



Haringey Council

The Children and Young People's Service

Report to Haringey Schools Forum 11th October 2012

Agenda Item

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Report Status

For information/note
For consultation & views
For decision

Report Title: School Funding 2013-14

Authors:

Neville Murton – Head of Finance (Children and Young People's Service)
Contact: 0208 489 3176 Email: neville.murton@haringey.gov.uk

Steve Worth – Finance Manager (Schools Budget)
Contact: 0208 489 3708 Email: stephen.worth@haringey.gov.uk

Purpose:

- 1. To update members on school funding reform from April 2013.**
- 2. To inform members of the responses to the consultation with schools.**
- 3. To recommend the factors and provisional funding rates to be included in Haringey's Schools Funding Pro-Forma for submission to the Education Funding Agency by the end of October.**

Recommendations:

- 1. That members recommend the formula factors and values set out in this report.**

1. Background and Introduction.

- 1.1. Our reports to the last three meetings of the Forum set out the Department of Education's (DfE's) proposed changes to the School Funding system from April 2013. A summary of the changes is set out in Appendix A.
- 1.2. To consider the changes to the funding formula in more detail the Forum set up the Funding Formula Review Group that has been consulted in considering the changes to the funding formula.

2. Primary : Secondary Ratio.

- 2.1. In earlier consultation the DfE considered introducing a maximum differential between primary and secondary funding. The DfE have decided not to impose a limit for 2013-14 but comment that, 'We cannot say at this stage what constraints might be set in future ...'.
- 2.2. Nationally, the range is between 1:1.10 and 1.1.50 with Haringey towards the higher end of the range at 1:1.42 in 2012-13. The issue of convergence and the use of the Area Cost Adjustment uplift in achieving this was a central theme of the consultation responses and will be key to achieving agreement on a new funding formula.

3. Determining the School Block.

- 3.1. As well as considering what factors to use and how much to allocate through each we need to consider how the Schools Block will be determined. Our approach is set out in the following sections and in Appendices D and E.
- 3.2. The starting point is the amount delegated to schools in 2012-13 that fall within the definition of the new block. Essentially, this is all funding currently delegated to mainstream schools with the exception of the following and is shown in Appendix D:
 - Stated funding,
 - Funding for special units,
 - Education Funding Agency payments for post 16 pupils,
 - Funding through the Early Years Single Funding Formula.
 - Funding for growth in school size.
- 3.3. To this must be added any adjustment to or from either of the other blocks. We have identified only one area where we think an adjustment is necessary.
 - 3.3.1. In the current formula we fully fund any statements with 15 or more hours of support. This is the great majority of statements and the whole of this funding will be in the High Needs Block (HNB). In the

new methodology the HNB will only fund a top-up; the remainder of the stated funding being met from a school's own resources¹. In particular schools will be expected to contribute £6,000 from its delegated budget to support a child with a statement. To align funding with responsibility it will be necessary to transfer resources from the High Needs Block to the Schools Block. The contribution to be found based on current statements is £4.1m.

- 3.4. Finding the £6,000 may lead to difficulties for some schools that receive relatively little funding through deprivation and Additional Educational Needs factors. Such schools with good levels of prior attainment and low levels of deprivation may attract relatively high numbers of pupils with statements leading to difficulties in finding the required £6,000 for each statement. We therefore recommend that some of the resources identified in 3.3.1 are retained within the High Needs Block to provide a contingency in such situations. We will do further work on the sum involved and have currently assumed £0.5m in Appendix B.
- 3.5. Also to be added to the Schools Block is the delegation of resources that are currently centrally retained and form part of the Schools Budget Local Authority Central Spend Equivalent Grant (LACSEG). The Council will in due course ask the Forum to consider 'de-delegating' some of these. The amounts to be delegated are shown in Appendix E: From this we have excluded the contingency for bulge classes. The Appendix also shows the factor we propose to use in delegating the new resource.
- 3.6. Members should also be aware that the removal of the 90% safety net in the funding of three year olds may also lead to a request for movement between blocks. We will have a better understanding of the position when autumn term numbers can be estimated.
- 3.7. The final element will be the additional funding from the expected Area Cost Adjustment revaluation. We are expecting an overall increase of about £7.3 M across the three blocks. We sought permission to exclude this from the main formula and from the calculation of the MFG to enable better targeting of this resource. This permission was not given and we are therefore required to delegate the new funding via the formula and prior to the calculation of the MFG.
- 3.8. The ACA is to reflect the additional costs of inner London teachers pay and it is therefore appropriate to delegate this to reflect the proportion of teaching staff. The main driver of this will be pupil numbers but a more intensive input will be associated with the levels of deprivation faced by a school. We therefore recommend that the additional funding is delegated 75% through the Basic Allocation with a further 25% through the FSM and IDACI factors.

