

## CABINET

19 December 2012

<b>Title:</b> School Funding Formula 2013/14	
<b>Report of the Cabinet Members for Children's Services and Finance</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> Yes
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<b>Accountable Divisional Director:</b> Jane Hargreaves, Divisional Director of Education	
<b>Accountable Director:</b> Helen Jenner, Corporate Director of Children's Services	
<b>Summary:</b>  The purpose of this report is to update Cabinet on the progress the Local Authority is making in implementing the Department for Education (DfE) changes to schools funding arrangements as proposed in their document "School Funding Reform: Next steps towards a fairer system". The report focuses on the new Schools Forum constitutional regulations and the proposed changes to the school funding formula for 2013/14.  In accordance with the regulations, the Local Authority must consult with its Schools Forum on items relating to schools funding. The Barking and Dagenham Schools Forum was consulted and their views are detailed in this report.	
<b>Recommendation(s)</b>  The Cabinet is recommended to:  (i) Note the Barking and Dagenham Schools Forum Constitution (ref 2.2, as set out in Appendix 1)  (ii) Note the result of the Schools Funding Formula consultation process (ref 2.8 to 2.11)  (iii) Consider the comments received from the Schools Forum following the presentation of the consultation responses and the proposed funding model for 2013/14 (ref 2.14 to 2.15)  (iv) Agree the two principles: <ul style="list-style-type: none"><li>- That the funding formula for 2013/14 should not produce any school that 'loses' funding, with the exception of the two schools with specific issues that cannot be addressed through the formula (ref 2.14)</li><li>- That rapid and fair progress continue to be made towards narrowing the gap</li></ul>	

between the primary and secondary sector (ref 2.14)

- (v) Agree the Local Authority proposal of Model D for the allocation of schools funding for 2013/14 (ref 2.12 to 2.13)

**Reason(s)**

To implement DfE required changes to the arrangements for the allocation of funding to schools and the arrangements for Schools Forums.

**1. Introduction and Background**

- 1.1 In March 2012 the Department for Education (DfE) issued its latest consultation on school funding 'School Funding Reform: Next steps towards a fairer system' together with operational guidance for local authorities on the revised funding system. The consultation closed in May 2012 and the DfE made their final announcements in the summer. The DfE is proposing to move towards a national funding formula for schools in the next spending review. Therefore, in order to get the building blocks in place to support movement towards a national funding formula, from 2013/14 the DfE want to put in place simpler and more consistent arrangements for distributing funding to schools and other providers.
- 1.2 The DfE see three parts to creating a simple, more consistent and transparent funding system:
- Part 1 – That as many services and as much funding as possible is delegated to schools
  - Part 2 – To reduce the number of factors that can be used in local formulae to distribute funding
  - Part 3 – To make some changes to Schools Forum arrangements
- 1.3 This report provides an update on the Local Authority progress in respect of parts 2 and 3 detailed above.

**2. Proposal and Issues**

**Schools Forums (England) Regulations 2012**

- 2.1 The Schools Forums (England) Regulations 2012 were laid before Parliament on 7 September 2012. The 2012 regulations replaced those issued in 2010 and came into force in 1 October. They required that Forum be reconstituted and that proceedings in future meet the new requirements on public access and transparency.
- 2.2 The Schools Forums (England) Regulations 2012 set out requirements relating to membership of schools forums, their proceedings and the financial issues on which they must be consulted. They make changes to what Authority officers can be a member. They allow that certain categories of person may speak at meetings, but not be a member. The Regulations were changed by Government to reflect the changes in numbers of maintained schools following the increase in 2010

Academies and other non maintained schools in some areas. The Regulations provide that it is the Authority that determines the constitution of the Forum, subject to what is required by them. Please refer to **Appendix 1** for the Barking and Dagenham Schools Forum Constitution which has been set up in accordance with the Schools Forums (England) Regulations 2012 and the Schools Forums: Operational and Good Practice Guide (September 2012).

- 2.3 The constitution, as detailed in Appendix 1, was presented to the Barking and Dagenham Schools Forum on 25 October 2012. It is made in accordance with the new Regulations.

