

Schools Forum - 19th September 2012

Report on Factors within the Local Funding Formula for primary and secondary phase schools & Academies – For agreement to recommend to Cabinet for approval

Report written by Graham Moss, Strategic Development Consultant

Executive Summary:

This report contains the Local Authority's final proposals on the factors to be contained within the Local Funding Formula for 2013/14. It takes account of the forecasted size of the Schools Block after funding for the High Needs Block and Early Years Block have been deducted from the forecasted DSG. This will change when details of the 4th October 2012 Census data is available and a revised forecast will be presented to Schools Forum at its October meeting.

The final proposals to the Local funding Formula show some minor changes from the original proposals which formed the basis of consultation with schools & Academies during June and July 2012. Feedback from schools & Academies is set out in another report to Schools Forum and some of the changes made reflect the feedback.

The revised rates assume that Schools Forum approves the Local Authority's proposals for the establishment of a Growth Fund as set out in a further report to Schools Forum as this reduces the total funding available to be delegated to schools.

Funding for individual schools & Academies are set out in **Tables A to F** to this report. The Local Authority has used the May 2012 School Census data and information on places offered in reception and year 7 classes plus the latest pupil datasets from the DfE to construct these budget shares. The report shows how this has been calculated.

The Local Authority has to submit its Schools' budget pro-forma to the EFA by the **31st October 2012** which sets out the factors and the rates which will apply. After this date, the Local Authority can change the total sums of money allocated to the primary and secondary phases and the rates applied to each factor in the light of changes to DSG and pupil characteristics arising from the 4th October 2012 School Census Count but it cannot change the factors again until 2014/15. In any case, the Local Authority intends to use all allowable factors other than that for Looked-after Children.

The Local Authority is asking Schools Forum to agree to recommend the proposals set out in this report to Cabinet for approval by Cabinet at its meeting on 9th October 2012.

(a) Introduction- the three funding blocks

The amount to be distributed through the Local Funding Formula is dependent upon strategic decisions to be taken by the Local Authority. This relates to the proportion of the Dedicated Schools Grant (DSG) allocated to the High Needs Block, the Early Years Block and the Schools Block.

On 12th July 2012, the Education Funding Agency (EFA) gave the Local Authority a provisional breakdown between the three unringedfenced blocks based upon the final DSG allocation for 2012/13 and our section 251 return. Minor modifications have been made by the Local Authority following adjustments to our s251 return. **Table 1** gives the details of the current breakdown

Table 1 – Breakdown between funding blocks for 2012/13

Funding Block	£m	%
High Needs Block	33.207	15.1%
Early Years Block	13.704	6.2%
Schools Block	173,648	78.7%
DSG	220.558	100.0%

The final size of the High Needs Block will change since it is being adjusted to take account of the ending of inter-authority recoupment and local authorities becoming responsible for top-up funding for young people aged 16-25 with learning difficulties. However, this will not impact on the funding for the other two blocks. (See the report on the High Needs Block).

The Early Years Block is also due to increase with the inclusion within the DSG of funding for free education for 2 Year Olds which is currently a separate grant. However, apart from these technical adjustments, the Local Authority presumption is not to transfer funding between the three funding blocks as this would make it difficult to calculate funding for delegation to schools which is the first decision to be made (see the report on Timeline and Decision-making Process). However, more is being done on cost pressures affecting all three funding blocks and it may be necessary to make an adjustment. If so, this will be reported to Schools Forum at its meeting in December 2012.

Working on this presumption means that the size of the Schools Block for 2013/14 is therefore dependent upon any changes in the school population between 17th January 2012 and 4th October 2012. The Local Authority has used the School Census data for May 2012 and data for places allocated (and accepted) to reception classes and year 7 classes in secondary schools to forecast the provisional school population for October 2012. This is set out in **Table 2** below:

Table 2 – Change in mainstream school population

Year Group	January 2012	October 2012	difference
Reception	3591	3678	+87
KS1	6647	6969	+322
KS2	11783	12168	+385
Total primary	22021	22815	+794
Yr 7	2396	2350	-46
Yr 8-9	4768	4762	-6
Yr 10-11	4882	4906	+24
Total secondary	12046	12018	-28
Total	34067	34833	+766

Our forecast is that the increase in the mainstream school population of 766 plus growth of 11 in numbers in our special schools & Academies will generate an increase in DSG of **£4.539m**. (Guaranteed Unit of Funding (GuF) of £5,841.83p per pupil x 777). This means that the Schools Block would increase to **£178.187m**. However, until the actual school census data is available in October we cannot be sure of these figures.

