

Joint Report of Strategic Director for Children, Young People and Families and the Strategic Director for Resources

Local Schools and Early Years Funding Review – Recommendations for Change

Recommendation

The Schools Forum is recommended to:

- Agree to the reduction of headings within the Main Schools Funding Formula to those shown in paragraph 7.2
- 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 out on a per pupil basis but the funding 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 out 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 and to maintain the current hourly rate in 2012/13.
- Endorse these changes and recommend they be formulated into a formal recommendation to Cabinet.

1.0 Purpose

1.1 The purpose of this report is to update the Schools Forum with the latest work undertaken in relation to the review of the Main Local Schools Funding Formula and to recommend changes based on both local and national considerations. The report also recommends that the Schools Forum

agrees to retain the Early Years Funding Formula without making any amendments for April 2012.

2.0 Introduction

2.1 In the original project documentation, the key objective of the review was to have a local funding formula that is “robust, transparent and defensible, that is agreed by representative stakeholders and allocates schools the level of funding that allows each school to meet the educational needs of their children”

2.2 Part way through the review, the government issued a national consultation document that identified similar qualities that a schools funding formula should have. These are:

- Supports the needs of pupils
- Is clear and transparent
- Enables schools and academies to make informed decisions about their provision
- Enables schools and academies to be broadly comparable

2.3 These principles have formed the basis and direction of the decision making processes involved in the review to date and should be borne in mind by the Schools Forum when considering the changes proposed.

3.0 Background

3.1 At its meeting in September, the Schools Forum agreed that the Project Team would incorporate a range of principles into the financial modelling of the options for updating the schools funding formula. These were:

- To reduce the headings within the main schools funding formula
- To increase the AWPU
- To consider the inclusion of “FSM ever 6 year” to allocate deprivation funding
- To retain the current methodology to distribute Special Educational Needs (SEN) funding to mainstreamed schools
- To undertake an assessment of the relationship between schools base allocations and increased AWPU
- To consider where funding that is currently sector specific and added to the AWPU, that it should be retained within the same sector.

3.2 This financial modelling has now been carried out and the remainder of the report discusses the conclusions and recommendations for change.

4.0 Consultation

4.1 Following these recommendations and in line with the financial modelling, further consultation with head teachers and governors was undertaken, via the Resources Policy Group, to capture their views on these principles.

4.2 There were 77 respondents; 71% from the primary sector and 29% from the secondary sector. To put this into context, the make up of the schooling sectors is 82% primary schools and 18% secondary schools.

4.3 The results of this are included in Appendix A.

4.4 Basically the consultation concluded that:

- A FSM ever 3 indicator should be used
- Specialist funding should be re-allocated over a 3 year period and retained within the current sectors
- Primary school base allocations should stay but not in secondary schools
- EAL should be part of the formula, some of it should be kept centrally and it should be in addition to the EMAG
- There is still support to have premises as a factor in the formula
- Gypsy and Romany Travellers, Looked After Children and Service Children should all still be included

4.5 Information was also distributed to secondary schools and special schools regarding the Specialist Schools Funding, illustrating the impact of changes. As a result, several letters were received, which the Project Board have all read and considered.

4.6 In addition, both the Project Team and Project Board have met to reconsider the principles and the financial models put forward.

5.0 Options Developed

5.1 A range of financial models was developed, each with differing assumptions.

5.2 **Option One** – This option mapped the current allocations into a more streamlined version that has 13 headings rather than the previous 32. The result was that the AWPU was increased and there was a reduction in the factors included in the formula. However, this was not considered as a significant improvement on the current formula.

5.3 **Option Two** – This option started to address some of the key changes that had been identified to improve the formula. It too had the reduced headings, the AWPU was increased and the FSM ever 3 years indicator was included to allocate out all deprivation.

5.4 **Option Three** – This option incorporates all the “in principle” suggestions. In addition to the increased AWPU, reduced headings and use of FSM ever 3 years, this options re-allocates out the old TSF grant lump sums for which there is no current, specific logic and also starts to allocate out the Specialist Schools Funding on a per pupil basis (albeit over a 3 year transition period)

5.5 **Option Four** – This is the same as Option Three but allocates the Specialist Schools Funding on a per pupil basis in 2012/13 rather than over a 3-year transition period.