### **School Funding Formula Consultation – Update**

- 2.4 Since the publication of ‘School Funding Reform: Next Steps towards a fairer system, there has been regular consultation with key stakeholders. Formal submissions to the DfE in May and June 2012, in response to their proposals for schools funding and school forums, were jointly submitted with Barking and Dagenham’s Schools Forum.
- 2.5 During the period June to August 2012 a variety of funding formulas were modelled for Barking and Dagenham schools based on a set of agreed principles as detailed below:
- To minimise turbulence by closely mapping the 33 existing funding factors into the available 10 new funding factors then mapping what is currently allocated into the modelling template issued by DfE
  - To move the primary / secondary funding ratio closer to the national average of 1:1.3 (for example for every £1 allocated to a primary schools, £1.30 is allocated to a secondary school). The primary and secondary ratio was referred to in the initial school funding reform document released in April 2012. The 3 relevant sections are detailed below:
    - **1.3.52.** Another significant factor in differences in funding levels 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 is around 1:1.27. Across the country this ratio spans from 1:1.1 to 1:1.5.
    - **1.3.53.** We stated in the July consultation document that it is important to begin to move towards national consistency and suggested that a fixed range for the primary to secondary funding ratio should be established locally. Shifting the primary to secondary ratio in this way could cause significant turbulence to the budgets of individual schools (although these shifts would of course be protected for a time).
    - **1.3.54.** The introduction of the new set of formula factors that we have described in the preceding section could affect the current ratios of primary to secondary funding across the country. For this reason, we will not place any restrictions on the ratio for 2013-14. From 2014-15, once new, simpler formulae have been embedded in local authorities, we will consider whether

there should be a defined range of primary to secondary ratios so that we can begin to secure greater consistency across the country.

- To ensure the new model is affordable and cost neutral within the comparative funding envelope for 2012/13 which will minimise the cost of the Minimum Funding Guarantee (MFG). The cost of the MFG must be top sliced from the Schools Block which reduces the funding available for distribution to Schools.

- 2.6 The modelling work was carried out in accordance with DfE guidance using their modelling tools and data sets. The result of this work was the development of 3 proposed funding models which the Authority took to consultation with key stakeholders. **Appendices 2 to 5** detail the 3 funding models and the indicative impact on schools. A summary of the key points from these models are shown in table 1 in section 2.13. It's important to note that the numbers in the appendices are indicative. The appendices are based on January 2012 PLASC data (pupil numbers and data sets). The funding for 2013/14 will be based on October 2012 PLASC data. The numbers exclude funding for pupil premium, early years and sixth form pupils which are allocated under a different methodology.
- 2.7 The consultation process on the Schools Funding formula ran from 24 September to 11 October. During the consultation period, briefing sessions were arranged and groups of heads / individual schools were visited upon request. Members were involved in the consultation process. From those individuals involved in the consultation process, their views and comments were sought on the three models (Model A, B and C) presented in the briefing.
- 2.8 The results of the consultation are summarised below:
- All responses received from the primary sector were in support of Model A the aim of which was to move towards the national primary: secondary funding ratio of 1:1.3. In addition, primary colleagues had raised concerns about the implication of split site schools funding.
  - The Secondary Head teachers' group submitted a collective response with Heads and Governing Bodies in individual secondary schools reserving the right to make further representations in the light of the particular circumstances of their schools. **The collective response from the Secondary Head teachers' group is detailed below in full:**
    - We accept the principle of the need to move from the current overall LBBD primary / secondary funding ratio (1:1.46) much nearer to the national ratio (approx. 1:1.3).
    - We strongly support the principle of secondary split sites requiring and receiving significant support additional funding – as a **minimum**, equal to current levels (£216k).
    - We accept Model B2, as presented to Secondary Heads at their meeting on 5 October as a reasonable compromise towards adjusting primary/ secondary funding ratios towards the national whilst also addressing our requirements to increase secondary split site funding from the originally proposed £66k to match the current £216k as a minimum. We are

pleased to see that the amendments to create B2 as a variant of B have been achieved without disadvantaging anyone, by taking £500k from the Schools Facing Financial Difficulty allocation.