The actual amount available for delegation to schools will be less than that since the Schools Block also includes funding retained centrally by the Local Authority. **Table 3** below summarises what these may be.

Table 3 – Funding retained centrally by the Local Authority within the Schools Block

Expenditure	£m
Proposed Growth Fund	2.850
School Admissions	0.739
Servicing of Schools Forum	0.051
CERA	0.693
Carbon Reduction Commitment	0.257
Total	£4.590

It is important to note that the proposed expenditure on the Growth Fund is set out in another report to Schools Forum and is subject to the approval of Schools Forum. In addition, funding for these central provisions are also apportioned against the High Needs Block and Early Years Block (see separate reports). The expenditure on the central provision, other than the Growth Fund, is the **maximum** amount the Local Authority is permitted to spend based on section 251 returns for 2012/13. A report will be going to Schools Forum on 17th October 2012 detailing the amount of funding the Local Authority wishes to retain in 2013/14 as the basis for consultation. If it is less than the £4.590m it will increase funding for delegation to schools. Funding for delegation may also increase if there are any underspends on contingency funding held for 2012/13. And the current position on underspends is set out in the report on DSG for 2012/13 and underspends for 2011/12.

This means that there is a forecasted **£173.597m** to delegate to schools in 2013/14 through the local funding formula (£178.187 - £4.590m). There has to be two separate funding pools for primary and for secondary phase schools, with the two all-through schools funded on a phase basis from both pools. The Local Authority has taken the view that for simplicity and transparency at this stage it will leave the size of the Secondary Pool for 2012/13 (net of adjustments for SEN funding moved to the High Needs Block) unchanged as the number of pupils is broadly the same. Therefore all of the growth in the size of the Schools Block will be put into the Primary Pool (again net of SEN adjustments). There are two principal reasons for doing this:

- All the growth in pupil numbers is taking place at the primary phase and the extra DSG funding is being generated by this growth.
- The Local Authority is a significant outlier in respect of balance of funding between primary and secondary sectors and it needs to ensure that the direction of travel is

towards the national average. The national average is for secondary schools to be funded at 27% more per pupil than primary but in Waltham Forest this stands at over 40% in 2012/13. Although there is no requirement to do this in 2013/14 it would be better to start mitigating any future adjustments that the Local Authority will be required to make from 2014/15 onwards.

(b) The Local Funding Formula

Following discussion at Schools Forum on 16th May 2012, the Local Authority consulted with maintained schools & Academies on the factors to be used in the Local Funding Formula from April 2013. A separate report on feedback from the consultation on a new Local Funding Formula gives details of the comments from schools & Academies which broadly supported the proposals put forward by the Local Authority. The Local Authority intends to use all of the factors allowable by the DfE other than for Looked-after Children for the reasons set out in the consultation documentation. Essentially there are four groupings of factors:

Lump Sum and AWPUP:

Feedback from consultation was that the majority of schools, both primary and secondary favoured **£125,000**. Had the two phases preferred different rates, Schools Forum would have needed to take a vote. Secondary schools were also in favour of a single rate for all secondary pupils, although the DfE in the end decided to allow LAs to have separate rates for KS3 and KS4. Taken together, there is very little difference between the two phases in the total funding allocated to the Lump Sum and AWPUP – **78.4%** in primary and **78.5%** in Secondary.

Deprivation:

The Local Authority will be using both Free School Meals and IDACI as indicators of poverty. Using “Ever 6” Free School Meals means that we capture families on the margin of poverty and IDACI captures those families who fail to claim FSM or despite their income being above FSM their living conditions are such that they live in poverty.

The split between FSM and IDACI funding is 58% / 42%, recognising that FSM is the best universal indicator of poverty. Funding rates for secondary pupils are set at twice the level for primary pupils. There are two reasons for this. Firstly, AWPUP rates for secondary are 60% higher than for primary and in addition secondary schools received far more funding than primary schools for many of the grants mainstreamed from April 2011. Much of that funding was allocated by the DfE based on FSM data as it was targeted at disadvantaged pupils.

Pupil Underperformance:

Primary rates are set at 75% of secondary rates. The rate is lower mainly due to mainstreaming of grants in 2012/13 which had been targeted at underperforming secondary pupils. The indicator for Prior Attainment for primary aged pupils has been amended to the lower level of 73 points (rather than 78 points) on the Early Years Profile.

