

Children and Young People Overview & Scrutiny Committee

6 November 2012

The 2013/14 Schools Funding Reforms

Recommendations

1. To note the processes undertaken and the stakeholder involvement in the review of the Main Local Schools Funding Formula
2. To note the basis of the final options presented to the Schools Forum for a final recommendation to Cabinet in December, and the potential impact of these recommendations

1.0 Introduction – What are the changes?

- 1.1 In March 2012, the Secretary of State for Education issued a significant document detailing reforms regarding funding for schools. The “School Funding Reform: Next steps towards a fairer system” details what steps needed to be taken, by Local Authorities, during March to October 2012 to have a revised schools funding formula in place for April 2013. It is also the intention that this will support the Department for Education (DfE) in the future implementation of the national Funding Formula.
- 1.2 Following the review of the local schools funding last year, Warwickshire already has a much simpler and more transparent formula and the changes made moved the authority along the direction of that required by the DfE. However, there has been a need to undertake a further review to make further changes to comply with the new guidance.
- 1.3 With the development of these latest funding reforms, it should be noted that there is no extra Dedicated Schools Grant (DSG) in Warwickshire; the reforms concentrate on how school funding will be allocated a) to Local Authorities and b) to schools, and there are no plans at this stage to review the formula on which funding levels to Local Authorities are derived.
- 1.4 The main changes, and implications, that are included in this new review, for implementation in April 2013, are as follows:
 - There are now limited headings that can be used for allocating funding to schools, shown as follows:
 1. Basic Per Pupil Entitlement (Mandatory)
 2. Deprivation (Mandatory)
 3. Low cost, high incidence SEN
 4. Lump sum
 5. Looked After Children
 6. English as an additional language
 7. Split sites

8. Rates

- There is also limited methodology within some of those headings
 1. Deprivation – the use of either current Free School Meals data or that which records pupils having taken up Free School Meals at any point in the last 6 years (known as FSM ever 6 years) and/or Income Deprivation Affecting Children Index (IDACI) which is a post code indicator of deprivation
 2. Additional Needs – the use of attainment data. For primary schools, this will be those scoring below a certain point in the Early Years Foundation Stage Score (an assessment at Reception stage); and for secondary schools, this will be those pupils with level 3 or below in Key Stage 2 SATS in Maths and English.
- A single primary core funding per pupil (AWPU) – historically Warwickshire has different AWPU levels for Key Stage 1 and Key Stage 2, with Key Stage 1 pupils having historically received more funding per pupil.
- Funding allocated on the size of buildings is no longer allowed – in 2012/13, Warwickshire has allocated around £11m on the size and age of buildings.
- There needs to be one consistent lump sum allocated to all schools, regardless of sector – in 2012/13, Warwickshire primary schools received £95,000 and secondary schools received £150,000.
- We need to use either a Free School Meal (FSM) Ever 6 Years or IDACI (a postcode deprivation factor) to allocate deprivation funding – currently FSM ever 3 years is used.
- The ability to have English as an Additional Language included as a funding factor – Warwickshire does not currently have this as a heading in the schools formula but does have an Ethnic Minority Achievement funding mechanism, which can no longer be used.
- Change to the way Special Educational Needs (SEN) funding is allocated to mainstream schools – currently, funding is based on the support hours required to meet specific pupils with a Statement of SEN but the DfE is requiring Local Authorities to move towards a more indicative approach. Further details are contained later in the report regarding this element.
- Special Schools are to be funded purely on individual pupil needs – it will no longer be possible to fund special schools using premises or lump sum funding allocations. Instead, the schools will receive £10,000 per pupil place and then will need to agree with the Local Authority a suitable “top up” fund depending on the pupil’s needs.
- The Minimum Funding Guarantee is remaining at minus 1.5% – this protects schools from losing more than 1.5% funding per pupil on a year-by-year basis.
- There is a requirement to delegate a greater level of funds to schools – the table below indicates the budget lines that will need to be delegated to schools. However, the Schools Forum can vote to “de-delegate” this funding so that it is

retained within the Local Authority to continue to provide services on behalf of all maintained schools.

	Amount Section 251 2012/13 £
Contingencies	681,428
Behaviour Support Services	44,347
14-16 More practical learning options	378,662
Support to underperforming ethnic minority groups and bilingual learners	593,175
Free school meals eligibility	60,000
School Improvement	293,844
Staff costs - supply cover	237,812
TOTAL	2,289,268

- The Education Funding Agency (EFA) will have a new compliance role to ensure that schools funding formulae comply with the new regulations and to attend Schools Forum meetings to ensure fair and transparent decision making is taking place.
- Revised arrangements with regard to the Schools Forum to ensure that its membership is representative of the pupil numbers in each school type.
- Each Local Authority will now be required to complete a consistent pro forma, which will detail each school budget, and submit this to the Education Funding Agency (EFA) by the end of October.
- The reforms will relate to maintained schools from April 2013 and Academy schools from September 2013.

