

SCHOOL FUNDING FORMULA FINAL OPTIONS

Purpose of Report: For Information/discussion

Background: Members will recall that the July meeting of the Forum focussed on five funding formula options which had been prepared following discussions in the working group. Members were also informed that on the day prior to the meeting, the DfE had published the final arrangements for the Funding reform and that these arrangements included the following changes:

- Increasing the permissible level of the Lump sum to a maximum of £200k per school;
- Adding a 6th banding level to the IDACI data which could be used to allocate deprivation funding;
- Allowing local authorities to introduce different funding rates for primary and secondary EAL pupils;
- Introducing a second option for primary school low attainment by publishing data relating to the percentage of pupils in each primary school who had not achieved 73% in the EYFS.
- Introduction of a mobility factor, plus the publication of mobility data for each school.
- Creation of Growth Fund for planned increases in pupil numbers.

At the same time, the department also published a revised work-book for authorities to use when modelling their revised formulae.

The Forum requested that Options 2 and 5 presented at the meeting should be further developed, together with a further option which included the changes introduced in July. Members also asked the authority to model school budgets using indicative September pupil numbers so that indicative budgets were more realistic. However, advice received from the Funding Reform team is that this should not be attempted as the levels of funding used in the models is based on October 2011 pupil numbers and the use of September 2012 numbers with this funding would produce inaccurate funding models. The Forum should instead be focussing on the factors to be employed in the new funding formula and assessing the impact that these factors and the percentage of funding allocated against each of them will have on school budgets.

Timetable for approval of formula:

10 September 2012 – final options presented to Schools Forum

September 2012 – consultation with Headteacher groups, Governors, and School Business Managers.

28 September – preferred formula option recommended by Forum. Decisions to be taken on de-delegation of budgets.

October – Members and Directors briefings

10 October – presentation of final formula proposal presented to Children and Young People’s Scrutiny Panel

30 October – final presentation to Cabinet for approval of Funding Formula

31 October – formula pro-forma submitted to Education Funding Agency for compliance checks.

Final Formula Options: Three final options have been prepared for consideration by schools and the Schools Forum and the level of funding attached to each funding factor in each option is set out in Appendix A to this paper. In each option, the Lump Sum has been set at £110k as this has been agreed to be the optimum amount to ensure parity of funding between the sectors; IDACI allocations have been expanded to include the 6th banding option published by DfE; where differential rates for Primary and Secondary pupils are permitted a 50% weighting has been applied to the secondary factors in order to maintain the primary/secondary funding ratios required by the DfE. On the advice of our regional Funding Reform Team representative, the Split Site Allowances for Carisbrooke and Medina Colleges have been moved to “Ongoing 6th Form Commitments” as this funding relates in part to the Nodehill 6th Form centre. In addition, the DfE have now ruled that local authorities may not “gross-up” part year funding in respect of increased floor or grounds areas as had previously been the case. This is because the government wants the new formulae to be mainly pupil led and do not want historic site specific funding to be built in to baseline budgets.

- Option One: is based on the second option which was presented at the July meeting and provides a higher AWPU than the other two options but lower values for the deprivation factors. This option also provides a factor value of £2,344 for each Looked after Child but a much lower factor value for pupils with English as an Additional Language.
- Option Two: is based on the 5th option presented at the July meeting. The AWPU’s provided in this option a lower than in option one with the funding being transferred to the deprivation factors. The funding allocated to Looked after Children has been reduced and transferred to the English as an Additional Language factor.
- Option Three: uses the same AWPU values as option two but deprivation funding has been reduced in order to provide a funding factor based on the new Mobility Data provided by the DfE in July. This option also allocated Low Attainment funding using the percentage of primary school pupils who achieved 73 or less in the EYFS whereas options one and two use the original data which used an EYFS score of 78.

Minimum Funding Guarantee Calculation; the new workbooks provided by DfE at the end of July use a slightly different method of calculating the MFG supplements and top-slicing and the final figures on Appendix A demonstrate the level of funding required to afford the MFG in each of the options

described above. The level of gains afforded by each option is also demonstrated on Appendix A and in each of the options all schools which gain from the new funding formula are able to retain the full amount gained.

Minimum Funding Guarantee Exceptions; local authorities are able to submit requests to have certain elements of funding excluded from the MFG calculation and this authority will be submitting a request to exclude the transitional salary costs which arose from school reorganisation and the temporary funding allocated for KS1 Class Sizes. The total level of funding contained in this year's delegated budgets for these costs was £1,291,039 and this figure has been excluded from the MFG calculations carried out for all options. Assuming that the DfE approve this exemption, the authority will then request that schools de-delegate the sum required to meet next year's costs and re-allocate the funding to the schools which are meeting the costs. The current estimate of next year's costs is £854k which will leave a further £437 which has been distributed across all schools.

