

CABINET

19 November 2013

Title: School Funding Formula 2014/15	
Report of the Cabinet Member for Children's Services	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
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Accountable Divisional Director: Jane Hargreaves, Divisional Director of Education	
Accountable Director: Helen Jenner, Corporate Director of Children's Services	
Summary: <p>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 direction of travel from 2013-14 and the minor changes to the school funding formula for 2014/15.</p> <p>In accordance with the regulations, the Local Authority has consulted with its Schools Forum on items relating to schools funding. Their views are detailed in this report.</p> <p>Cabinet are asked to approve the Barking and Dagenham Schools proposed model for allocating school funding in 2014/15.</p>	
Recommendation(s) <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none">(i) note the result of the Schools Funding Formula briefing sessions, as referred to in paragraphs 2.5 to 2.7 of the report;(ii) consider the comments received from the Schools Forum following the presentation of the funding models and responses on the proposed funding model for 2014/15, as referred to in paragraphs 2.10 to 2.11 of the report; and(iii) agree to adopt Model 1 as the method for allocating school funding in 2014/15, as set out in paragraphs 2.8 to 2.9 of the report.	
Reason(s) To implement DfE required changes to the arrangements for the allocation of funding to schools and to approve the school funding formula for 2014/15.	

1. Introduction and Background

- 1.1 In March 2012 the Department for Education (DfE) started the process to reform the school funding system towards a fairer, more consistent and transparent approach with regards to the document 'School Funding Reform: Next steps towards a fairer system'. The DfE is proposing to move towards a national funding formula for schools in the next spending review i.e. 2015. In order to support movement towards a national funding formula, from 2013/14 the DfE started the process of a simpler and more consistent arrangement for distributing funding to schools and other providers.
- 1.2 The Local Authority (LA) worked with the Schools' Forum and developed a new local formula for 2013-14, using the simplified and consistent factors that were allowed and the small number of exceptional factors which were in place for 2013-14.
- 1.3 In February 2013 the DfE undertook a review of the 2013-14 across the country to understand and to move further towards a national funding formula for 2014/15.
- 1.4 This report provides an update on the Local Authority's progress in moving towards a national funding formula and its proposed funding model for 2014-15.

2. Proposal and Issues

School Funding Formula – Update

- 2.1 Since the publication of 'School Funding Reform: Next Steps towards a fairer system' and formal submissions there has been regular consultation with key stakeholders locally and there has been further consultation nationally.
- 2.2 During the period May to September 2013 a number of funding formulae were modelled for 2014/15 for Barking and Dagenham schools based upon the following requirements:
 - To move further in the 'direction of travel' to narrow the gap between primary and secondary funding towards the national average ratio of funding.
 - To ensure the new model is affordable and cost neutral within the comparative funding envelope for 2013/14 which will minimise the cost of the Minimum Funding Guarantee (MFG) as directed by Government. The cost of the MFG must be top sliced from the Schools Block which reduces the funding available for distribution to Schools.
- 2.3 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 four proposed funding models which the Council took to consultation with key stakeholders. A summary of the key points from these models are shown in **Table 1** below. Further details on the four funding models and the indicative impact on schools can be viewed at <http://www.lbbd.gov.uk/EDUCATION/Pages/Home.aspx>. The numbers used in that document are indicative and based on January 2013 census data (pupil numbers and data sets). The actual funding for 2014/15 will be based on the October 2013 pupil census data. The numbers exclude funding for

pupil premium, early years and sixth form pupils which are allocated under a different methodology.

2.4 Briefing sessions were held at headteacher meetings and their views and comments were sought on the four models (Model 1, 2, 3 and 4) presented.

2.5 The results of the briefing sessions are summarised below:

2.6 The Primary Head teachers' group were in support of Model 1, which moves funding further towards the national primary: secondary funding ratio of 1:1.3 in preparation for the national funding formula from 2015-16. Key points made by primary heads are;

- Funding should be targeted at the children at the early stage of development for intervention and the best impact upon outcomes;
- Model 1 allows funding to be targeted to the areas of huge demographic growth and need within the borough that will eventually feed through to the secondary sector;
- School balances need to be taken into account with regards to the 'secondary losses'.

2.7 The Secondary Head teachers' group were in support of model 3. They stated that most primary schools would still gain from model 3 and they felt that this is still representing a slower move towards the national average. Key points made by secondary heads are:

- The principle of the need to move from the current overall LBB primary / secondary funding ratio (1:1.4) to much nearer to the national ratio (approx. 1:1.3) should be at a slower pace which allows schools time to plan. They emphasised their own accountability pressure.
- Model 3 was presented by the Secondary Heads at their meeting on 3 October as a reasonable compromise.
- For secondary schools, the one year stepping stone towards Model 3 would give them the time and resource to plan any re-structuring needed to cope with the new funding regime, thus minimising unnecessary turbulence.
- Model 3 would leave four secondary schools and three primary schools significantly worse off immediately, but 43 primary schools would gain and 6 secondary schools would also gain.