1.5 There is no change to the Early Years Single Funding Formula for 2013/14, which complies with the DfE guidance.

2.0 How is Warwickshire managing these changes?

2.1 Following on from the work carried out last year to review the schools funding formula in Warwickshire, the Project Teams and Project Board have been re-convened and have been involved in the development of the proposed options.

2.2 The Project Team is made up of the following:

Project Manager	Sara Haslam
Infant School	Stella Saje
Primary School	Cathy Clarke
Secondary School	Ranjit Samra
Academy and Governor	Diana Turner
Special School	Judith Humphries

2.3 The Project Board is made up of the following:

Executive	Councillor Heather Timms
People Group (Schools)	Mark Gore
Resources Group	Simon Smith
Governors	Chris Smart
Maintained Schools	Peter Kent
Academy Schools	Iain Blaikie
Primary School	Jill Humphriss

2.4 Regular communication has taken place with all schools and Academies via emails and workshop sessions, the Schools Forum via update reports, Governors via Patch meeting presentations and elected members via presentations and meetings. Regular communication has also taken place with relevant Local Authority officers, in particular with the Special Educational Needs (SEN) team to ensure that the impact of the funding reforms in terms of SEN is considered and managed appropriately.

2.5 Consultation has been undertaken with all schools and Academies twice during this process. Once was in June to understand schools' initial thoughts on how the formula should be constructed and to gain preliminary feedback on the de-delegation of centrally managed funding. The second was in September where 4 more-refined funding options were presented to assist the Schools Forum in making a final recommendation. Although the timing was tight for responses and at inconvenient times in terms of the schools' calendar, there was a 64% response rate to the final feedback.

3.0 What changes are being made to the funding formula for Warwickshire Schools?

3.1 The Project Board agreed there was insufficient evidence locally to indicate that either the primary or secondary sector is under- or over-funded in Warwickshire. This agreement was further supported by the ratio of funding between these sectors being in-line with the national position. As such, it was decided that modelling should take place on the basis that the overall funding in 2012/13 in each sector should be retained in 2013/14. Inevitably, this has had an impact on the unit values assigned in each sector.

3.2 While a review of the main schools funding formula was carried out last year, this reform agenda provides the opportunity to clarify core funding rates used in Warwickshire and match them against typical costs. The approach taken was to start with the lump sum, calculate a basic per-pupil rate and then consider additional needs funding.

Lump Sum

3.3 The one consistent factor that runs through all schools funding, regardless of size or sector, and is intended to cover fixed costs, is that of the lump sum, which was used as the start point.

- 3.4 The new regulations state that all schools, regardless of sector, should receive the same lump sum value. This is a new arrangement to Warwickshire (and, in fact, most Local Authorities) where the secondary sector had previously received larger lump sums.
- 3.5 The lump sum aims to cover core school costs that may not be directly affected by pupil numbers. This could be the cost of a head teacher, some administration and caretaking provision. Work undertaken last year looked at a sample of primary school costs and identified an above-average lump sum level of £95,000. The Project Board considered this still to be relevant and, as such, is included for all schools in the new formula.

Basic Per-Pupil Entitlement

- 3.6 With fewer headings available, this was an ideal opportunity to consider the core pupil values to ensure that in the current climate, the funding per pupil reflects, to some degree, the basic per-pupil funding.
- 3.7 This was not a straightforward exercise as schools tend to organise themselves in different ways which results in differing costs. However, analysis was undertaken to identify universal costs (head teacher salaries according to size and school sector, average teacher costs and number of classes etc.) and then average 3-year running costs. This analysis was considered by the Project Team and adjustments were made based on professional advice and random schools were chosen to test specific schools costs.
- 3.8 With schools being of different sizes, “one size” funding will not always fit all schools. However, with a lump sum funding of £95,000, the following core per-pupil values offered the majority of schools sufficient basic funding:

Primary	£2,500
Key Stage 3	£3,480
Key Stage 4	£4,640

- 3.9 With the government’s clear intention that money should follow pupils, the modelling looked to use these basic pupil values as a basis but increased them where possible, taking into account the fact that there still needs to be funding for additional needs pupils.