4. Responses to Consultation.

¹ The DfE's strong recommendation is that the top-up is the cost of educating a child with a statement less the basic allocation less a £6,000 contribution from other factors.

- 4.1. We consulted with schools and governing bodies on 17th July 2012 with a return date of 24th September 2012. Seventeen responses have been received from 15 schools, of which three submitted its return after the due date. Four of the schools were secondary and eleven primary.
- 4.2. The questions asked are set out in Appendix C. All the responses were positive with the exception of those set out in section 4.3. Most returns also made strong representations on the primary : secondary ratio, additional ACA funding and other concerns; these are summarised in section 4.4.
- 4.3. Negative or qualified responses.

Question 1. Minimising changes.

All returns agreed that turbulence should be minimised but many also commented on the ratio between phases, see comments below.

Question 3. Lump sum and its value.

All agreed with a lump sum. Two returns suggested £100k, one £150k, one £175k and seven recommended a lump sum at the higher end of the allowed range.

Question 4. Split site factor.

Four returns from four schools rejected this, the remainder were in favour. Several commented on the need to have clear criteria on what would qualify as a split site and the use of differential rates including a suggested percentage of the lump sum.

Question 5. EAL

One school rejected this, the remainder were in favour.

Question 6. Mobility Factor.

All agreed there should be a mobility factor but one return suggested it should be low.

Question 7. Prior attainment factor.

One school rejected this the remainder were in favour.

Question 8. Single value for secondary basic allocation.

Ten responses from 9 primary schools were in favour of a single value. One primary school opposed this. Three responses from two secondary schools were also in favour of a single value and three responses favoured two values, but one stated the preference as marginal.

Question 9. Combined FSM and IDACI deprivation factor.

One school preferred the sole use of FSM to a combination of FSM and IDACI, the remainder favoured a combination.

Question 10. Post 16 factor.

One secondary response rejected this whereas five returns from four secondary schools were in favour. Four responses from three primary schools were in favour and two opposed. Five primary responses were either left blank or stated they were unable to comment.

4.4. Many of the returns expressed strong views or concerns. These were:

Primary : Secondary funding differential.

The views were clearly differentiated between sectors. The secondary sector returns taking the view that the differential reflects higher costs arising from historical decisions and that any change will impact on PANs. The primary responders expressed serious concern that the ratio in Haringey is at the high end of the national range and that this disadvantages primary age pupils. The primary responders also commented on the likely imposition of a cap on the differential and that progress towards convergence should begin in 2013 to reduce the possibility of future sharp reductions in secondary school budgets.

The use of the Area Cost Adjustment windfall.

Again views differed between sectors. The secondary sector returns usually stressed that the campaign for fair funding was fought across all sectors and that it should be distributed to reflect London weighting costs and for no other purpose. Primary sector returns usually stressed that the windfall could be used to smooth the transition to a more equitable distribution of resources whilst, together with MFG, protecting all schools cash budgets.

5. The Schools Funding Formula.

- 5.1. Schools Forum on 12th July 2012 recommended modelling the new factors to achieve a best fit with allocations received through our existing formula.
- 5.2. We modelled a best fit that was presented to the working party on 25th September. Even with a best fit model the major change in the factors available will create winners and losers. This is particularly true of the removal of the former premises and standards grant allocations. The group were concerned that the values generated by the best fit model were not grounded in the previous formula and asked for further work mapping the old factors into the new.
- 5.3. The mapping was presented to the next meeting of the group on 2nd October. The Group asked for the mapping to be amended to reflect the deprivation element of the former standards grants and to look at the distribution of resources between schools serving more and less deprived areas and to reconsider the methodology used in calculating transitional arrangements. The Group also discussed the primary secondary ratio, with officers recommending that the gap should be narrowed.

- 5.4. The subsequent modelling presented in Appendix B therefore sought to minimise turbulence, target resources at pupils with the greatest level of deprivation and to narrow the gap between sectors. It is not possible to fully satisfy all of these criteria without winners and losers. The availability of additional funding through the ACA adjustments will enable us to cushion the changes.
- 5.5. The resources modelled are higher than existing School Block budgets delegated to schools in 2012-13 by the amount schools will need to contribute to element two (£6,000) of the additional cost of pupils with statements.
- 5.6. In previous exercises of this kind a substantial lead-in time has been available. The extremely tight time-scales imposed by the DfE mean that we do not have the time to do the in-depth work that a change of this magnitude requires. It is expected that we will be able to further review the formula for 2014-15, possibly with further restrictions imposed by the DfE. The DfE expects to move to a national funding formula from April 2014.
- 5.7. The proposed factors and values, prior to new delegation, are set out in Table 1 and a brief explanation is set out in the following paragraphs.

