

Schools Forum 17th October 2012

Schools Block and funding to be delegated to schools in 2013/14 – For Information and guidance on priorities for distributing unallocated funding

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Executive Summary:

This report provides information on:

- The size of the Schools Block and revised Control Total arising from recent communications from the Education Funding Agency [EFA.] The net effect is to increase the funding available for delegation to schools.
- Using the DfE Toolkit Version 3 to calculate school budget shares and the options available within the Toolkit for modelling the distribution of additional funding.
- Addressing the concerns expressed by many primary headteachers on the ratio of funding per pupil between primary and secondary phases.
- De-delegation and Pooled funding arrangements and how they would affect the funding and financial obligations of schools.
- Provisional school budget shares for 2013/14 based on provisional School Census data for 4th October 2012. **[To be tabled at the meeting].**

This report was written before data from the October School Census was available. The increase in the size of the Schools Block based on 2012/13 funding adjustments by the EFA means that the Local Authority can allocate additional funding to schools to address two priorities:

- (a) Increase the primary phase AWPU and therefore reduce the ratio of funding per pupil between primary and secondary phases; and
- (b) Raise the Ceiling Gain to enable schools that gain from the new funding arrangements to keep more of their gain.

Schools Forum is being asked for guidance on whether or not these are the two priorities for the use of additional funding and what proportion of the funding should be allocated to each priority.

The size of the Schools Block and revised Control Total

The EFA informed the Local Authority on 20th September that its latest forecast for the breakdown in the funding blocks was as set out in **Table 1** below:

Table 1 – Revised breakdown of funding blocks for 2012/13

Funding Block	Original	Revised	Change
High Needs	£33,206,760	£32,725,080	-£481,680
Early Years	£13,703,575	£13,676,809	-£26,766
Schools	£173,647,665	£176,032,028	+£2,384,363
Total	£220,558,000	£222,433,917	£1,875,917

The High Needs Block now takes account of adjustments for recoupment where other local authorities become responsible for paying the commissioning fee for their pupils attending our schools and alternative provision. Whilst the total funding is lower, our commitments have also been reduced. An adjustment has also been made for hospital and home education where a national top-slice has been applied.

The Schools Block funding has increased because we showed our High Needs Expenditure as gross rather than net (e.g. net of recoupment which is positive for Waltham Forest and SEN Block funding from the EFA). Therefore the EFA have added this funding to the Schools Block.

The importance of these funding adjustments is that they increase the value of our Schools Block GuF which will be used to calculate the actual funding for the Schools Block in 2013/14. The EFA have informed us of how they have calculated our Schools Block GuF for 2013/14. This is summarised in **Table 2** below:

Table 2 – Calculation of Schools Block GuF and Size of Schools Block for 2013/14

Data	2012/13	2013/14	Change
Schools Block	£176,032,028	£181,544,650	+£5,512,622
Schools Block pupils (October Census)	33,739	34,796	+1,057
Schools Block GuF	£5,217.40	£5,217.40	n/c

What this table shows is that we can revise upwards our previous forecast of the size of the Schools Block in 2013/14. In the report in September we stated that we had forecasted the value of Schools Block as **£178.187m** which after allowing for funding retained centrally of up to **£4.590m** (Growth Fund and other LA functions) would leave **£173.597m** for delegation to schools and we had allocated **£97.471m** to the primary phase and **£76.126m** to the secondary phase.

Table 2 shows that if the mainstream school population reaches **34,796** as forecasted, then the funding available for delegation to schools (e.g. the Control Total) would be **£176.955m (£181.545m -£4.590m)** an extra **£3.358m**. However, we need to be cautious until actual NOR in October 2012 is confirmed.

As explained at the last meeting, it is the Local Authority's intention to allocate all growth in funding to the primary phase, since this is where the growth in numbers on roll which triggers the extra funding is occurring and also in recognition that the Local Authority will need to start reducing the difference in funding per pupil between primary and secondary

phases – a point raised strongly in the letters received from primary headteachers. This is picked up later in this report

Transfer to using DfE Toolkit V3

The Local Authority has moved across its schools budget data from its own budget spread sheets to the DfE Toolkit which has been developed with the help of local authorities. Up to now all modelling and calculations have been done using the Local Authority's own software.

This is the appropriate time to use the DfE Toolkit as we have to use it to submit our draft pro-forma on allocation of funding to schools and Academies at the end of October. There are some differences between the software:

- There are some minor changes in individual school budgets since the DfE pupil characteristics data used to determine targeted support for pupils is to 7 decimal places whereas we only used a maximum of 2 decimal places;
- It automatically calculates the minimum funding guarantee and allows the Local Authority to set the Ceiling Gain.
- The software enables a local authority to model options for allocating funding and this has been used to arrive at proposals for allocating the forecasted additional funding available to be delegated to schools and Academies.