6.0 Recommended Option

6.1 The Schools Forum is recommended to agree to propose Option Three for approval by the Cabinet in December.

6.2 The key changes that are included in Option Three are as follows:

7.0 Reduced headings

7.1 Analysis of the data within the current schools funding formula showed there were key pieces of data that were utilised to allocate out 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.

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

	Description	Change under review
1	Average 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%

7.3 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.

7.4 The Schools Forum is requested to agree to the reduction of headings within the Main Schools Funding Formula to those shown in the table above.

8.0 Lump Sums

8.1 In the current schools funding formula there are various lump sums, allocated directly to individual schools, totalling in excess of £9m, which are as a result of the historic allocation of funds by either the DCSF or DfE. These amounts are arbitrary in nature and were set initially as a method of evenly distributing funding.

8.2 These values are not transparent and the basis of allocation is no longer relevant or defensible. As such, the Schools Forum is recommended to agree that these funds be transferred to the AWPU.

9.0 Deprivation

9.1 In the current schools funding formula, money is allocated out to schools on a FSM basis to indicate deprivation and also on historical attainment data to target funding at those schools with lower attainment levels. Both national and local evidence suggests there is a correlation between FSM and attainment, that is, those children claiming FSM tend to have lower attainment.

9.2 The current attainment allocation uses a 4-year average of a schools selected SATS results, weighted and utilising an age related scoring system which is calculated by the Quality and Curriculum Development Agency (QCDA). There are several issues with this approach. The QCDA is a government body that is being abolished therefore the sustainability of the data we currently use is in doubt and it is possible that the SATS regime will change in the near future which will lead to uncertainty regarding our calculation. Finally, it is difficult for a head teacher to have access to such data to see the impact of a change in pupil characteristics. In order to develop a clear and transparent formula that enables head teachers to make informed decisions regarding provision as pupil numbers change, it is proposed that all deprivation funding is now allocated out on a FSM basis.

10.0 FSM indicator

10.1 There is national and local evidence to suggest that not all children who are entitled to FSM actually claim it; this means that, currently, some schools may not be receiving the correct level of 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 of time then they may have fallen behind academically and need support in their education in years afterwards.

10.2 It is possible to determine those children who have previously been claiming FSM but not currently doing so. The government is suggesting that they will either use a FSM ever in the last 3 years (FSM ever 3) or a FSM ever in the last 6 years (FSM ever 6) indicator to allocate out the Pupil Premium.

10.3 In the Schools Forum report in September, it was suggested that a FSM ever 6 should be considered within the main schools funding formula. However, after writing this report, evidence from the Warwickshire Observatory indicated that there were in excess of 2,000 households in Warwickshire who were eligible for FSM but were not claiming them. The FSM ever 6 would attract a further 4,500 pupils and the FSM ever 3 would attract a further 2,800 pupils. Whilst it cannot be confirmed that those pupils not claiming are definitely the ones being picked up in the FSM ever 3 indicator, there is probably some correlation between those missing pupils and those that will be identified under the FSM ever 3 indicator.

10.4 It has also been recognised that a lot can change in family circumstances in 6 years and that in the current economic climate, there may well be pupils moving in and out of eligibility in the short term that may not need additional support all the way through the next 6 years.

10.5 Therefore FSM ever 3 is suggested as the indicator for the allocation of deprivation funding and the Schools Forum are requested to agree to this.

11.0 Extended Schools

11.1 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 out 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.

11.2 The Schools Forum is recommended to agree to add the Extended Schools Cluster Funding to the AWPU.

12.0 Specialist Schools Funding

12.1 Again, in 2011/12, it was agreed that as the Specialist Schools Funding Grant was merged with the DSG, the allocations would be kept as they had been in previous years even though the Specialist Schools Programme had ended.