2.8 The Schools' Forum were consulted on the funding model options at its meeting held on 8 October 2013. Model 1 is proposed as the funding formula for 2014/15 for the allocation of schools' funding, for the following reasons:

- Model 1 is the only model which makes a significant shift towards the national funding ratio at a time when the primary sector is more vulnerable and is facing greater challenges of growth and demographic turbulence ;
- It moves the LBB local formula in the direction of the pupil led national formula;

- The pre-16 Minimum Funding Guarantee (MFG) for mainstream schools will continue at -1.5% per pupil protection for 2014-15;
- It moves funding towards a more equitable basis for all sectors;
- The planned increase in pupil premium for 2014/15 indicative allocations to schools will provide an additional resource;;
- A £1m provision for schools facing financial difficulty is available;
- A growth fund of £3m is available for support towards growth in pupil numbers within schools.

2.9 The key factors of Model 1 are shown in table 1 below, in comparison to the same key factors in Models 2, 3 and 4.

Table 1: Key Factors – Model 1, 2, 3 and 4

	Model 1	Model 2	Model 3	Model 4
AWPU KS 1 & 2	£3,868	£3,793	£3,758	£3,748
AWPU KS3	£4,609	£4,769	£4,799	£4,829
AWPU KS4	£5,746	£5,906	£5,936	£5,966
Cap	4%	5.2%	5%	5%
MFG / (CAP)	£108,973	£57,675	£375,330	£475,262
Lump sum	£150,000	£150,000	£150,000	£150,000
Primary split site	£100,000	£100,000	£100,000	£100,000
Secondary split site	£216,000	£216,000	£216,000	£216,000
Pre MFG primary: secondary ratio	1:1.32	1:1.38	1:1.39	1:1.40
Post MFG primary: secondary ratio	1:1.36	1:1.38	1:1.39	1:1.40
Net primary gain / (loss)	£7,057,195	£6,558,510	£6,108,980	£5,994,602
Net secondary gain / (loss)	(£217,364)	£337,638	£661,968	£986,298
Primary 'winners'	43	43	43	43
Primary 'losers'	2	2	2	2
Secondary 'winners'	2	4	6	7
Secondary 'losers'	8	6	4	3
Provision for schools facing financial difficulty	£1.0m	£1.0m	£1.0m	£1.0m

Key:

MFG = Minimum Funding Guarantee

AWPU KS1 & 2 = Average Weight per Pupil Unit at Key Stage 1 and 2

AWPU KS3 = Average Weight per Pupil Unit at Key Stage 3

AWPU KS4 = Average Weight per Pupil Unit at Key Stage 4

Cap = Percentage 'cap' used on the modelling of any additional funding

2.10 The Council asked the Barking and Dagenham Schools' Forum on 8 October 2013 for its views on the LA models and to endorse the Local Authority proposals. The final two models discussed by the Forum were model 1 and model 3 for the allocation of schools funding for 2014/15. A vote was taken and the outcomes are set out below in Tables 2a and 2b.

Question – The Schools Forum is requested to consider and recommend a funding model, votes for Model 1:

Table 2a – Votes for Model 1

School Group / Representatives	For	Against	Abstained	Not present
Primary	6			
Secondary		5		
Special		1		
Academy				1
PRU			1	
Early Years	1			
TOTAL	7	6	1	1

There were **7 members** of the Schools Forum endorsed **model 1**, 1 member of the Forum abstained and 1 member was not present.

Table 2b – votes for Model 3

Question – The Schools Forum is requested to consider and recommend a funding model, votes for Model 3:

School Group / Representatives	For	Against	Abstained	Not present
Primary		6		
Secondary	5			
Special	1			
Academy				1
PRU			1	
Early Years		1		
TOTAL	6	7	1	1

There were **6 members** of the Schools Forum endorsed **model 3**, 1 member of the Forum abstained and 1 member was not present.

Result: Model 1 was carried as a recommended funding model for 2014/15 by Schools Forum.

2.11 Members of the School Forum made the following specific comments in relation to Models 1 and 3 and their views are detailed below:

Primary and PVI Representatives

- “In favour of Model 1 due to more equality to national levels. 1:1.35 maximum movement, strongly urge the movement to continue from 1.1:35”
- “Primary had appointed intervention teachers or staff to address the turbulence in primary numbers, LA has a low number of primary schools which are good or better and is appointing staff to address this. Get it right in primary and this will help secondary schools”.