It is important to note here that when DfE Toolkit fixes the Ceiling Gain it only allows the same rate for both primary and secondary phase schools. This reduces options for distributing funding between sectors and we intend to raise this issue with the DfE for more flexibility. In addition it automatically calculates the primary: secondary ratio. It calculates the primary and secondary phase funding for all-through schools in a slightly different way to the Local Authority apportioning non-pupil funding on the split in primary and secondary numbers on roll. This has the net effect of producing a ratio which is marginally lower than that calculated by the Local Authority.

Relative funding of primary phase and secondary phase pupils

The current position for 2012/13 is set out in **Table 3** below.

Table 3: Relative funding of Primary and Secondary Phases 2012/13

Phase	No of pupils	Total funding	Funding per pupil	Ratio
Primary	22,038	£99,445,066	£4,512.44	0.696
Secondary	12,047	£78,152,663	£6,487.31	1.438

These figures do not include Pupil Premium or additional funding in primary schools for new receptions classes opening in September 2012. However, the secondary figures include funding for collaboration between primary and secondary schools as the secondary schools are the lead schools, even though funding is spent across both phases. If the **£0.748m** is

removed from secondary school budgets the funding per pupil falls to £6,425 and the ratio falls to 1.424.

To compare with data published for 2013/14, we need to adjust for SEN as this funding will now come from High Needs Block and will not count within delegated funding. **Table 4** below shows the adjusted data.

Table 4: Relative funding of Primary and Secondary Phases 2012/13 after removal of SEN

Phase	No of pupils	Total funding	Funding per pupil	Ratio
Primary	22,038	£95,572,952	£4,336.73	0.690
Secondary	12,047	£75,669,435	£6,283.68	1.449

The net effect is to worsen the difference as primary schools receive less SEN funding per pupil than secondary schools (£176 v £204). The figures in **Table 4** are therefore the base figures that we are working on for comparison purposes for 2013/14. Data published in the report on a revised local funding formula presented to Schools Forum in September is set out in **Table 5** below:

Table 5 – Figures reported in September 2012

Phase	No of pupils	Total funding	Funding per pupil	Ratio
Primary	22,734	£97,471,742	£4,287.49	0.674
Secondary	11,961	£76,124,529	£6,364.40	1.484

Note that the numbers do not now include pupils in SRPs as they are funded from the High Needs Block. Total funding has risen because of the additional delegations to schools and growth in funding from additional pupil numbers offset by the loss of one-off underspends in 2011/12 which was added to school budgets in 2012/13; these were worth some **£1.704m**. Clearly the net effect as explained at Schools Forum was a worsening in the relative funding for primary schools; hence the concerns expressed by primary headteachers. The DfE Toolkit produces a slightly different result as shown in **Table 6**.

Table 6 – DfE Toolkit calculation of primary / secondary funding ratio

Phase	No of pupils	Total funding	Funding per pupil	Percentage
Primary	22,724	£98,568,589	£4,338	0.692
Secondary	11,963	£75,029,870	£6,272	1.446

There are a number of actions that the Local Authority can model to reduce this ratio and these are explained below:

- (1) Reduce the funding for secondary phase schools** e.g. by reducing the value of the AWPU by £50 – worth about **£0.537m**. However, this triggers an increase in the MFG for the three secondary schools which lose out on the funding changes – Buxton, Norlington Boys and The Lammas and brings in Walthamstow School for Girls. The cost of MFG rises from **£0.755m** to **£0.848m** which means that the Ceiling Gain has to be reduced for both primary and secondary phases to pay for it. Overall the ratio improves marginally to 1.436 (prior to MFG /ceiling gain adjustments).

(2) Increase the Ceiling Gain from the provisional figure of 1.5%.

Our starting point of a minimum funding guarantee of minus **1.5%** and a matching Ceiling Gain of **1.5%** produce a significant difference in impact between the primary phase and secondary phase as shown in **Table 7** below:

Table 7- Impact of imposing a 1.5% Ceiling Gain alongside an MFG of minus 1.5%

Phase	MFG (£)	MFG (Schools)	Ceiling Gain (£)	Ceiling Gain (Schools)	Net effect (£)
Primary	1,607,448	24	-302,480	14	1,304,968
Secondary	755,395	3	-1,412,700	9	-657.305
	2,362,843	27	-1,715,180	23	647,663

As it stands, the money clawed back from imposing a Ceiling Gain of 1.5% is insufficient to meet the cost of applying the Minimum Funding Guarantee. However, as the Local Authority now has unallocated balances to allocate to schools and Academies, this in itself is not a concern.