12.2 Specialist Schools funding, due to the nature of the range of specialisms, historically resulted in differing funding levels for schools on a pupil-by-pupil basis. In developing a transparent and equitable school funding formula and when the outcomes of comparable schools are similar, it is not

possible to defend the variation in pupil funding that stems from the Specialist Schools allocation.

12.3 The current Specialist Schools funding is only in the secondary sector and paid to 3 special schools. Analysis of the current ratio of funding between the primary and secondary sector indicated that this was similar to the ratio that the government may be moving towards in the future. The local consultation also indicated that there is a preference to retain the funding in the existing sectors. As such, 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.

12.4 In line with the national agenda that more funding should follow the pupil, the Schools Forum is requested to agree that these funds are now allocated out on a per pupil basis. However, the impact of this change on schools is significant, particularly where a school had more than one specialism and have a relatively small number of pupils. As such, there is also a recommendation that this move is managed, on an equal pro-rate basis, over a 3 year transition period.

13.0 Base Allocation

13.1 The national consultation indicates that the Local Authority 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 on £11,333.

13.2 Option 3 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.

13.3 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, Option 3 retains the £150,742 for secondary and from between £219,786 and £384,623 (dependant on pupil numbers) for special schools.

13.4 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 Local Authority may well be forced to reconsider reducing this base allocation in the future and to progress towards this, The small school adjustment for secondary schools has been removed within Option Three.

14.0 Increases in the AWPU

14.1 Historically Warwickshire has had a low AWPU in relation to other Local Authorities at 51%. The transferring of funds from other headings (albeit previously allocated out 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.

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

15.1 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 Local Authority receives from the DfE.

15.2 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.

15.3 In addition to this, there is the recognised issue of EAL, which currently is not really 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.

15.4 The Forum is requested to agree the introduction of an EAL factor into the schools funding formula recycled from that funding expected to be released from a more focused EMAG assessment. It is also suggested that this funding not be delegated out 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.

16.0 Ceilings and Floors

16.1 Appendix B shows the impact that these changes will have on schools.

16.2 The variances are as a result of the various changes – move to a simpler FSM deprivation indicator, the evening out of Specialist Schools Funding and the transfer of arbitrary lump sums to the AWPU.

16.3 Minimum Funding Guarantee is still included in the calculations at -1.5% which protects the schools budgets to a degree against the 2010/11 position. However, due to the change in the allocation methodologies, when the new formula is compared against the actual funding for 2011/12, there are schools losing up to 5.9% in the primary sector, 2.05% in the secondary sector and 2.09% in the special school sector. On the other hand, the changes will benefit some schools significantly. An option therefore is to

introduce ceiling and floor limits to minimise the losses, paid for by clawing back some of the higher increases.

16.4 Appendix B also shows the impact on the schools if a floor limit of 1.5% was introduced with a ceiling of 4% maximum increase or £90,000.

16.5 This capping would need to be a temporary measure, a one year protection that allows schools more time to adjust to the implications of a the suggested proposals. However, depending on affordability, the ceiling capping could be adjusted to minimise the amount clawed back whilst still protecting losses.

17.0 Early Years Review

17.1 Again, at the Schools Forum in September, a paper was brought regarding the Early Years Funding Formula Review. This report indicated that due to the financial analysis carried out and a certain degree of uncertainty regarding the national position, the funding formula should remain unchanged for 2012/13.

17.2 Further to the last Forum, the Project Team have met for the final time and it has been agreed that the national position will be monitored and that a working group could be re-established if and when required to assess the impact of any national changes.

18.0 Conclusion

18.1 Warwickshire's current schools funding formula is 7 years old and has not been updated to reflect any changes over this time in schooling or pupil characteristics. Option Three incorporates key principles of pupil related funding, increased equity and greater transparency. None of the proposals are at odds with the national agenda or would likely result in any back tracking if and when a national schools funding formula is introduced.

18.2 The option is affordable and whilst there will be schools that see increased funding and those that see reductions, a one year protection could mitigate these impacts.

19.0 Next Steps

19.1 Further to this meeting, a report will be taken to the Cabinet on December 15th for a final recommendation.

19.2 In the meantime however, briefing presentations will be made at the regular Head Teachers conferences in November.

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