Growth Fund: the final funding arrangements which were published in July allow local authorities to create a Growth Fund before allocating the Dedicated Schools Grant i.e. to top-slice an amount from the Schools Block. The Fund must be ring-fenced so that it can only be allocated for the purposes of supporting growth in pupil number to meet basic need and will be for the benefit of both maintained schools and academies. The local authority will be required to set out clear criteria for the allocation of funding for growth and any funding remaining at the end of the year must be allocated to the following year's DSAG and re-allocated to maintained schools and academies through the formula. There are currently 2 primary schools which are expanding due to a planned increase in admissions numbers and there are also at least two areas on the Island where there is a clear lack of primary school places. The authority is therefore proposing that a Growth Fund should be created in order to support the planned growth in the two schools moving from one to two form entry and also to support any additional growth that the authority may need to introduce in order to ensure sufficiency of provision in certain areas. The formula options presented with this report allow for a sum of £175k being set aside to create a Fund for the financial year 2013-14. The authority is proposing that funding should be allocated from this fund in the following circumstances:

- When school's PAN has been increased at the request of the authority, in order to meet a lack of available places in the local area;
- The additional funding to be allocated based on the *actual* increase in numbers, and not on the increase in the PAN.
- The additional funding to be based on the per pupil amount on which the MFG calculation has been based.

De-delegation: Discussions have taken place previously regarding the new delegated budgets which schools may decide to de-delegate in order to allow the local authority to continue to provide the service. These budgets are set out below and members are requested to finalise discussions with the groups which they represent in order for the Forum to take a final decision on each proposal at the next meeting on 28th September. In addition, the total amount delegated to schools includes two more items of funding for which the authority is requesting de-delegation:

- Members will recall that the Schools Budget ended the financial year with a total deficit of £5.4m and in accordance with discussions that have taken place over the last few years, this

deficit will be repaid to the authority over the next three years. The deficit arose from the inherited deficits of the closed schools and from the severance costs paid to school staff during the reorganisation. In 2012-13, the DSG was top-sliced by the repayment amount before school budgets were calculated but the new funding arrangements require the local authority to add this amount to the Contingency total and delegate the funding to schools through the formula before requesting a de-delegation agreement from schools. In each of the options presented this de-delegation has been calculated according to numbers on roll across each of the sectors. The per-pupil amount is higher in secondary schools to reflect the higher level of AWPU for secondary pupils.

- The transitional salary costs are also built in to the delegated budgets of all schools and the Forum is also requested to de-delegate this funding so that it can be re-allocated to those schools on the basis of actual costs.

De-delegation arrangements do not apply to academies but the per-pupil amounts required through de-delegation for these two items have been calculated using total pupil numbers i.e. including those in academies. The local authority will request that the Academies Enterprise Trust agrees to return the relevant amounts of funding to ensure that all schools are treated equally in respect of the repayment of the deficit and that the academies only receive their actual costs for the transitional staffing costs. The budget which have been delegated to the Academies in respect t of the budget deficit and the transitional staffing costs are as follows:

Option One – Deficit Recovery	£355,596
Option One – Transitional Costs	£283,509
Option Two – Deficit Recovery	£373,041
Option Two – Transitional Costs	£283,509
Option Three – Deficit Recovery	£572,628
Option Three – Transitional Costs	£284,509

- **Free School Meals Eligibility** – this relates to the cost of determining eligibility for free school meals. The authority’s Admissions Team receives applications from parents and determines eligibility using some software which links to the DWP web-site to confirm that the family is in receipt of the relevant benefits. The Admissions team then notifies schools of which pupils are entitled to a free meal. ***The Forum is asked to consider whether this funding is to be de-delegated.***
- **Licences and Subscriptions** – this budget relates to the administration of centrally held licences and contracts such as SIMS support, Copyright Licences, Education Recording Agency Licences, for which the charges are considerably lower than if schools purchased individually. ***The Forum is asked to consider whether this funding is to be de-delegated.***
- **Staff Costs Supply Cover** – the funding which provides for one days support per week from each of the teaching professional associations. Id schools decide NOT to de-delegate this funding, then this support will cease unless schools make their own arrangements with the associations. ***The Forum is asked to consider whether this funding is to be de-delegated.***

- **Support to Underperforming Ethnic Minority Groups and Bilingual Learners** – the authority does not currently provide this service to schools and the budget was held in 2012-13 because a vacancy exists. ***The authority is not requesting de-delegation of this funding.***
- **Behaviour Support Services** – Parenting and Behaviour Support services provided by the authority to individual families and pupils. ***The Forum is asked to consider whether this funding is to be de-delegated***

The final arrangements for de-delegation state that the decision is to be taken by the Schools Forum representatives for each sector, based on the majority view of the sector. The spreadsheets attached to this document at Appendices B, C and D demonstrate the impact of de-delegating each of the services set out above.

Recommendations: The Forum is recommended to approve/agree the following:

- a) To agree the preferred option for the new funding formula.
- b) To approve the creation of a Growth Fund of £175k. The funding to be allocated to individual schools using the proposed criteria and the authority to provide regular up-dates on the funding allocated.
- c) To agree the de-delegation of the deficit repayment.
- d) To agree the de-delegation of the budget for transitional staffing costs and the re-allocation of the funding based on actual costs.
- e) To determine which of the previously centrally retained budgets are to be de-delegated in 2013-14.

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