Additional Needs

- 3.10 The new regulations state that additional needs can be identified in a school in a limited number of ways. These are:
- Deprivation – Free School Meal take up (either current or ever in the last 6 years) and/or IDACI (a postcode deprivation indicator)
 - Attainment – Prior Attainment (Early Years Foundation Stage Score of less than 73 and a KS2 SATS level 3 or below in maths and English)
- 3.11 The Deprivation element is mandatory in the new formula and head teacher feedback and statistical correlation analysis indicated that Free School Meals ever 6 years is the most appropriate indicator to identify pupils with additional needs in Warwickshire.

- 3.12 In terms of prior attainment, there is criticism that funding schools with poor results is a perverse incentive to improve and where primary schools conduct their own Early Years Foundation Stage tests, there is the issue of objectivity in these scores where the results will impact on the schools future funding. That said, the data is a way of allocating funds to pupils with lower attainment, and therefore with “additional needs”.
- 3.13 Two of the final options for consideration included prior attainment and two options concentrated on the use of FSM ever 6 years only for additional needs.

Looked After Children

- 3.14 The regulations allow for Looked after Children (LAC) to be identified within a new formula, due to the lower attainment of this specific group. This relates to around 300 children in Warwickshire. The Project Board agreed that as this is an issue in Warwickshire also, they should be considered in the new formula.
- 3.15 These children will not be receiving free schools meals due to the income levels of their carers and so, in the option where only FSM allocates funding to represent additional needs, LAC are included as a separate element. Where both FSM and prior attainment is included, to avoid the potential for double funding, the prior attainment data will be used to capture these pupils.

English as an Additional Language

- 3.16 The regulations also allow the new formula to identify those pupils where English is an additional language (EAL) and allocate funding on this basis. This equates to between 800 and 2,000 pupils in Warwickshire who show on the pupils census as EAL for either the first, second or third year.
- 3.17 The Project Board considered these pupils and concluded that as an increased basic per-pupil funding is being proposed that this could be used to fund these pupils, where necessary, and so a separate factor for these children need not been included. There was also support from schools for the Local Authority to retain EAL funding centrally to provide initial school support, as and when needed.

Split Site

- 3.18 The current split-site calculation has not been reviewed for a number of years now and so this has been an ideal opportunity to consider the criteria for funding split sites.
- 3.19 The Project Team asked those schools on split sites to detail the education provided on each site and the additional costs incurred. In most case, each site provided for different educational stages and some of the costs sited, such as additional maintenance contracts, could well be the case for larger schools having been built in different stages. Both the Team and Board considered it more important to concentrate on the practical implications of operating dual-site schools.

3.20 The new criteria are as follows:

Split Site Funding	£	
Additional Reception/administration (one on each site)	9,500	£8 per hour for 25hrs a week, 39 weeks a year with 22% on costs (Scale 2 post)
Additional caretaking or cleaning (one on each site)	9,500	£8 per hour for 25hrs a week, 39 weeks a year with 22% on costs (Scale 2 post)
Additional mid-day supervision (with split playgrounds)	2,000	£8 per hour for 5hrs a week, 39 weeks a year with 22% on costs
Possible increased teacher responsibility for senior management on 2nd site	2,500	Representing a TLR
Dual catering/hall/PE site costs or movement of pupils/staff/meals where catering/hall/PE is all on one site	15,000	Lump sum contribution to additional costs
TOTAL	38,500	

3.21 The Project Team thought that neither the size of the school nor the number of pupils was relevant to take into account. It was also recognised that funding may not be an exact replication of the school's costs but that this was a contribution to these costs.

3.22 In terms of the criteria to attract this funding, the following has been agreed as suitable to distinguish when additional costs are likely to be incurred:

- More than one distinct set of premises
- One DfE establishment number
- Providing education within the same sector (i.e., primary or secondary)
- A distance of 0.25 miles apart (from one main school entrance to the other as the crow flies)
- Having duplicate facilities or shared facilities requiring staff/pupil transfer between sites

Rates

3.23 The Dedicated Schools Grant will continue to meet the NNDR charges for each school in full.

Notional SEN Budget

3.24 While schools in Warwickshire have always had a clearly defined Notional SEN Budget within the section 251 Funding Statement, the changes to the methodology for allocating SEN funds, will result in a greater emphasis on this notional element.

3.25 In effect, this part of a school's budget should be notionally assigned to funding pupils with additional needs. This should cover all lower-level educational needs (such as School Action or School Action Plus), lower-level statement pupils and, where a child has higher needs, funds a contribution of up to £6,000. For provision over this financial level, an agreement will need to be made with the Local Authority for additional "top up" funding. The overall notional SEN budget allocation is not being reduced, but there will be variances on a school-by-school basis.

