

Schools Forum 27th September 2012

The Schools Funding Reforms – Impact on the Main Schools Funding Formula from April 2013

This report is relevant to both maintained and academy schools

Recommendation

The Schools Forum are requested to

- note the work undertaken to establish 4 options for consideration by all schools and academies
- comment on the results of the consultation
- suggest any further analysis that should be considered before a final option is presented to the Schools Forum in October for recommendation to the Cabinet

1.0 Introduction

1.1 This report updates the Schools Forum on the progress to date on the implementation of the school funding reforms, as directed by the Department of Education (DfE), to be implemented by April 2013. This follows on from previous reports brought to the Forum in March and May.

2.0 Key Issues

2.1 The DfE publication in March this year entitled “School Funding Reform: Next steps towards a fairer system” and then “School funding reform: Arrangements for 2013-14” released in July detail the following main points of the reform:

- At the outset we should keep in mind that there will be no additional Dedicated Schools Grant allocation to the authority as part of these reforms. Consequently, any changes to the options outlined in the report would have an impact on other areas of the formula.
- 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 – use of Free School Meals /Free School Meals (FSM) ever 6 years and/or Income Deprivation Affecting Children Index (IDACI)
 2. Additional Needs - Prior attainment either use of Early Years Foundation Stage Score less than 73 or 78 and level 3 or below in KS2 SATS in Maths and English.
- An annual pro-forma needs to be submitted to the DfE at the end of October which details each schools budgets based on the agreed formula. The tight timescales have meant formal agreement through Cabinet will not have been reached ahead of this deadline and discussions will be help with the EFA in the event of any changes to the proforma that is shared.
- New role of the Education Funding Agency (EFA) to uphold fairness in the local decision making process around schools funding
- Revised arrangements with regard to Schools Forum
- A move to delegate more funding from the Schools Block to schools

2.2 The latter two points are subject to further reports in this agenda.

3.0 Approach taken

3.1 Project Management Structure

3.2 As is best practice, a Project Team (consisting of head teachers from all sectors, governors and a diocese representative) have been working on the detailed options and this work is then reported to the Project Board (consisting of head teachers and governors from across the sectors, Portfolio Holder for Children and Schools and senior Local Authority officers)

3.3 Regular communication has 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.

3.4 Elected members are also being kept abreast of the progress and the implications.

3.5 It is intended that following the Schools Forum final recommendation in October, a report will be taken to the Children and Young Peoples Overview and Scrutiny Board in November and then to Cabinet for final approval on December 13th.

4.0 Development of the Options

4.1 The Project Board agreed there was insufficient evidence locally to indicate that either the primary or the secondary sector are 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 an impact on the unit values assigned in each sector.

4.2 Whilst 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.

4.3 Lump Sum

4.4 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.

4.5 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.

4.6 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, will be included for all schools in the new formula.

4.7 A lump sum is not mandatory but there is a detrimental impact on smaller schools without this element. This level has been included in all of the options.

4.8 Basic Per Pupil Entitlement

4.9 With fewer headings available, this is 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.

4.10 This is 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 that may be attributable to all pupils. 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.

4.11 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

4.12 In practice, the KS3 and KS4 rates were identified as a combined approach as schools costs are not split in such a manner. However, the ratio of funding that had been historically used was retained to differentiate the two staged values.

4.13 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.

4.14 Additional Needs

4.15 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 or 78 and a KS2 SATS level 3 or below in maths and English)

4.16 The Deprivation element is mandatory in the new formula and head teacher feedback and statistical correlation analysis indicates that Free School Meals ever 6 years is the most appropriate indicator to identify pupils with additional needs in Warwickshire. This methodology is therefore included in all of the options.

4.17 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”.

4.18 Two of the options included prior attainment and two options concentrated on the use of FSM ever 6 years only for additional needs.

4.19 Looked After Children

4.20 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.

4.21 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.

4.22 English as an Additional Language

4.23 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.

4.24 The Project Board considered these pupils and concluded that an increased basic per pupil funding could be used to fund these pupils where necessary. In addition, the centrally retained funding could be used to offer support to schools with these pupils.

4.25 Split Site

4.26 In the initial consultation, there was little support for the option including split site funding but this was inevitable as it relates to so few schools. The Project Team and Board took an objective view and decided that these schools face different circumstances in practice and therefore merit some specific consideration.

4.27 The current split site calculation has not been reviewed for a number of years now and so this is an ideal opportunity to consider the criteria for funding split sites.

4.28 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.

4.29 The new proposed criteria is as follows:

Split Site Funding	£	
Additional Reception/administration (one on each site)	9,500	£8 per hour for 25 hrs 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 25 hrs 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 5 hrs 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	

4.30 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 schools costs but that this was a contribution to these costs.

4.31 In terms of the criteria to attract this funding, the team thought that the following would be 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), and
- Having duplicate facilities or shared facilities requiring staff/pupil transfer between sites

4.32 This would reduce the allocation of split site funding from around £915,000 to £150,000 with the money released being putd back into the basic entitlement per pupil.

