

# Local Formula Redistribution Issues

Schools Forum

6<sup>th</sup> March 2012

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**Parish / Wards Affected:** All

## Purpose

- To seek support from the Forum to a range of local formula redistribution changes that the Local Authority (LA) is implementing with effect from 2012/13 following a consultation process with the Schools Forum Sub Group and the three Swindon Associations of Head Teachers.

## Recommendations

The Schools Forum is requested to:

- Note the background and context to the proposed local funding changes;
- Note that the LA initiated a consultation process with each of the three Swindon Headteacher Associations which have shaped the proposals;
- Note the LA's concerns that communication channels between the LA, Schools Forum Members and individual schools may not be as effective as they could be and offer guidance to the LA on how this could/should be further improved;
- Consider, and where appropriate, support or seek amendments to the principles and methodologies proposed by the LA relating to the re-distribution of various elements of formula funding to ensure they are in the best interest of Swindon pupils;
- Support the implementation of local formula changes described in section 3 including increased protection for small schools and the allocation of one off transitional support funding to ensure that no individual school will, as a direct result of these formula changes, lose more than 2.5% of annual funding during 2012/13;
- Note that during 2012 the LA will be undertaking an exercise to review whether alternative methods to Free School Meals (FSM) and Indexes of Multiple Deprivation (IMD) are more appropriate to distribute funding for Additional Educational Needs (AEN).

## 1. Background

- 1.1 The LA has a statutory duty to maintain a local fair funding formula in line with the School Finance regulations and to issue annual funding allocations to schools by 31<sup>st</sup> March each year. The majority of funding in the local formula is pupil based and every mainstream School/Academy is funded via the use of AWPU (Age Weighted Pupil Unit) allocations. This therefore provides an entirely equitable distribution of "per pupil" funding across all settings.
- 1.2 In addition, the local formula also recognises and allocates specific funding to schools based on their characteristics and needs. This provides different "per

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pupil” funding values which are aimed at being proportionate to need. These items include Deprivation, Special Education Needs, English as an Additional Language etc.

- 1.3 Forum members will be aware that in December 2010, the coalition government introduced a number of changes to the school funding system which were aimed at simplifying local arrangements. Whereas the previous government had, over many years, allocated specific Standards Fund grants and ministerial priority funding (often with prescribed distribution methods) this all changed from 1<sup>st</sup> April 2011. As of the 2011/12 financial year, all revenue funding for schools (other than the Pupil Premium) has been included in the Dedicated Schools Grant settlement and individual LAs have been free to work with their Schools Forums to allocate funds based entirely on local decisions. For Swindon this represented the transfer into DSG of former Standards Fund grant of £16.8m bringing the total 2011/12 school funding pot to £118.3m.
- 1.4 Some areas of former standards fund grant are already allocated to all schools broadly proportionate to pupil numbers whereas others are only allocated to a small number of schools. The latter areas represents key funding difference between Swindon schools and, given the new governments expressed views that current formulas are already too complex, continuation of, in many cases, complex distribution methodologies does not seem appropriate.
- 1.5 Attached at Annex A is an overview to mainstream Swindon school funding in 2011/12 which, in the LA’s view, illustrates that the vast majority of local formula funding is equitable but that there are anomalies arising from the former governments funding of priorities. A relatively small proportion of overall school funding is currently allocated to only a small number of schools but this causes very significant differences in “per pupil” funding. It is these areas that have been the focus of the LA’s current review.
- 1.6 Although some LAs made changes to their formulas in the current year, after the Swindon Sub Group had received details of current distribution methods, the Forum took a pragmatic decision in March 2011 that stability was the overriding priority for 2011/12 but that this needed to be reviewed for 2012/13. The LA therefore took care in March 2011 to provide a comprehensive breakdown to each school of their 2011/12 funding allocations so that they were aware of the funds that were potentially at risk.
- 1.7 During 2011 DfE undertook a wide reaching consultation process on school funding reform which was critical of the current complexity in existing local funding formulas maintained by LAs. As reported to the Schools Forum at the 11<sup>th</sup> October 2011 meeting the LA supported the DfE’s assertion that the number of funding factors should be reduced and a number of areas were identified as being worthy of review;

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A) Items agreed by the Forum;

- **Parent Support Advisors & Extended Services Cluster Funding** – The Forum agreed that this funding should be allocated to individual schools from 2012/13 which will then be able to pool funding within clusters if they wish to do so. This has no real impact on individual school resources.
- **Former Threshold Pay Grant** – The Forum agreed that the value of this funding is maintained within sectors but transferred as an inflationary uplift to AWPU and SEN place funding factors with effect from 2012/13. This did not result in significant funding changes apart from Isambard School which has benefited. This school had fewer pupils and therefore fewer staff at the time the former Threshold Pay grant ceased.