Therefore, an increase in the Ceiling Gain, whilst benefiting the 23 schools currently caught by a 1.5% ceiling would have a significantly greater effect on the secondary phase. **Table 8** below shows the net effect of increasing the Ceiling Gain to 3%:

Table 8 – Net effect of increasing the Ceiling Gain from 1.5% to 3%

Phase	MFG (£)	MFG (Schools)	Ceiling Gain (£)	Ceiling Gain (Schools)	Net effect (£)
Primary	1,607,448	24	-174,224	5	1,433,224
Secondary	755,395	3	-769,863	7	-14,468
	2,362,843	27	-1,921,005	12	1,418.726

The net effect is allocate an extra **£0.771m** to schools and Academies that gain by more than **1.5%**. Most of this gain (all but **£0.128m**) goes to secondary schools with gains of more than 1.5%. The the overall effect for the secondary phase is that the amount saved by applying a Ceiling Gain of 3% meets the cost of the MFG protection; meaning there is no spill over effect onto the primary phase.

The imbalance in the primary phase can be addressed by raising the AWPU for primary aged pupils and this is the third option.

(3) Increase the AWPU for primary phase schools only

This is the most straightforward way of improving funding for all primary phase schools (including the two all-through schools) without having a negative impact on secondary schools (including the two all-through schools).

However, it should be remembered that an increase in AWPU will mean that schools will have to make an increased contribution to the funding of any High Needs / Low Incidence (HNLI) children in the school and conversely the Local Authority would contribute less. There

is also a very slight effect on split site schools where funding is based on a percentage of AWPU and on the Notional SEN funding for the school which includes 2% of the AWPU.

The Local Authority has modelled a rise in the AWPU for primary aged pupils from **£3,080** to **£3,200** plus the rounding of the rate for secondary aged pupils to **£4,850** so that both rates are simple to remember. This has a significant effect on the primary / secondary ratio but it also means that more primary schools are now caught by a Ceiling Gain of 3% as the two tables below show.

Table 9 – Revised primary / secondary funding ratio

Phase	No of pupils	Total funding	Funding per pupil	Ratio
Primary	22,724	£101,234,434	£4,455	0.709
Secondary	11,963	£75,126,788	£6,280	1.410

The effect of adding £120 to the primary AWPU is to reduce the ratio from 1:1.446 to 1:1.410 which is a significant improvement on the ratio for 2012/13 of 1:1.449.

Table 10 – Revised MFG and Ceiling Gain costs

Phase	MFG (£)	MFG (Schools)	Ceiling Gain (£)	Ceiling Gain (Schools)	Net effect (£)
Primary	484,348	13	-612,590	16	-128,242
Secondary	667,597	3	-789,486	7	-121,888
	428,127	3	-1,934,399	23	-250,130

However, not all primary schools benefit fully from the extra £120 per pupil as explained below:

- **13** primary schools remain better off under MFG and gain no extra funding.
- **11** primary schools which were better off under MFG are now better off under the formula but they do not get the full benefit of the extra £120 per pupil.
- **5** primary schools already restricted by the Ceiling Gain of 3% gain no extra funding.
- **11** primary schools now become restricted by the 3% Ceiling Gain and therefore get less than an extra £120 per pupil.
- **13** primary schools gain the full £120 extra per pupil

Appendix A to this report shows the impact for every school and Academy of what is being proposed at this stage namely:

1. Ceiling Gain is raised to 3%
2. AWPU for primary schools is raised by £120 to £3,200 and the AWPU for secondary schools is rounded to £4, 850.

The content of the Appendix is explained below:

Column	Explanation
A	This is the updated formula funding with the AWPU at £3,200 for primary and £4,850 for secondary phases.
B	Black figures show the level of MFG protection; red figures are the amount of funding schools will not receive with a Gains Ceiling of 3%.
C	This is the adjusted school budget share after changes for MFG and Ceiling Gain. [e.g. C = A+B]
D	The percentages show the change in phase funding after adjusting for MFG and Ceiling Gain e.g. it slightly decreases by 0.2% for secondary and all-through and by 0.1% for the primary phase.
E	This shows the original school budget shares for 2013/14 as presented to Schools Forum in September 2012.
F	This shows the difference between the updated school budget shares [Column A] and the original school budget shares [column E] which adds £2.640m to delegated budgets. Schools that have converted to Academy status from September onwards will have had a downward adjustment in their rates which affects the figures negatively.
G	This expresses the difference as a percentage. Primary phase schools do significantly better because of the increase in AWPU by £120. The percentages differ for primary schools since those schools with more of their funding allocated through AWPU will see a larger percentage rise.
H	This shows the comparable school budget share for 2012/13. This means that the actual school budget share for 2012/13 has been adjusted to remove SEN funding (including SRPs), payments that will now be made through the Growth Fund (e.g. new reception classes, organisational changes and size protection for temporary classes and any on-off funding. These funds are removed prior to the calculation of the MFG.
I	This shows the change in adjusted school budget shares between 2012/13 and 2013/14. It is important to note here that some of the change will be due to changes in numbers on roll. It is Column H – Column C. Overall, £5.186m extra has been delegated although most of this reflects growth in NOR which is why primary sector accounts for most of the additional funding. The principal reason for a fall in funding is a lower NOR.
J	This is the difference expressed as a percentage. Note that this may be outside the margins of MFG Minus 1.5% and Ceiling Gain of 3% as this relates to changes in funding per pupil and not overall budget. Thus it is perfectly possible to have a negative growth in overall funding and yet be restricted by a Ceiling Gain if there have been changes in NOR. Alternatively funding could grow by over 10% and the school could still benefit from MFG protection!

De-delegation and pooled funding arrangements:

As explained in previous reports the only funding within Schools Block that can be retained by the Local Authority before delegation are:

- Growth Fund
- Admissions
- Servicing of Schools Forum
- Termination of Employment Contracts
- Carbon Reduction Commitments
- Capitalised Expenditure funded from Revenue [CERA]

Clearly the more that is held at the centre for these activities, the less funding delegated to schools and Academies. At the moment this amounts to **£2.850m** for the Growth Fund and **£1.997m** for the other five functions; making a total of **£4.847m**.

A further report to this meeting of Schools Forum entitled “Changes to Centrally Retained Funding and Subsequent Consultation” examines the rationale for retaining the £1.997m. It is important to note here that changes to this funding impact upon the funding of both maintained schools and Academies.

In previous years, other funding has been pooled by maintained schools following agreement by Schools Forum – usually on the basis of sharing the risk or value for money by schools collectively purchasing an agreed service. The list of functions where the Local Authority previously retained funding centrally and is now required to delegate the funding is:

- Contingency Funding
- Occupational Health
- Staff supply costs – trade unions

Current pooled services include:

- Pupil Referral Units
- Alternative Provision
- Speech and Language Therapy
- Primary Area Co-ordinator
- 14-19 Area Board
- School Lunch Grant
- Education Psychology Service
- Practical Learning
- Strategic Framework
- Extended Schools

It is important to note here that the decision on pooling is ultimately taken by the maintained school representatives on Schools Forum who will need to take account of the views of the schools they represent. Any pooled funding agreements only affects maintained schools. Academies can individually agree to pool funding and receive the same service as maintained schools, buy in on their own terms, provide the function themselves or procure it from another source.

Pooling therefore does not affect the school budget share but it will affect the proportion of the budget over which maintained schools will have effective control. Proposals for pooling arrangements are set out in a further report to this meeting of Schools Forum entitled “Consultation on de-delegated funding and pooling arrangements for 2013/14”.

Conclusion:

This report provides an up to date analysis of funding arrangements for mainstream maintained schools and Academies in Waltham Forest. In particular it asks for guidance from members of Schools Forum on implementation of options for the allocation of the additional funding available to be delegated to schools and Academies.

Changing the AWPU and the Ceiling Gain has been shown to have different distribution effects upon the primary and secondary schools; and more importantly between schools within a particular sector. The report shows how the funding per pupil ratio between primary and secondary phases could be reduced.

Essentially, a combination of changes to AWPU and Ceiling Gain can target funding towards or away from particular schools. The Local Authority is seeking guidance from Schools Forum on the extent to which it should be targeting funding to support schools that gain little or lose out from the new funding formula (e.g. a rise in AWPU) or enabling those schools which gain from the changes to receive more of that gain in the first year (e.g. by raising the Ceiling Gain). The Local Authority has held back approximately **£0.510m** available to be delegated to schools until pupil data from the October 2012 School census is known. This is because if actual numbers are lower, funding available to be delegated will fall.

Action by Schools Forum;

- 1. To note the forecasted increase in funding available to be allocated to schools and Academies in 2013/14.**
- 2. To discuss and offer guidance on the options outlined in the report to allocate the additional funding and in particular start to reduce the per pupil funding ratio between the primary phase and secondary phase**

All members have the right to contribute to the discussion and subsequent guidance given to the Local Authority. However, should there be a vote; this will be limited to schools members only.