

SLOUGH SCHOOLS FORUM
24 October 2012

School Funding Reform 2013-14

Schools Block, including 5-16 Schools Formula

(Director of Education & Children's Services)

1 PURPOSE OF REPORT

- 1.1 To consult Schools Forum on the proposed arrangements for the Schools Block for the financial year 2013-14.

2 RECOMMENDATIONS

- 2.1 That Schools Forum notes the feedback from the Task and Finish Group and on the proposals for a compliant 5-16 formula.
- 2.2 That Schools Forum considers the proposals in paragraphs 5.6 to 5.37 and makes a recommendation to the Council on its preferred 5-16 formula framework , including compliant factors, datasets and funding distribution proportions to be used..
- 2.3 That if the Forum feels unable to reach a conclusion on one of the options relating to secondary school funding specified in paragraphs 5.16 to 5.27 and in Appendices C and D, that this element only is referred to the secondary heads for further consideration.
- 2.4 That Schools Forum approves in principle that funding for significant pupil growth be retained centrally, subject to the approval by Schools Forum of criteria at a future meeting;
- 2.5 That maintained members of Schools Forum representing each of the primary and secondary phases approve in principle the de-delegation of funding to be distributed in 2013-14 for the Outreach (former behaviour support) service to support the planned transfer of the management of the service to Littledown School and Haybrook College from 1 January 2013;
- 2.6 That maintained members of Schools Forum representing each of the primary and secondary phases approve in principle the de-delegation of funding to be distributed in 2013-14 for the trade union staff costs.
- 2.7 That Schools Forum approves the continuation of the Formula Task and Finish Group to undertake further work to ensure that the formula meets current and future needs.

- 2.8 That Schools Forum notes all other proposed arrangements for the notional Schools Block 2013-14.

3 REASONS FOR RECOMMENDATIONS

- 3.1 Schools Forum has a key role in the implementation and approval of the reformed funding arrangements.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 A variety of models demonstrating the different impact of factors and their weightings were considered by the Task and Finish Group.

5 SUPPORTING INFORMATION

- 5.1 Members of Schools Forum will recall that in March 2012, the Department for Education (DfE) issued consultation on School Funding Reform: Next Steps towards a Fairer System and in June issued School Funding Reform: Final Arrangements 2013-14. As previously reported, the implementation of the new arrangements from 1 April 2013 will be challenging in view of the considerable changes required within tight timescales.
- 5.2 A key change is the requirement to create a new, simpler pre 16 schools funding formula. The Council is required to submit a pro-forma containing information about their simplified formula to the Education Funding Agency (EFA) no later than 31 October 2012. Legally, it is the responsibility of the local authority to decide what factors they wish to include in the new simplified primary and secondary formula from 2013-14.

Consulting on the new pre-16 funding formula

- 5.3 Regulations currently require only the Schools Forum to be consulted on the formula. The DfE believes that, in line with custom and practice in Slough, all maintained schools and Academies, including free schools, should be consulted on formula changes. Further, that any consultation should include a demonstration of the effect of modelling such changes (including and excluding MFG) on individual maintained schools and Academies. Following the endorsement of Schools Forum to proposals and consultation questions at their meeting on 12 September, a consultation document (including modelling) was issued to Chairs of Governors, Head teachers and Bursars on 13 September. The consultation ran for 4 weeks and closed on Thursday 11 October.
- 5.4 Attached at Appendix A is a table summarising responses. Although 21 responses were received, a number of duplicate responses were received from the same school or phase of schools. Members of the Forum should note that only one response from each school has been included in the analysis. The consultation demonstrates significant support for the proposal and the comments reflect the concern of schools at the turbulence and impact of change on individual schools.

- 5.5 In addition to the formal consultation, three open consultation sessions were held where officers explained the proposals and answered questions. Over 50 Governors, Head teachers and bursars attended the sessions, representing 14 maintained primary schools, 5 Academy primary schools, 2 maintained secondary schools, 5 Academy secondary schools, 1 free school and 1 special school. This represents 65% of pre-16 schools (26 out of 40).