B) Items agreed in principle by the Forum subject to the LA developing proposals via the Schools Forum Sub Group;

- **Former Standards Fund Grants and Former Ministerial Priorities** – The Forum agreed that the value of funding across sectors should be retained but that funding should be moved into AWPU and SEN place funding – providing that allocations to individual schools were not significantly affected.

1.8 During November and December 2011 the LA worked with Sub Group members to develop proposals relating to item B) above and schedules were produced which provided the indicative impact of a number of changes if specific areas of funding were redistributed pro rata to pupil numbers either immediately or phased in over 2 or 3 years. This represented the least complex allocation method and although the Sub Group felt that, on balance, there were stronger reasons to redistribute funding than to maintain the status quo, they asked the LA to consider the cumulative impact of the changes to ensure individual schools were not adversely affected to an extent that would be unmanageable, before firm proposals were made to the Schools Forum.

1.9 This assessment was undertaken prior to the 17<sup>th</sup> January 2012 Schools Forum meeting and the proposals would, regardless of how long changes were phased in over, have had a very significant negative impact on 10 primary and 3 secondary schools in particular. After consulting the Chair of the Schools Forum it was agreed that the matter would have to be referred back to the Sub Group to be reconsidered. The Sub Group met on three occasions over recent weeks to consider appropriate principles, methodologies, timescales and transitional arrangements on how funds could be more fairly distributed.

1.10 In addition the LA initiated meetings with each of the Swindon Headteacher associations which have also shaped the proposals. The

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key issue that the LA, the Schools Forum Sub Group and the Associations have had to consider is how to strike a balance between improving fairness without significantly affecting teaching and learning standards in an individual setting. The LA believes that the changes proposed for 2012/13 achieve this but it is recognised that a small number of schools which have had higher funding levels over recent years will be detrimentally affected and will need to reduce their cost base both in the short and medium terms.

***The Forum is asked to note;***

- ***the background and context to the proposed local funding changes***
- ***that the LA initiated a consultation process with each of the three Swindon Headteacher Associations which have shaped the proposals***

## 2. Communications with Schools

- 2.1 The LA is concerned that some schools appear to have been unaware that areas of the local formula were under review and have requested deferment of any changes because of this. The LA has a legal duty to consult with the Schools Forum (not individual schools) over funding matters and must do so under the assumption that there are effective communication channels between Forum Members and the sectors they represent. In addition the LA makes all Schools Forum agenda papers (reports and minutes) available on the LA's web site.
- 2.2 To further raise awareness a letter was sent to all Headteachers on 7<sup>th</sup> December 2011 which included the following;
  - "Over recent weeks the LA has been working with the Schools Forum Sub Group on a number of areas including the extent to which the local fair funding formula should be amended given that all former Standards Fund Grants and Ministerial priority funding has been mainstreamed into the DSG and is no longer ring fenced. Although the recent DfE consultation makes it very clear that future funding formula, whether national or local, will need to be simplified, the Schools Forum is keen to minimise turbulence unless there is a valid reason for doing so."
  - "The LA is currently modelling other potential formula changes and it is possible that other funding factors may be proposed by the Schools Forum Sub Group for implementation in 2012/13 or future years."
- 2.3 The LA verbally reported key school funding issues, including potential formula changes to Schools' Trade Union representatives at the 11<sup>th</sup> January 2012 Education Joint Consultative Committee meeting and has also provided information at recent Finance Admin and Bursar (FAB) meetings and at

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School Governor Briefings. In an attempt to raise wider awareness of this matter this report is also being issued to all Governors.

- 2.4 The LA is keen to improve communications with schools on all financial matters but does not accept suggestions by a small number of schools that it has failed to do so with regard to the issues currently under review. Crucially the LA does not feel that there is any reason to defer the introduction of local formula changes. This view was confirmed by the Schools Forum Sub Group which offered the following comments;
- School Leadership Teams and their Business Managers and financial advisers are responsible for keeping abreast of national and local funding issues and schools should not be entirely dependent on the LA, School Forum or their Schools Forum sector representatives regarding financial management issues
  - The changes proposed are in line with national announcements and have been reported through professional associations.
- 2.5 During discussions with the Sub Group the following areas were identified as methods of improving communications;
1. The LA will provide “financial alerts” on Schools Online that the Schools Forum and / or its Sub Group are considering issues and will signpost relevant documents
  2. The LA has offered to attend Headteacher Association meetings to provide financial updates on request

