not a government initiative anymore and so schools do not need to allocate resources to adhere to the criteria and the Local Authority does not need to adhere to the historic allocations previously prescribed by the government
- Other Standards Grants that have been merged into the DSG have been redistributed in a suitably appropriate manner
- Specialist Schools Funding is not mentioned within the national consultation paper as requiring separate allocation
- The Schools Forum decided in January 2011 that, as the LA was no longer receiving specific funding for the Training School Specialism, and that because the scheme was being superseded with the Teaching School agenda, that the school previously receiving this funding should not have this funding continued. This is similar to the current position; the programmes have ended, the funding should not be dictated by it either
- The Department for Education has indicated their support for the approach. They have said that, whilst the decision is that of the LA, “our

view is that the funding should go back into the formula to be redistributed and that the MFG should protect against turbulence”.

4.7.8 The Project Board are of the opinion that the comments in favour of the re-allocation on a per pupil basis is stronger, a view that was endorsed by the Schools Forum virtually unanimously.

4.8 **Base Allocation**

4.8.1 The national consultation indicates that the LA may well be funded on the basis of £95,000 per primary school as a base lump sum allocation. This compares to the current base allocations of £87,700 for infant and primary schools and £95,200 for junior schools. In addition, small schools receive additional funding of £11,333.

4.8.2 The preferred option includes a £95,000 base allocation for all primary schools on the basis that this gives some stability to them and allows for the core costs to be met, regardless of pupil numbers.

4.8.3 For secondary and special schools, whilst the national consultation paper indicates that the funding we receive from the DfE will not include a base allocation for these schools, the recommended option retains the £150,742 for secondary and from between £219,786 and £384,623 (dependant on pupil numbers) for special schools.

4.8.4 However, it should be noted that Warwickshire has historically had low AWPU funding, possibly due to the level of the base allocation. The national consultation states that there is no evidence to suggest that smaller secondary schools needs base funding at all. In moving more funding to follow the pupil, the LA may well be forced to reconsider reducing this base allocation in the future. The small school adjustment for secondary schools has been removed within the revised formula.

4.9 **Increases in the AWPU**

4.9.1 Historically, Warwickshire has had a low AWPU in relation to other local authorities at 51%. The transfer of funds from other headings (albeit previously allocated on a per pupil basis in some instances) and the reallocation of lump sums and the Specialist Schools funding into a pupil-based calculation, in effect increases the AWPU to 68%. This is comparable with AWPU rates of our statistical neighbours.

4.10 **Ethnic Minority Achievement Grant (EMAG) and English as an Additional Language (EAL)**

4.10.1 In the government consultation paper, EAL is highlighted as an area of concern and possibly a factor that will determine the level of funding that the LA receives from the DfE.

- 4.10.2 Warwickshire currently has an EMAG factor within the formula, which identifies pupils from the nationally recognised ethnic minority groups and allocates funding to schools with these pupils. However, analysis of the funding methodology has identified some areas for improvement and it is expected that this will reduce the need to fund schools on the basis of EMA.
- 4.10.3 In addition to this, there is the recognised issue of EAL, which is not currently addressed within the funding formula. The need here is for additional support to those pupils who enter schools in Warwickshire, unable to understand English to a sufficient level to participate fully in school life.
- 4.10.4 The recommendation is that an EAL factor be introduced into the schools funding formula, recycled from that funding expected to be released from a more focused EMA assessment. It is also suggested that this funding not be delegated directly to schools as the very nature of the pupils means that it would be difficult to predict which schools would need the funding in advance.
- 4.10.5 It should be noted that the Schools Forum had a very good discussion around each of the recommendations and agreed each recommendation virtually unanimously. Also, there was considerable positive feedback across all parties on how the project was structured and managed and the benefits of the proposals.

5.0 Impact of recommendations and feedback from consultation

- 5.1 The initial impact of the proposed changes is that Warwickshire schools will be funded through a formula that is based on a fewer, but key, set of factors relating to pupil or school characteristics. This information is readily available and means that schools will be in a better position to understand the implications on their funding of a change in pupil numbers or characteristics.
- 5.2 In terms of the overall financial impact on schools, the table below summarises this position, based on the 2011/12 pupil data.

Change in funding	Primary Schools	Secondary Schools	Special Schools	All Schools	%
Reduced funding	79	13	3	95	40%
Same funding	28	5	3	36	15%
Increased funding	86	17	3	106	45%
TOTAL	193	35	9	237	

- 5.3 The table shows that, based on the current pupil characteristics, 60% of schools will receive the same or increased funding as a result of the changes to the formula.
- 5.4 The geographical allocation of funds is also an important consideration; the table below shows that there is very little change in either the overall position

or that of deprivation funding specifically, an issue that was contentious in the last review of the funding formula.