- 3.26 It is recognised that this is an area of significant culture change and every effort is being made to ensure the correct level of consultation is being carried out, with SENCOs, head teachers and governors to ensure there is maximum awareness the future proposals around this.
- 3.27 A separate work stream is being managed by Local Authority SEN officers to determine the provision that should be funded from the school's notional SEN budget and that which is for higher needs and will be funded by the Local Authority. A separate item on the agenda includes further details.

MFG and Capping

- 3.28 The DfE regulations state that a school should not lose more than 1.5% funding per pupil compared to the previous year. This is called the Minimum Funding Guarantee (MFG) and this level is being retained for 2013/14 and 2014/15.
- 3.29 The Local Authority is now allowed to cap gains if necessary in order to make the new formula affordable.
- 3.30 Due to the protection required to mitigate the impact of these reforms on a school-by-school basis, the MFG has risen from the current £2m to almost £6m in one option. As such, to offset the additional cost of MFG capping of 1.5% on those schools, gaining has been included in each of the options. This means that no school will lose more than 1.5% per pupil and no school will gain more than 1.5% per pupil.

4.0 What is the impact of these changes on schools in Warwickshire?

- 4.1 Details of the 4 final options that were presented to schools in September, including summary information on the impact on schools, are included in Appendix A. It shows the unit values assigned to the chosen headings, the overall cost of the option, the % of per-pupil basic funding, the geographical movement of funding, the number of schools affected in each sector by the options and the impact on small schools.
- 4.2 The differences in the options essentially relate to 2 key areas:
- The use of prior attainment in addition to FSM ever 6 years to allocate additional needs funding
 - A differing relationship between the basic pupil base entitlement and the additional needs unit rate
- 4.3 Of the 120 schools seeing reductions in funding as a result of Option One or Two, 73 of these saw an increase in funding as a result of the changes to the main schools funding formula last year. Of the 136 losing funding in Option Three, 82 had an increase last year and of the 124 losing out in Option Four, 78 saw an increase last year.

5.0 The Final Decision

5.1 Out of the 227 schools that these reforms relate to, there were 146 responses to the latter consultation. That is a 64% response rate. The final response to the consultation is as follows:

Table One – Responses in terms of number of schools

	Number of Schools who voted this option as their first choice	Number of Primary schools who voted for this as their first choice	Number of Secondary schools who voted for this as their first choice
Option 1	53	44	9
Option 2	38	32	6
Option 3	22	20	2
Option 4	33	22	11

5.2 In terms of the number of schools that voted, overall Options One and Two are the most popular, although Option Four is the most popular with secondary schools.

Table Two – Responses in terms of number of pupils represented in the schools

	Number of Schools who voted this option as their first choice	Number of Primary schools who voted for this as their first choice	Number of Secondary schools who voted for this as their first choice
Option 1	16,275	8,334	7,941
Option 2	10,347	6,147	4,200
Option 3	5,973	4,858	1,115
Option 4	14,318	4,153	10,165

5.4 In terms of the number of pupils represented by the schools who voted, Options One and Four are the most popular overall.

5.5 In terms of amalgamating the responses, the tables below show the cumulative effect of the first ranked options:

Table Three – Cumulative first options based on Option One and Two being most popular

First options - with Option 2 as the 2nd most popular	No. of schools	want this option(s)	don't want this option(s)	No. of pupils	want this option(s)	don't want this option(s)
Option 1	53	36.30%	63.70%	16,275	34.69%	65.31%
Option 1 and 2	91	62.33%	37.67%	26,622	56.75%	43.25%
Option 1, 2 and 4	124	84.93%	15.07%	40,940	87.27%	12.73%
Option 1, 2, 4 and 3	146	100.00%		46,913	100.00%	

Table Four – Cumulative first options based on Option One and Four being most popular

First options - with Option 4 as the 2nd most popular	No. of schools	want this option(s)	don't want this option(s)	No. of pupils	want this option(s)	don't want this option(s)
Option 1	53	36.30%	63.70%	16,275	34.69%	65.31%
Option 1 and 4	86	58.90%	41.10%	30,593	65.21%	34.79%
Option 1, 4 and 2	124	84.93%	15.07%	40,940	87.27%	12.73%
Option 1, 4, 2 and 3	146	100.00%		46,913	100.00%	

- 5.6 In effect, this means that when assessing the responses in terms of “one school, one vote”, then Options One and Two are the most popular. When assessing the responses in terms of the number of pupils that the consultation responses relate to, Options One and Four are the most popular. As such, the Schools Forum will be asked to recommend Options One, Two or Four.
- 5.7 While the Schools Forum is being asked to vote for one preferred option, at the time of writing this report, the Schools Forum has not met. A verbal update can be offered at the Committee meeting. However, when the Forum meets, they will be making a “recommendation” that will then need to be agreed by Cabinet in December. The EFA will then have a role to play as an adjudicator should there be any issues regarding the option selected or the process undertaken to reach the final decision.