- However even Model B2 would leave 3 secondary schools and four primary schools significantly worse off immediately, at a time when an additional £6.15m has come into the pot as a result of the Area Cost Adjustment and when schools are facing increasing financial pressures.
- **We therefore very strongly support the implementation of:**
  - A) A variation of Model C for one year only (2013/14) – adjusted to create a Model C2 on a similar basis to B2 by adding secondary split site funding to a minimum of £216k per school**

**Followed by**

**B) Model B2 in 2014/15**

- This solution would give all schools, primary and secondary, significant additional funding for 2013/14 (apart from Eastbrook – which has specific issues to do with surplus places which is impossible to deal with through the formula – and George Carey, which presumably has specific issues relating to being a growing new school.
- For secondary schools, the one year stepping stone towards Model B2 would give them the time and resource to plan any re-structuring needed to cope with the new funding regime, thus minimising unnecessary turbulence.
- For primary schools, a revised Model C (Model C2 for 2013/14, followed by Model B2 for 2014/15, gives them significant extra funding immediately, followed by a further significant increase in funding in 2014/15.

- 2.9 Two secondary schools made individual representations concerning the split site factor being reduced to £66k from £216k (2012/13 value) in Models A to C.
- 2.10 The collective response from the Secondary Head teachers' group refers to a Model B2. During the consultation process the Secondary Head teachers group requested the Local Authority to model a variation of Model B. The two changes were to reduce the Schools in Financial Difficulty contingency from £1.5m to £1m and to increase the secondary split sites factor from £66k back to its current value of £216k.
- 2.11 Political leaders have been briefed on the consultation and their wish is to minimise the negative impact on any school as far as possible.
- 2.12 The Local Authority has thought very carefully about the results of the consultation process and the representations made from collective groups, individual schools and Members. Taking all the information on board the Local Authority is presenting Model D as the proposed funding formula for the allocation of schools funding for

2013/14. Following further guidance from the EFA, there will need to be further consultation with schools on the formula for 2014/15. Model D is underpinned by the following principles:

- To ensure as few schools as possible are adversely affected by the new formula
- To move more in line with the national primary: secondary funding ratio to reduce the impact of any potential national changes in future years
- To recognise that running a split site brings extra costs (for both primary and secondary schools) and the new funding formula should not disadvantage those schools that will be amalgamating
- To ensure where schools are particularly affected they will be able to apply to the Schools Forum if they become a school facing financial difficulty
- To recognise that secondary schools are adversely affected by changes in sixth form funding at the same time, which has to be considered in deciding the level of shift.

2.13 They key factors of Model D are shown in table 1 below, in comparison to the same key factors in Models A, B and C. Please refer to **Appendix 6** for the school by school analysis for Model D:

**Table 1: Key Factors – Model A, B, C and D**

	<b>Model A</b>	<b>Model B</b>	<b>Model C</b>	<b>Model D</b>
AWPU KS 1 & 2	£3,705	£3,660	£3,697	£3,827
AWPU KS3	£4,677	£4,767	£5,047	£5,020
AWPU KS4	£5,800	£5,890	£6,185	£6,158
Cap	15%	15%	7%	6.9%
MFG / (CAP)	£410,196	£25,002	(£2,892,175)	(£3,193,119)
Lump sum	£200,000	£200,000	£200,000	£150,000
Primary split site	£46,615	£46,615	£46,615	£100,000
Secondary split site	£66,426	£66,426	£66,426	£216,000
Pre MFG primary: secondary ratio	1:1.31	1:1.35	1:1.38	1:1.36
Post MFG primary: secondary ratio	1:1.34	1:1.36	1:1.42	1:1.41
Net primary gain / (loss)	£6,752,746	£6,071,260	£4,318,159	£4,834,778
Net secondary gain / (loss)	(£772,457)	(£106,182)	£1,639,068	£1,431,173
Primary 'winners'	42	41	44	44
Primary 'losers'	3	4	1	1
Secondary 'winners'	0	5	8	8
Secondary 'losers'	9	4	1	1
Provision for schools facing financial difficulty	£1.5m	£1.5m	£1.5m	£1m

- 2.14 The Local Authority asked the Barking and Dagenham Schools Forum on 25 October 2012 to consider and endorse the Local Authority proposal of Model D for the allocation of schools funding for 2013/14. Their views are detailed below:

***Question – The Schools Forum is asked to consider and endorse the Local Authority proposal of Model D for the allocation of schools funding in 2013/14***

<b>School Group / Representatives</b>	<b>For</b>	<b>Against</b>	<b>Not present</b>
Primary		6	
Secondary	3		1
Special	1		
Academy		1	
PRU	1		
Early Years		1	
<b>TOTAL</b>	<b>5</b>	<b>8</b>	<b>1</b>

***Question – The Schools Forum endorses the principle that the funding formula for 2013/14 should not produce any school that ‘loses’ funding, with the exception of two schools with specific issues that cannot be addressed through the formula***

All 13 members of the Schools Forum endorsed this principle. 1 member of the Forum was not present.