Formula Recommendations from Task and Finish Group

- 5.6 The Council is required to decide what factors they wish to include in the new simplified primary and secondary formula from 2013-14, taking into account the views of Schools Forum and responses to the consultation process.
- 5.7 During the summer term, detailed work was undertaken by finance officers to map the current formula to factors that are allowable in the new formula, in association with SSEF and Schools Forum colleagues. Members of Schools Forum should note that only datasets issued by the DfE, shown in Appendix B, can be used to distribute funding through the compliant factors. Issues arising from the dataset change are identified elsewhere within this report. The review of the current formula included the identification of factors that are not compliant with those allowed under the new system. A number of the consultation questions sought the views of all maintained schools and Academies on how to allocate funding through factors that are allowable.
- 5.8 On the basis of the detailed work undertaken over a number of years to develop the current formula to meet the identified needs within Slough schools, SSEF and Schools Forum have advised the Task and Finish Group to minimise turbulence for schools and to maintain the current primary / secondary ratio (1:1.43). Schools Forum should note that it is mathematically impossible to perfectly replicate the current formula using the compliant factors and datasets. Whilst the model recommended by the Task and Finish Group maintains the integrity of the current formula, it is recognised that it is flawed and that the impact on particular individual schools will be significant.
- 5.9 The following paragraphs describe the model and rationale recommended by the Task and Finish Group.
- 5.10 There are 12 allowable factors, of which two are mandatory (basic per-pupil entitlement and deprivation) and 10 are optional:
- Basic per-pupil entitlement, with a single unit for primary aged pupils and a single unit for each of key stage 3 and key stage 4 (these can be the same unit value);
 - Deprivation, measured by Free School Meals (FSM) and / or Income Deprivation Affecting Children (IDACI), with separate unit values for primary and secondary allowed;
 - Looked after children;
 - Prior attainment as a proxy measure for SEN (notional SEN budgets can also include funding allocated through other factors), with separate unit values for primary and secondary allowed;

- English as an additional language, for a maximum of 3 years after the pupil enters the statutory age school system, with separate unit values for primary and secondary allowed;
- Pupil mobility;
- Standard lump sum for each school, with an upper limit of £200,000;
- Split sites. Where used, the allocations must be based on objective criteria, both for the definition of a split site and for how much is allocated;
- Rates, which must be at actual cost;
- Private finance initiative (PFI) contracts;
- For the 5 local authorities who have some but not all of their schools within the London fringe area, an uplift to enable higher teacher pay scales in those schools to be reflected; and
- A per-pupil factor that continues funding for post-16 pupils up to the level provided in 2012-13, either through directly allocating per pupil funding, or indirectly through premises and other factors.

5.11 The last two optional factors are not applicable to Slough. In addition, the current models developed by the Task and Finish Group do not include a further two of the optional factors.

5.12 The Slough formula does not currently include a factor for Looked After Children (LAC). Although Slough has a corporate parent responsibility for these children, it is recognised that numbers are low (43 out of 20,812 pupils have ever been LAC). LAC pupils also currently attract a pupil premium that will be worth £900 in 2013-14. The current models do not, therefore, include a LAC factor.

5.13 The current Slough formula does not include a factor for English as an Additional Language (EAL). EAL is a major issue in Slough schools. The DfE dataset is calculated using the National Pupil Database and provides data for pupils who have been in the statutory age system for up to 1 year (EAL1), 2 years (EAL2) and 3 years (EAL3). The Task and Finish Group has concluded that the dataset provided by the DfE does not enable the formula to target need in Slough. For example, Slough currently has three infant and junior schools, each of which has a unique school number. The dataset does not currently recognise the transfer of pupils to junior schools, thereby understating need in junior schools. Although Slough will take advantage of opportunities to lobby the DfE for change, the Task and Finish Group recommends that this optional factor is not used as a result of flaws in the dataset.

5.14 The Task and Finish Group recommends that all other factors are included in the Slough formula.

5.15 The Group was concerned about the balance in funding achieved between selective and non-selective secondary schools and have developed two options for further consideration. This affects the balance between Basic per pupil entitlement and Deprivation factors.

5.16 Appendices C and D show the framework for the modelled formula, including the datasets to be applied and the proportion of funding recommended for distribution

through each factor, on the DfE proforma. Appendix C illustrates variant 1 for secondary schools and Appendix D illustrates variant 2 for secondary schools.

Basic per-pupil entitlement

- 5.17 The Task and Finish Group recommends that 72% of funding should be distributed through the basic per-pupil entitlement to primary schools. The Task and Finish Group further recommends consideration of two options (72% and 73%) for the distribution of funding through the basic per-pupil entitlement to secondary schools. This affects the balance between selective and non-selective schools.
- 5.18 Members of Schools Forum will recall that the DfE intend that most of the funding should be distributed through the basic per-pupil entitlement and was inclined to set a minimum threshold for the basic entitlement in March 2012. An option on which the DfE consulted was to set a minimum threshold of 60% for the basic entitlement only. The recommended proportion of delegated schools budgets distributed through the basic per-pupil entitlement in Slough would be significantly above such a minimum threshold.
- 5.19 Within a compliant formula, it is open to authorities to determine whether to include separate unit values for key stage 3 (KS3) and key stage 4 (KS4). The recommended model, mapped from the current model, includes separate KS3 and KS 4 unit values in order to continue to recognise the additional costs in secondary schools associated with practical work and preparing and entering pupils for key stage 4 examinations.