Background papers

[“School Funding Reform: Next steps towards a fairer system”](#), DfE, March 2012

[“School funding reform: Arrangements for 2013-14”](#), DfE, July 2012

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Option One

SUMMARY OF KEY VALUES		
AWPU	Primary	2,855
	KS3	3,740
	KS4	4,985
Lump sum		95,000
Additonal Needs (FSM ever 6)	Primary	1,180
	Secondary	1,390
Additonal Needs (Prior Attain)	Primary	0
	Secondary	0
LAC		1,590
Split Site Rates	£38,500 base as actuals	

Option Two

AWPU	Primary	2,855
	KS3	3,740
	KS4	4,985
Lump sum		95,000
Additonal Needs (FSM ev	Primary	680
	Secondary	950
Additonal Needs (Prior A	Primary	680
	Secondary	950
LAC		0
Split Site Rates	£38,500 base as actuals	

Option Three

AWPU	Primary	2,640
	KS3	3,540
	KS4	4,720
Lump sum		95,000
Additonal Needs (FSM ev	Primary	2,400
	Secondary	2,600
Additonal Needs (Prior A	Primary	0
	Secondary	0
LAC		2,800
Split Site Rates	£38,500 base as actuals	0

Option Four

AWPU	Primary	2,640
	KS3	3,540
	KS4	4,720
Lump sum		95,000
Additonal Needs (FSM ev	Primary	1,460
	Secondary	1,780
Additonal Needs (Prior A	Primary	1,460
	Secondary	1,780
LAC		0
Split Site Rates	£38,500 base as actuals	

Proposal	Primary Funding	144,295,879
	Secondary Funding	136,521,851
	TOTAL	280,817,730
Including MFG		

Primary Funding	144,289,240
Secondary Funding	136,533,844
TOTAL	280,823,084

Primary Funding	144,278,484
Secondary Funding	136,553,667
TOTAL	280,832,150

Primary Funding	144,306,731
Secondary Funding	136,525,233
TOTAL	280,831,965

% AWPU	Primary	77.26%
	Secondary	90.21%
	Overall	83.56%

Primary	77.27%
Secondary	90.21%
Overall	83.56%

Primary	71.45%
Secondary	85.38%
Overall	78.23%

Primary	71.44%
Secondary	85.40%
Overall	78.23%

Variance in geog area	
North	-0.07%
Central	-0.02%
South	0.12%
East	-0.02%

Variance in geog area	
North	-0.05%
Central	-0.03%
South	0.11%
East	-0.03%

Variance in geog area	
North	0.07%
Central	-0.03%
South	0.02%
East	-0.04%

Variance in geog area	
North	0.08%
Central	-0.05%
South	0.04%
East	-0.05%

PRIMARY	
Number of schools losing	103
Number of schools gaining	89
Max loss	-30,259
Max gain	19,238
Average loss	-8,086
Avergae gain	9,440
SECONDARY	
Number of schools losing	17
Number of schools gaining	18
Max loss	-90,483
Max gain	85,276
Average loss	-52,704
Avergae gain	50,062

Number of schools losing	103
Number of schools gaining	89
Max loss	-30,259
Max gain	20,987
Average loss	-8,181
Avergae gain	9,475
Number of schools losing	17
Number of schools gaining	18
Max loss	-90,483
Max gain	85,276
Average loss	-53,045
Avergae gain	51,051

Number of schools losing	118
Number of schools gaining	74
Max loss	-19,603
Max gain	30,259
Average loss	-6,957
Avergae gain	10,957
Number of schools losing	18
Number of schools gaining	17
Max loss	-90,483
Max gain	85,276
Average loss	-47,226
Avergae gain	52,179

Number of schools losing	106
Number of schools gaining	86
Max loss	-19,603
Max gain	30,259
Average loss	-7,279
Avergae gain	9,183
Number of schools losing	18
Number of schools gaining	17
Max loss	-90,483
Max gain	87,199
Average loss	-47,722
Avergae gain	51,031

Secondary schools less than 600 pupils and primary schools less than 100 pupils	-147,758
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Secondary schools less than 600 pupils and primary schools less than 100 pupils	-147,758
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Secondary schools less than 600 pupils and primary schools less than 100 pupils	-280,072
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Secondary schools less than 600 pupils and primary schools less than 100 pupils	-336,865
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