***Question – The Schools Forum endorses the principle that rapid and fair progress continues to be made towards narrowing the gap between the primary and secondary sector***

All 13 members of the Schools Forum endorsed this principle. 1 member of the Forum was not present.

- 2.15 In discussion at The Schools Forum the following specific comments were made in relation to Model D:

**Primary, Academy and PVI Representatives**

- There has not been sufficient time to analyse model D
- We were asked to vote on a model not consulted upon
- Why has the split site factor increased from £44k / £66k (Models A to C) to £100k / £216k (Model D)?
- Only Models A, B and C were presented in the September consultation briefing and now Model D is brought into the equation
- We need to understand the process of how Model D was arrived at so all schools can own the model
- We agree on the principle that no schools should lose out but Model D does not achieve the national average or has done enough to move towards the national average
- On Model A, 8 schools are ‘losers’. Would it not be possible for these schools to apply for funding from the Schools Facing Financial Difficulty contingency if the schools do experience difficulties?
- All research looks at the need for early intervention
- There was no comparative data on neighbours

- I feel discomfort agreeing a model when all the facts are not known
- Model D is not transparent and I would prefer to defer any decisions for a short period of time
- Why do primary schools receive £100k for split site funding and secondary schools receive £216k? This lacks equality

### **Secondary, Special and PRU**

- We are trying to find a way forward based on two principles of no losers except two schools) and moving closer to the national average of 1:1.3
- Model D fulfils the two principles referred to above, all schools win (with the exception of two) and there is a substantial movement towards the national average
- We need to consider the impact / risk on staff that work in the service and the need for an agreement that protects employees
- More work is needed on special school funding for 2013/14
- There is no disagreement with the need for early intervention
- If there is an agreement to avoid turbulence, Model D achieves this. Primary schools gain
- Model D for 2013/14 gives the opportunity to look at the funding formula in detail for 2014/15
- What would be the impact on MFG if Model D was modelled over the next 3 years, assuming all factors remain constant?

2.16 In terms of timelines the Local Authority must submit its proposal for the funding formula (Model D) for 2013/14 to the EFA by the end of October. Any final changes must be submitted by mid January 2013 (current timescale).

### **3. Options Appraisal**

3.1 A range of funding formula were modelled in order to identify Models A to D.

### **4. Consultation**

4.1 School head teachers, School Governors, Members, Trade Union representatives and a representative from the early years private, voluntary and independent sector have been consulted on the development of school funding formula applicable for 2013/14

### **5. Financial Implications**

Implications provided by: Dawn Calvert, Group Manager (Finance)

5.1 The School Funding Formula is contained within the Dedicated Schools Grant.

### **6. Legal Implications**

Implications provided by: Lucinda Bell, Senior Lawyer

6.1 The Barking and Dagenham Schools Forum ("the Forum") was reconstituted in accordance with Section 47 of the School Standards and Framework Act 1998 (as amended) and The Schools Forums (England) Regulations 2012.



- 6.2 The Authority is obliged to consult the Forum in accordance with the School Finance (England) Regulations 2012 and the Schools Forums (England) Regulations 2012.
- 6.3 Per the Schools Forum (England) Regulations 2012, the Local Authority must submit to Schools Forum **for consultation** items relating the schools funding as detailed below:
- Budget formula – to comment on any proposed changes to the funding formula for maintained schools (before the funding period starts) (Regulations 8 & 9)

**Background Papers Used in the Preparation of the Report:**

None

**List of appendices:**

**Appendix 1** – Barking and Dagenham Schools Forum Constitution

**Appendix 2** – Summary of Models A, B and C

**Appendix 3** – Model A – school by school analysis

**Appendix 4** – Model B – school by school analysis

**Appendix 5** – Model C – school by school analysis

**Appendix 6** – Model D – school by school analysis