Table 1 Indicative Formula Values

Factor	Primary	Secondary
	£	£
Basic Allocation	3,018.00	4,579.00
Free School Meals	1,751.00	2,195.00
English as an Additional Language (EAL)	500.00	1,000.00
IDACI	889.00	1,568.00
Looked After Children	1,000.00	1,000.00
Low Attainment	1,000.00	2,000.00
Mobility	1,200.00	1,800.00
Lump Sum	170,000.00	170,000.00

- 5.8. It will be noted that in almost all cases the secondary values are higher than the primary ones. This reflects both the current difference in funding levels, although the proposed formula begins to close the gap between sectors, and the higher proportion of primary funding provided through the lump sum. The DfE require a single value lump sum for both sectors.
- 5.9. The Basic Allocation replaces the Age Weighted Pupil Unit (AWPU) and is the main repository of the former premises led funding and a significant element of the former standards grants.
- 5.10. The main source of deprivation funding is delivered through current eligibility for Free School Meals (FSM) and the Income Deprivation

Affecting Children Index (IDACI). The funding has been split evenly between these two factors. These factors will be part of the element two contributions (£6,000) towards the additional cost of pupils with statements. The remainder of the former standards grants is distributed through these factors.

- 5.11. We do not currently have an EAL factor in our funding formula, the higher rate for secondary schools reflects the issues noted in 5.7 and the payment of this factor for only the first three years of a child's education, which will tend to benefit primary schools.
- 5.12. The Looked After Children funding compares with the £561 in the current formula and with the £900 to be received for LAC Pupil Premium next year.
- 5.13. The low attainment factor is to target funding at high incidence low cost SEN. This factor is also part of the element two contributions to the additional cost of statemented pupils.
- 5.14. The lump sum is at the higher end of the allowed range, reflecting the outcome of consultation. A high lump sum was also the result of best fit modelling for both the main Schools Block and the transfer of resources from the High Needs Block so as to provide element two funding for schools.

6. Post 16 Factor.

- 6.1. The Haringey Sixth Form Centre was in receipt of standards grants that were mainstreamed into the DSG in 2011-12 and continued to be paid to the centre through the Universal Grants Allocation. Under the new arrangements the Sixth Form Centre will not be funded through any of the other factors in this formula and will therefore lose this funding unless this factor is agreed. The sum received in 2012-13 was £386.5k and we recommend that the MFG rate of 98.5% be applied to this for 2013-14.

7. Split Site Factor.

- 7.1. The majority of consultation responses were in favour of this and we therefore propose a two tier allocation; one for situations where schools are separated by a road and one where the separation is greater. In the first instance we recommend a lump sum of £30,000 and in the second a lump sum of £60,000.

8. Minimum Funding Guarantee (MFG) and Transitional Arrangements.

- 8.1. In 2013-14 and 2014-15 the MFG will continue to provide transitional support. In both years it will be set at a negative 1.5%. In simple terms this will guarantee that schools receive funding of at least 98.5% per

pupil of their 2012-13 level. To fund the MFG we are proposing to impose a tapering cap on the percentage increase of those schools gaining in cash allocations. The taper will be set to recover a proportion of a qualifying school's increase once it passes a given percent of its former budget share. In the case of primary schools the cap will be 8% and for secondary schools 5%.

9. Pupil Premium.

- 9.1. As expected, next year's Pupil Premium allocation will be £900, a 50% increase over this year. There will also be an uplift in this year's rate.

10. Conclusion.

- 10.1. The move to a completely new funding formula will inevitably lead to winners and losers. We have tried to minimise this turbulence and to continue to direct resources to those schools serving the most deprived pupils. The exercise has necessarily been undertaken without the time and resources that would normally be devoted to such a change. As noted above, the removal of significant factors such as premises and former grant funding will inevitably lead to gains and losses in funding for individual schools. We have attempted to reduce this as far as possible through the factors used.

- 10.2. After applying the factors and rates set out in Table 1 the ratio of primary to secondary funding is 1 to 1.37.

11. Recommendations.

- 2. That members recommend the formula factors and values set out in this report.**