4.33 Rates

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

5.0 Other funding options

5.1 In addition to the core pupil information, the DfE has provided additional data that LA's can use to further define the way in which schools are funded. These are as follows:

5.2 January reception pupil changes

5.3 The DfE have provided data on those schools where there are reception pupils showing on the January census but not that in October. This data is provided to highlight those schools that have children that do not start school until January and so will not be identified on the October census that will now drive the funding.

5.4 This relates to around 60 pupils in Warwickshire. The pupils identified in the data may well be because of normal school moves and, as such, the Project Board did not feel that this was an accurate reflection of the January reception starters and so should not be used in the formula calculations.

5.5 Mobility

5.6 The DfE have also identified schools with pupils who regularly have children admitted at periods other than the normal in-take dates. There are around 1,000 pupils each year in Warwickshire. Having looked at the schools with the movement in pupils, there are no consistent patterns of behaviour and as such it is difficult to develop a strategy to fund only certain groups.

5.7 Including these pupils in addition to the main registered pupils already used in the calculation of the overall funding options would mean that the basic amount per pupil funding would need to be diluted to ensure affordability. However inclusion would mean that those schools with these changing numbers would be compensated financially.

6.0 Notional SEN Budget

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

6.2 In effect, this part of a schools 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 LA for additional "top up" funding. The overall notional SEN budget allocation is not being reduced, but there will be variances on a school by schools basis.

6.3 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 and Headteachers and Governors to ensure there is maximum awareness of any future proposals around this.

6.3 A separate work stream is being managed by Local Authority SEN Officers to determine the provision that should be funded from the schools notional SEN budget and that which is for higher needs and will be funded by the LA.

7.0 MFG and Capping

7.1 The DfE regulations state that a school should not lose more than 1.5% funding per pupil compared to the previous year (Minimum Funding Guarantee - MFG) and this level is being retained for 2013/14 and 2014/15.

7.2 The Local Authority is now allowed to cap gains if necessary in order to make the new formula affordable.

7.3 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..

8.0 The Options

8.1 Details of the 4 final options, 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.

8.2 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.

8.3 The differences in them 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 per pupil base entitlement and the additional needs unit rate.

8.4 Taking into account the national parameters, the need for overall affordability, preference to retain the primary and secondary funding at the same levels and to have a reasonable and relative relationship between the basic per pupil entitlement and additional needs funding rates, the unit values in the options presented meet these criteria. Any significant changes to the unit values in the options would mean that one of the parameters was not adhered to.

9.0 Consultation

9.1 The DfE have made it explicitly clear in their guidance that schools should be consulted on these options and in all instances, the financial impact on schools should be made clear.

9.2 Initial consultation was carried out in June on preliminary options and, following on from the responses received and further DfE guidance issued, the 4 options in Appendix A were presented to all schools and academies in September. With the very tight deadlines set by the DfE to undertake these reforms, inevitably the time for schools to reply has been restricted. However, to aid the understanding of the issues, 4 county wide workshop sessions were carried out in the middle of September where in excess of 250 head teachers, governors and business managers attended.

9.3 These consultations, alongside further discussions through the Project team and the Project Board, have directly resulted in the options included in this report.

10.0 Consultation Responses

10.1 Out of the 227 schools that these reforms relate to, there were 120 responses to the latter consultation. This is a 53% response rate.

10.2 The results of the schools are as follows:

	Number of schools voting the option as favourite	Number of pupils represented by the favourite option
Option One	45	14,818
Option Two	32	9,085
Option Three	19	5,399
Option Four	26	10,479

10.3 Analyses of the schools that have taken part in the consultation are as follows:

		Number of responses	Preferred option
Primary Schools		94	Option One
Secondary Schools		25	Option One
	Number of respondents	Number of schools in this area	% of schools responded
North	35	74	47.3%
Central	29	55	52.7%
East	19	41	46.3%
South	36	57	63.2%

10.4 Option One is clearly the most popular with the schools that responded to the consultation and represents the largest number of pupils from the respondents also. Whilst this option has a significant amount following each pupil, it allocates all additional needs funding out on a FSM ever 6 years basis, albeit recognising also that LAC require additional support.

11.0 Conclusion

11.1 Each of the options results in a basic per pupil entitlement in excess of the current Warwickshire formula, in line with the government policy, whilst offering additional funding for pupils indicative of having additional needs. Whilst there is no national guidance on the level of the per pupil funding or deprivation levels, option one and two offer a basic per pupil funding of 83.56%, options three and four are slightly lower at 78.23%

11.2 Each of the options complies with the DfE guidance and, due to the significant changes to the allocation methodology from that used currently, results in a shift in

funding on a school by school basis, although this is mitigated by the MFG. Each of the options moves funding to a degree between areas of the county and have differing impacts on small schools.

11.3 When presented to schools, option one was most preferred with those schools replying to the consultation.

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
Additional Needs (FSM ever 6)	Primary		1,180
	Secondary		1,390
Additional 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
Additional Needs (FSM ever 6)	Primary		680
	Secondary		950
Additional Needs (Prior Attain)	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
Additional Needs (FSM ever 6)	Primary		2,400
	Secondary		2,600
Additional Needs (Prior Attain)	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
Additional Needs (FSM ever 6)	Primary		1,460
	Secondary		1,780
Additional Needs (Prior Attain)	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
Average 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
Average 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
Average 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
Average 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
Average 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
Average 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
Average 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
Average 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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