Deprivation

- 5.20 The Task and Finish Group recommends that 13% of funding should be distributed through a deprivation factor in order to continue to target and support pupils with additional needs.
- 5.21 The DfE recognises that there are many different ways to identify deprived pupils and that, at present, local authorities use a range of measures. Under the new, simpler arrangements, only a free school meals (FSM) indicator and / or an IDACI rating can be used to distribute funding for deprived pupils. FSM targets funding at specific pupils who come from deprived families, whereas IDACI ensures that funding is distributed to schools that have pupils living in the most deprived areas who might not be eligible for, or take up, FSM.
- 5.22 Since the current Slough formula uses both FSM and the Index of Multiple Deprivation (IMD), the Task and Finish Group recommends the use of both FSM and IDACI in a new formula. Under the Task and Finish group recommended model, deprivation funding would be distributed on the basis of 51% FSM and 49% IDACI.
- 5.23 The issues with recording FSM eligibility in secondary schools are well documented and, as a result, the model uses the number of pupils who have been eligible for FSM at any time in the last 6 years. Use of Ever6 FSM will

target funding at 24% of primary pupils and 25% of secondary pupils. The DfE have used a straightforward 'banding' system for IDACI in order to keep the arrangements as simple as possible. The current model includes unit values for bands 3 to 6 inclusive that target funding at 30% of primary pupils and 32% secondary pupils.

Low cost, high incidence SEN

- 5.24 The DfE believe that, if used appropriately, prior attainment can provide a good proxy for many SEN pupils not identified through a deprivation measure. Since low attainment is used in the current formula, the Task and Finish Group recommends that it is also used in the new, compliant formula.
- 5.25 For primary schools, there is a choice between two Early Years Foundation Stage Profile (EYFSP) scores. Funding can be targeted to either all pupils who achieved fewer than 78 points or all pupils who achieved fewer than 73 points on the EYFSP. The current model uses EYFSP to target additional funding at the 22.1% of Slough children who do not achieve 73 points.
- 5.26 The Task and Finish Group recommends that 8.9% of funding should be distributed through a low attainment factor to primary schools.
- 5.27 Schools Forum should note that the selective schools will receive no funding through this factor. The Task and Finish Group further recommends that Schools Forum considers options of 8.9% and 8.4% of funding that should be distributed through the low attainment factor to secondary schools. This affects the balance between selective and non-selective schools.
- 5.28 The Forum should note the different unit values allocated to primary and secondary school pupils. The Task and Finish Group had concerns that the limited definition of SEN in this factor did not accurately represent the level of, demands of and reporting of SEN pupils in secondary schools and this meant that many pupils at secondary level would not be captured. The imbalance of value is intended to address the limitations of the factor and also to reflect the present apportionment of funding between primary and secondary schools.

Pupil Mobility

- 5.29 The recommended model maps the current turbulence factor to the new, compliant mobility factor. The proportion of funding that would be distributed through this factor is 0.3% which will target 10.9% of pupils in primary schools and 3% of pupils in secondary schools.

Standard Lump Sum

- 5.30 Under the new arrangements, the formula can only include a single lump sum for each school in Slough. The lump sum is predominantly aimed at supporting efficient, small schools where they are genuinely needed, predominantly in rural areas. Although the upper limit for the standard lump sum is £200,000, the DfE aim is that most of the funding is distributed to follow the pupil. The current

model distributes 2.2% of funding through the lump sum, which has been set at £55,000 in line with both the current primary and secondary lump sums.

Split Sites

- 5.31 Schools that operate on split sites often face higher running costs as a result of, for example, the cost of travel between sites and the care and maintenance of two sites. Since September, Claycots primary school has been operating on split sites. The consultation feedback on the principle of a split site factor was mixed and no representation has been made by Claycots. The recommended model includes a split site factor with a unit value of £25,000. The unit value is based on the estimated cost of an additional site manager. The definition of a split site and confirmation of the unit value will need to be confirmed prior to submission of the final proforma in January.

Rates and PFI

- 5.32 The current formula factors for rates and PFI are replicated in the recommended model.