***The Forum is asked to note the LA’s concerns that communication channels between the LA, Schools Forum Members and individual schools may not be as effective as they could be and offer guidance to the LA on how this could/should be further improved***

## 3. Detail

- 3.1 At the first round of Sub Group meetings in November and December the LA had generally aimed at moving funding more on to a “per pupil” basis in line with DfE guidance that greater simplification was required. It has subsequently been acknowledged that some areas of funding were however previously allocated for specific reasons, primarily to meet Additional Educational Needs (AEN), and that alternative less simplistic options needed to be identified. All the following areas of funding have been reviewed;

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<u>Table 1 – Areas of Funding Identified for Redistribution</u>		
Annex	Total Value	Area of Funding
A	£499,073	Behavioural Improvement Partnership (BIP)
B	£656,010	Excellence in Cities/Clusters (EiC)
C	£231,493	Leadership Incentive Grant (LIG) and Post Leadership Incentive Grant (Post LIG)
D	£114,558	Advanced Skills Teachers (AST's)
E	£1,360,578	Specialist Schools
F	£2,883,681	School Development Grant
G	£304,957	School Lunch Grant
H	£179,493	Ethnic Minority Achievement Grant (EMAG)
I	£930,786	One to One Tuition
J	£491,499	Xtra Space Disadvantage Subsidy
K	£953,592	Primary and Secondary Strategy
L	£4,874,280	School Standards Grant (SSG)
M	£1,394,143	School Standards Grant Personalisation (SSGP )
N	£5,025,826	New Ministerial Priorities
	<b>£19,899,970</b>	<b>Total Funding Redistributed</b>
	£9,870,907	Primary
	£9,091,016	Secondary
	£938,047	Special
	<b>£19,899,970</b>	<b>Total Funding by Sector</b>

3.2 For each area of funding the Sub Group and Primary and Secondary Headteacher Associations were asked to;

- Note the historic basis by which funding is currently allocated
- Challenge or support the LAs view as to whether or not redistribution is appropriate on the grounds of achieving greater fairness – all areas were supported by the Sub Group and SAPH and SASH
- Consider options presented by the LA (or identify alternative options) as to how funds could be redistributed to achieve greater fairness whilst retaining a link to the original purpose that funding had been allocated for. These options were as follows;
  - Allocate funding proportionate to pupils via AWPU
  - Allocate funding proportionate to FSM pupils
  - Allocate funding proportionate to IMD scores
  - Allocate funding based on a mixture of FSM and IMD scores
  - Allocate funding proportionate to EAL pupils

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- In view of the indicative impact of potential detrimental changes in funding for individual schools, consider how quickly any changes should be implemented.
- 3.3 During discussions at the Sub Group and at presentations to SAPH and SASH a consensus view was agreed with regard to how each area of funding should be distributed, which is summarised at Annex B to this report. (A new formula for the funding of Special Schools has been agreed with ASSSH which incorporated the movement of Former Standards fund and Ministerial Priority funding into place based funding and is reported elsewhere on today's agenda). A summary of the indicative impact of these changes on annual funding in the primary and secondary sector is as follows;

<u>Table 2 – Summary of Impact of Formula Redistributions</u>		
Impact of redistributions	Primary	Secondary
No of settings benefitting	35	7
Maximum gain - £	£64,764	£238,652
Maximum gain - %	5.0%	5.6%
Maximum gain – per pupil	£146.43	£204.68
No of settings adversely affected	27	4
Maximum reduction - £	£95,156	£338,947
Maximum reduction - %	5.8%	5.6%
Maximum reduction – per pupil	£256.00	£321.89
Note 1 – The impact of losses in small primary schools have been excluded from the above table as this distorted the overall picture and protection arrangements have been implemented (see below)		
Note 2 – All figures and percentages above refer to full implementation of changes in 2012/13 although transitional funding is being put in place to limit an individual settings losses to no more than 2.5% (see below)		

- 3.4 At the Sub Group meetings the LA provided illustrations of how each setting would be affected by the preferred method of redistribution and the following arrangements were agreed to enable redistribution of funds to take place in 2012/13 whilst minimising the losses of funding in individual schools;
- **Small Schools Protection** - At the outset of the formula review the LA highlighted that it was likely that, if small schools were adversely affected from funding changes, they may not have scope to reduce spending. This proved to be the case and 4 small schools (i.e. those with less than 140 pupils) will lose an average of £22,500 per school from the redistribution changes. The local formula already

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provides small school protection funding by effectively providing funding up to pre-determined pupil levels. This is also referred to as “ghost pupil funding” and from 2012/13 the LA will be amending the protection as follows;