- "There are huge pressures within the EYFS curriculum and this has upped the expectation of children by 5 years. All KS2 results affected at Level 4 and expected to be Level 4B".
- "A small shift on the journey, not a massive leap moving to go towards the average. 22,000 pupils in Primary and speaking up for that majority of pupils. Secondary has 10,000 pupils excluding 6th form".
- "The primary sector is three times larger than years ago and secondary will be getting the extra children eventually".
- "The funding received will be able to bring in experienced staff to improve and increase standards. Questioned by Ofsted and feel want to be funded across the country 'Equality and Balance'. Numbers have increased in Primary, some 1000 children".
- "Increase in primary numbers will face additional staffing costs in support".

Secondary

- "Secondary Head teachers met recently and are in favour of model 3, but agree to the principle to move to a national ratio of primary funding. It was ok last year from the injection of money with no losers. Pressure cost of 1% pay rise and other costs £100,000 for secondary schools. 6th form funding cuts faced (circa £100k) and average secondary school facing £200k cost pressure".
- "Accountability measures, end of vocational equivalences and only first take of the exam count, turbulence in exams and potentially a vulnerable sector".
- "There is a difference in real monies, most would gain more in Model 1 and most gain in Model 3 and can understand the move to national levels, but to go to Model 1 will affect drastically the secondary schools. Model 3 would hold the line in secondary, but not affect primary in Model 3".
- "Secondary budgets are not cut until there is a need to, and Model 3 all gain £200,000 or more. For secondary schools to face cuts in real terms of £200,000 will be significant and will make a real impact on the secondary's".
- "The hurt of primary colleagues was understood and could be taken out of their hands, but will lead to making staff redundant. Secondary's have a chance to stand still with Model 3".
- "There is agreement with the movement for primary, but with the drop in funding it may affect results gained over years and don't jeopardise the outcomes of our 16 and 18 year olds".

2.12 In terms of timelines the Council must submit its proposal for the funding formula (Model 1) for 2014/15 to the EFA by the end of October. Any final changes must be submitted by mid January 2014 (current EFA timescale).

3. Options Appraisal

3.1 A range of funding formulae were modelled in order to identify Models 1 to 4.

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 2014/15.

5. Financial Implications

Implications completed by: Patricia Harvey, Interim Group Manager, Children's Finance

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

6. Legal Implications

Implications completed by: Lucinda Bell, Education Solicitor.

- 6.1 The Forum is a decision making and consultative body in relation to matters concerning schools' budgets as defined in the School Finance (England) Regulations 2012 and the Schools Forums (England) Regulations 2012 (the Regulations).
- 6.2 In accordance with the Regulations, the Local Authority must submit to Schools Forum **for consultation** the Budget formula, for comments on any proposed changes to the funding formula for maintained schools (before the funding period starts) (Regulations 8 & 9).
- 6.3 This report requires that Cabinet decides which Funding Model will be adopted.

7. Other Implications

- 7.1 **Risk Management** – There are two major risks. The first is that if the funding shift is not put in place Primary Schools will continue to be under-funded which could lead to continued under-performance, and further scrutiny and challenge by Ofsted and DfE. The second is that any reduction in funding to secondary schools could lead to a reduction in their performance.
Given that 81% of secondary schools are good or better, and only 64% of primary schools, the greater risk is in the Primary Sector. The performance risks in the secondary sector should be closely monitored by the School Improvement Team.
- 7.2 **Staffing Issues** – There should be no need for any staff redundancies because the reductions in finance are low, and schools should be able to manage these through the usual staff turnover processes.
- 7.3 **Customer Impact** – Secondary age children should not see a reduction in the quality of their provision because the overall reduction is very low. Schools Forum has noted that should there be particular financial pressure on a school there are sufficient funds in the Schools in Challenging Circumstances Fund to address this.
- 7.4 **Safeguarding Children** – High quality education has an important impact on children's well being. Looked After Children will be protected from any funding reductions in schools because there has been a significant increase in Pupil Premium.
- 7.5 **Health Issues** – The health and well being board and Joint Strategic Needs Assessment (JSNA) highlight the importance of investing in early intervention to support children's long term well being. The evidence and analysis set out in Fair

Society, Healthy Lives (Marmot Review) has been developed and strengthened by the report of the Independent Review on Poverty and Life Chances. The reports draw attention to the impact of family background, parental education, good parenting, primary education and the opportunities for learning and development in the crucial first five years of life, and identified what matters most in preventing poor children becoming poor adults.

Background Papers Used in the Preparation of the Report:

- Summary of Models 1, 2, 3 and 4, 2013/14 Funding Model and school by school analysis by Model (<http://www.lbbd.gov.uk/EDUCATION/Pages/Home.aspx>)

List of appendices: None