Requesting Exceptional Factors

- 5.33 There is a process by which authorities can request the inclusion of additional factors in their formula for exceptional circumstances. The regulations restrict the additional factors to cases where the nature of the school premises gives rise to a significant additional cost greater than 1% of a school's total budget, and where such costs affect fewer than 5% of the schools (including Academies) in the authority. There are no exceptional premises issues in Slough.

Notional SEN Budget

- 5.34 Attached at Appendix E is a draft briefing note explaining the new arrangements for funding pupils with SEN.

In-year adjustments

- 5.35 Some formula factors (for example rates and PFI) will be based on actual costs and these costs can change after budgets have been determined. In these situations, any adjustments relating to that year would be made retrospectively to the following year's budget rather than changing the budgets once they were issued.

Protection

- 5.36 All schools will continue to be protected by the Minimum Funding Guarantee (MFG) which has been set at minus 1.5% per pupil in 2013-14 and 2014-15. The calculation of the MFG has been substantially simplified and the only factors which are automatically excluded from the calculation are (i) post-16 funding from the EFA; (ii) allocations from the High Needs Block (resource unit places and all SEN top-ups); (iii) lump sum; (iv) rates; and (v) early years single funding formula

calculation. In order to fund this, the current model applies a cap of 5% on gains. As school budgets will, in future, be based on the October pupil count, the MFG has been rebased using the October 2011 pupil numbers. The model recommended by the Task and Finish Group includes a cap of 5% on overall gains to support funding the significant amounts of protection required.

- 5.37 Appendix F and Appendix G illustrate the pre and post MFG school budget shares for individual schools for the variant models.

Primary / Secondary Ratio

- 5.38 A significant factor in differences in funding levels of individual schools across the country is the ratio between funding for primary and secondary pupils. Secondary pupils tend to attract more funding than primary pupils and the average ratio nationally is around 1:1.27. Across the country this ratio spans from 1:1.1 to 1:1.5. The current Slough ratio is 1:1.43 and is at the upper end of the range. The DfE are not, at this stage, prescribing constraints on the primary / secondary ratio, but did suggest in March that an appropriate range would be 1:1.27 to 1:1.35. The DfE has advised authorities that they should be aware of where they are within the range.
- 5.39 The Task and Finish Group, following the guidance of SSEF and the Schools Forum, has been very clear that the existing ratio should be maintained. The Council has concerns about this approach and fears it will be challenged for the following reasons:
- It is a considerable departure from the national average and the DfE guidance and there is no obvious explanation why Slough should be different;
 - The explicit rationale is to maintain the status quo, although it is understood that the various representative bodies believe this to reflect accurately circumstances in the borough;
 - It may not be sustainable in the long term and in any case the ratio will change as the balance of school population shifts;
 - The pressures of smaller scale, greater churn and the recent experience of greater risk to the viability and success of primary schools would suggest primary rather than secondary should be favoured.
- 5.40 Council officers therefore wish to warn of a risk that the DfE could ask for the proposed formula to be revisited. EFA will inform authorities if they are at the extreme ends of the range of the ratio once all the draft proformas have been submitted. At this stage it is not clear what constraints may be set in the future but there is a risk that the ratio is limited from 2014-15. By maintaining the current ratio, Slough could be forced to implement further change for 2014-15.
- 5.41 Before reaching a conclusion on the formula factors the Forum is asked to consider this risk and, if confirmed in their view give guidance to the Council on why it is important that the ratio be maintained. Officers further urge that there is a commitment from the Forum that, before the weighting is confirmed in January, a fuller debate about the imbalance is undertaken.

New Delegation

- 5.42 Several budget items that can currently be retained centrally will have to be delegated through the formula from 2013-14. For each of these, the views of all schools and Academies were sought on proposals as part of the consultation process. With the exception of Outreach there is wide support for distributing funding through the basic per-pupil entitlement.
- 5.43 The model includes the distribution of all new delegated funding through the basic per-pupil entitlement, with the exception of Outreach which has been distributed through the low attainment factor.

De-Delegation

- 5.44 There are some services where maintained schools will be able to decide that some funding should be taken out of their pre-16 formula budgets before they receive them and moved to central funding. These are (i) contingencies; (ii) staff costs – supply cover and (iii) behaviour support services. For each of these, schools forum members in the relevant phase need to decide whether each service should be retained centrally. The decision would apply to all maintained schools in that phase and would mean that the funding for the services would be removed before school budgets were issued.
- 5.45 The consultation demonstrated wide support for the de-delegation of behaviour support services and, to a lesser extent, trade union costs. Academies would, of course, be free to buy back into the services.
- 5.46 De – delegation of the budget for behaviour support services would enable not only the smooth transfer of SSB to the new SEBD outreach services managed by Haybrook and Littledown but also ensure that Slough schools are able to continue to benefit from flexible and high quality support. Over the last few years this has ensured that pupil exclusion rates in the Borough compare very favourably with national averages and that local pupils are able to stay in education, employment or training within their home community.