Table 2 – Small Schools Protection			
Current Protection		New Protection	
Up to 60 pupils	Funded at 60 pupils	Up to 75 pupils	Funded at 75 pupils
61 to 90 pupils	Funded at 90 pupils	76 to 100 pupils	Funded at 100 pupils
91 to 120 pupils	Funded at 120 pupils	101 to 140 pupils	Funded at 140 pupils

- The above changes will permanently negate all losses in the 4 schools affected arising from the formula changes but will require additional funding of £120,000 to be allocated from the local formula. Overall Funding for these schools may however still vary in accordance with pupil characteristic changes
- **Other Settings** – To enable any school to benefit from formula changes the Schools Forum has already agreed that any redistribution must be excluded from the Minimum Funding Guarantee (MFG) protection scheme. The Sub Group’s view is that it would not be unreasonable for an individual setting to experience, and be able to accommodate, a reduction in funding of up to 2.5% in 2012/13.
- Elsewhere on today’s agenda the LA is reporting that, in addition to DSG, there is a relatively significant amount of one-off funding available for allocation in 2012/13 from underspends on the retained DSG budget and from unallocated and fortuitously unexpected Standards Fund grant. The LA will therefore use this to provide one-off transitional support funding of £210,412 to be allocated across 12 primary settings and £379,039 to be shared across 3 secondary settings – thereby minimising losses in these schools to 2.5%. It is important however to note that this only applies to losses arising from formula changes and will not cover any losses arising from pupil reductions or other changes. Although transitional funding could be phased in over two or three years the LA and Sub Group believe that full one off allocations should be made in 2012/13 formula allocations.

3.5 Based on the level of surplus balances carried forward from 2010/11 the LA believes that 7 of the 12 primary schools which are detrimentally



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affected by the funding reductions should be able to implement gradual spending reductions over the next few years. It is also relevant to note that, due to the DfE imposed funding time lag, any converter Academy will not be affected by the changes until September 2013 and they will therefore have a longer time frame to respond to funding changes.

- 3.6 Whilst the LA believes that the majority of schools will be able to accommodate their funding reductions it is acknowledged that some schools which have benefited from receiving additional funding in the past will face difficulties and dedicated support will be available from the finance and school improvement team to help identify and achieve cost reductions. The LA will also agree long term deficit recovery plans where appropriate.

***The Schools Forum is asked to support the implementation of the following local formula changes***

- ***Permanent increased protection for small school***
- ***One off transitional support funding to ensure that no individual school will, as a direct result of these formula changes, lose more than 2.5% of annual funding during 2012/13***

- 3.7 During discussions and consultations with the Sub Group and at Headteacher Association meetings the relative merits of using FSM and IMD as proxy measures for Additional Educational Needs have been discussed. Although agreement was reached that IMD was the preference for 2012/13 funding in primary settings and a mixture of FSM and IMD for secondary settings, the LA will be reviewing alternative methodologies during 2012 and will report findings together with any 2013/14 proposals to the Schools Forum. An overview to IMD is attached at Annex C.

***The Forum is asked to note that during 2012 the LA will be undertaking an exercise to review whether alternative methods to Free School Meals (FSM) and Indexes of Multiple Deprivation (IMD) are more appropriate to distribute funding for Additional Educational Needs (AEN).***

### Alternative Options

The LA could defer any changes to local formula funding until 2013/14 or in fact allow the existing funding formula to continue indefinitely although, based on DfE communications, this could result in very significant changes to the level of funding received by individual schools and Academies when either a national formula or national criteria are imposed by DfE. The LA believes that stepped changes towards simplification and fairer funding are required commencing in 2012/13.

### **Risk Management**

#### *Financial and Procurement Implications*

- These are set out through the report and in the Annexes attached.

#### *Legal / Human Rights Implications*

- There are no direct legal or human rights implications arising from this report

#### *Links to Corporate Plans and Policies*

- Scheme for Financing Swindon Schools and the local fair funding formula

#### *Diversity Impact Assessments*

- All options in this report are aimed at improving fair funding for all Swindon pupils
- No proposals are made which should have an adverse impact on any Special Needs, Black or Minority Ethnic pupils or Looked after Children.
- Where appropriate, measures are available to ensure any changes to funding are based on robust deprivation measures.

### **Consultees**

The Director of Finance (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

### **Background Papers and Appendices**

Annex A - Overview to 2011/12 Mainstream School Funding

Annex B - Summary of Current & Proposed Funding Methodologies

Annex C - Overview to IMD Funding