Area	% Change in overall funding Increase / (Decrease)	% Change in deprivation funding Increase / (Decrease)
Central	(0.05)	0
East	0.15	0.95
North	(0.05)	(0.38)
South	(0.05)	(0.57)

- 5.5 In terms of deprivation, it is expected that the inclusion of the Free School Meal (FSM) every 3 years as a way of allocating funds will better identify schools that require a greater level of funding to offer additional support to pupils from deprived backgrounds. It is widely recognised that some children, mainly those in the secondary sector, don't claim FSMs even though they are eligible. The FSM Ever 3 years will give a secondary school, for example, three years funding for a child that claimed FSM in primary school, as that child is also likely to need additional support in the secondary phase too. Evidence also suggests that the number of additional pupils identified through this indicator is in the region of those eligible for FSM but not claiming.
- 5.6 The increase in the AWPU means that more money follows children directly. The impact of this is that those schools with increasing pupil numbers will see a corresponding increase in funding, thereby encouraging schools to be successful and attract more children. Whilst this may appear to be detrimental to schools with reducing pupil numbers, the approach is very much in line with the national agenda. Protection arrangements are also in place where there are significant reductions in pupil numbers.
- 5.7 Whilst all of the principles that have guided the changes to the formula were favoured in the consultation and at the Schools Forum discussions, the re-distribution of the Specialist Schools Funding has been a contentious issue during the review. The position is that the programme is no longer a government initiative and, in the light of equitable funding for all pupils, there is a limited argument for funding certain secondary and special schools at a greater level than their counterparts. The proposal is that this entire funding is allocated instead on a per pupil basis but, after considering the impact on a school-by-school basis, a 3-year phasing has been included in the option.
- 5.8 This approach has still not met with approval from all schools; the Project Board has received various letters and calls from those schools seeing a reduction, and several letters have been sent to Councillors in particular regarding the reductions that Rugby High will see as a result of changes to Specialist Schools Funding. However, the principles of the proposal are key and, as mentioned beforehand, were approved by the Schools Forum virtually unanimously.

6.0 Transition Arrangements

- 6.1 As a result of the review and the change in methodology on which the funding is allocated, some schools will see a reduction while others will see increases. It has been noted that some reductions are significant enough to result in some schools finding it difficult to manage this at short notice. Therefore, as a means of agreeing transitional arrangements, the Cabinet will be presented with figures that show the impact of a one-year protection to ensure that no school loses more than 1.5%, 1% or 0.5% of their existing budget and suggests introducing a ceiling on increases to offset these protection costs.

7.0 Implementation

- 7.1 The intention is that these suggested changes are implemented in April 2012. The current formula is 7 years old and waiting for a national dictate could potentially mean that our formula is 10 years old before it is changed. Since 2005/06, schools and pupil characteristics have changed and it is evident that there are areas within the current schools funding formula that are no longer fit for purpose.
- 7.2 In terms of the national agenda, as mentioned in the introduction, the suggestions made are not at odds with the government's proposals for the future and are not likely to result in any back tracking when local formulae impositions are made in the next few years.
- 7.3 The speed at which the implementation of specific changes takes place can be manipulated by the use of transitional arrangements and alterations to the Minimum Funding Guarantee (MFG) which is currently set at -1.5%. Reducing this would increase the cost of MFG and could be recouped from capping increases to a given maximum.
- 7.4 The Schools Forum report was sent to all schools and governing bodies before the October meeting so that they had time to assess the implications and contact their Schools Forum representative, should they have wished. The Autumn Term Newsletter, which was issued to all schools after half term, informed head teachers and governors of the recommendations to Cabinet.

8.0 Conclusion

- 8.1 A project management approach was adopted to review the Local School Funding Formula, which has included detailed consultation with key stakeholders throughout the process. Consideration has been given to the national agenda to ensure that the local formula fits well with probable outcomes nationally.
- 8.2 The agreement of a recommendation to Cabinet by the Schools Forum was virtually unanimous and there was exceptional feedback regarding the consultative approach that has been adopted as well as the project structure and project management that was undertaken.

- 8.3 There continues to be some areas of contention around parts of the review, in particular the changing methodology for Specialist School Funding, but separate transition arrangements have been proposed to mitigate the impact of this.
- 8.4 Various members, including Cllr David Wright and Cllr Carolyn Robbins have been briefed on the implications of the review and Cllr Heather Timms has been constantly involved as part of the Schools Forum and the Project Board.
- 8.5 Detailed consideration of equality issues have been given during this review.

Background Papers

Schools Forum Report – 20 October 2011

<https://democratic.warwickshire.gov.uk/cm5/Calendarofmeetings/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/2206/Committee/421/Default.aspx>

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