Reception Uplift

- 5.47 The DfE has recognised that in moving to an October pupil count for the purposes of distributing the DSG and distributing funding to schools an issue is created for schools which operate on 2 points of entry (September and January). In recognition, the DfE will provide authorities with a Reception uplift to adjust the schools block funding. This will be the net difference in numbers on roll in Reception between the October and January census. Local authorities have the choice to apply the uplift to all of their schools or to none of their schools. The data demonstrates that this is not an issue in Slough schools and the formula will not include a reception uplift.

Growth Fund

- 5.48 In compliance with the current regulations, Slough has formula factors for new, reorganised and closing schools. In the reformed system, such additional funding will not form part of the formula because these situations are infrequent and best calculated on a case-by-case basis.
- 5.49 With the agreement of Schools Forum, local authorities can hold a growth fund. The consultation demonstrates support for the retention of a Growth Fund to support expansion. Further work is required to agree clear criteria.

Conclusion and Next Steps

- 5.50 The model developed by the Task and Finish Group, although flawed, maintains the integrity of the current formula. It maps the current formula factors and distributes funding through the new compliant factors using the datasets prescribed by the DfE.
- 5.51 Members of Schools Forum on the Task and Finish Group have contributed a huge effort to develop this current model. However, the Task and Finish Group also recognises that the model distributes funding to meet needs that have been identified in the past. Further work is required to review whether the model is meeting current and known future needs. Subject to establishing the timetable and progress towards a national funding formula which may render further work necessary or unnecessary, it is recommended that a more fundamental review be undertaken.
- 5.52 It is clear that the prescribed datasets do not support the targeting of funding to meet the needs of Slough pupils. Every opportunity will, therefore, be taken by the Council, Schools Forum and schools to lobby for changes to the datasets.
- 5.53 The recommendation and views of Schools Forum on the factors to be included in a compliant 5-16 model will inform the delegated decision to be made by the Chief Executive in order to submit the draft proforma to the DfE by 31 October.
- 5.54 Once the proforma has been submitted by 31 October 2012, the EFA will undertake a check for compliance with the regulations. There may then need to be a further dialogue between Slough and the EFA. Slough will need to send any changes to the EFA by 18 January 2013 once the October 2012 pupil numbers are confirmed and the DSG settlement announced. The only changes between the provisional and final versions should be for the unit values, not the factors used.
- 5.55 The proforma will also contain additional information including details of how split site and PFI allocations have been calculated, and the methods used for de-delegation or additional delegation of services.
- 5.56 These deadlines (31 October and 18 January) are critical to achieving the advantages of issuing earlier budgets. To ensure a speedy approval process in January, it would be helpful to include approval for the principles to be used to balance the budget if pupil numbers turn out differently to the estimates currently being used. The current model implies that the current phase funding split is

maintained, with factor values being scaled back or increased depending on the movement in the datasets and any final MFG adjustment being made to basic per-pupil entitlement.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The relevant legal provisions are contained within the main body of this report.

Section 151 Officer – Strategic Director of Resources

- 6.2 The financial implications of the proposed changes will be managed within the Dedicated Schools Grant funding envelope. The specific financial implications for the local authority, maintained schools and Academies are being kept under review and will be reported to Schools Forum as appropriate.

Access Implications

- 6.3 There are no access implications.

7 CONSULTATION

Principal Groups Consulted

- 7.1 All schools, Academies and Free Schools.
Schools Forum Task and Finish Group.

Method of Consultation

- 7.2 Formal consultation document circulated by e-mail.
Open consultation sessions.

Representations Received

- 7.3 21 consultation responses.

Background Papers

DfE School Funding Reform: Next steps towards a fairer system (March 2012)
DfE School Funding Reform: Final Arrangements 2013-14 (June 2012)
Schools Forum papers – April to July 12 (including Schools Budget 2012-13;
School Funding Reform - various)
DfE 2013-14 Revenue Funding Arrangements: Operational Guidance for Local
Authorities (June 2012)
DfE Modelling Tool
Consultation Document and models, issued to all schools (September 2012)

Contact for further information

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