This brings the proportion of qualifying pupils more in line with secondary schools where the indicator is the percentage of pupils not achieving level 4 at KS2 in both maths and English. This adjustment was supported by primary schools responding at the second stage consultation. However, the better performance on the Early years Profile in 2012 may reduce the number of qualifying pupils in which case released funding will be added to other factors, probably AWPU.

All the rates of funding per pupil for Deprivation and Pupil Underperformance have been lowered compared with the consultation document because it has been necessary to find funding for IDACI Band 6 and for mobility. The second consultation round confirmed that schools were in favour of including IDACI Band 6 and mobility and using existing funding for FSM and IDACI Bands 4 and 5 to fund IDACI Band 6. In the case on mobility there was no clear preference between FSM, EAL Prior Attainment and AWPU and all four were marginally adjusted to accommodate mobility.

Highly mobile pupils have a higher likelihood than the average pupil of coming from a deprived background, being EAL and having low prior attainment and therefore the rate per pupil is fixed at the same rate as FSM and above EAL and Prior Attainment.

Overall Pupil characteristics accounts for **18.1%** of total funding for primary schools and **16.9%** for secondary schools – the difference reflects the higher number of qualifying EAL pupils in primary schools.

Premises:

For split sites, there has been some changes made to the descriptions for level 2 and level 5 and the rate applied to level 5 has been increased from 3% to 3.25%. This affects four schools – Kelmscott, Connaught Girls, George Mitchell and Holy Family College. The percentage is then applied to AWPU funding. The new arrangements are set out in **Table 4**.

Table 4 – Revised Split-site funding

Level	Description	% rate
1	Second site within ¼ mile of the main site with no movement of pupils on a daily basis	0.75%
2	Sport on a separate site over ¼ mile away or joint use of sports hall	1.00%
3	Second site over ¼ mile from the main site with no movement of pupils on a daily basis	1.50%
4	Some movement of pupils and teachers on a daily basis between sites less than ¼ mile apart	2.00%
5	Significant movement of pupils and teachers on a daily basis between sites which are more than ¼ mile apart	3.25%

The figures for business rates are currently those which applied for 2012/13. These will need to be adjusted for any increase in business rates applying for 2013/14 and for schools converting to Academies. This may have a marginal effect on AWPU.

PFi figures are those that apply for 2012/13 and the final school budget shares will need to be amended for any changes to reflect inflation made for 2013/14. Again this is likely to have a marginal effect on AWPU rates. Revised rates will be presented to Schools Forum in

October 2012 when revised school budget shares are presented based upon the provisional data from the October School Count.

Funding allocated to secondary schools for premises related factors is higher than for primary schools mainly because of the higher business rate costs per pupil e.g. £157 for secondary compared with £77 per pupil for primary schools.

Table 5 below sets out the final version of the factors in the Local Funding Formula for primary and secondary schools & Academies, the rates applied and the total funding allocated.

Table 5 – Factors in the Local Funding Formula for 2013/14

Factor	Primary	£m	%	Secondary	£m	%
Lump Sum	£125,000.00	6.375	6.5%	£125,000.00	1.750	2.3%
AWPU	£3,080.15	70.024	71.9%	£4,847.13	57.976	76.2%
FSM	£600.00	4.967	5.1%	£1,200.00	6.021	7.9%
IDACI Band 4	£200.00	0.981	1.0%	£400.00	1.014	1.3%
IDACI Band 5	£500.00	1.587	1.6%	£1,000.00	1.780	2.3%
IDACI Band 6	£750.00	0.974	1.0%	£1,500.00	1.063	1.4%
EAL	£600.00	3.518	3.6%	£800.00	0.704	0.9%
Prior Attainment	£600.00	3.274	3.4%	£800.00	1.467	1.9%
Mobility	£750.00	2.277	2.3%	£1,000.00	0.803	1.1%
Split-site		0.373	0.4%		0.482	0.6%
Rates		1.775	1.8%		1.882	2.5%
PFI		1.375	1.4%		1.182	1.6%
Total		97.218	100%		76.125	100%

Overall, funding per pupil is **£4,287** for primary schools / Academies and **£6,364** for secondary schools / Academies which means that the differential in funding is 48.4%.

(c) Individual School Budget Shares

Primary Schools:

Table A shows the NOR, pupil characteristics and premises data that triggers the funding.

Table B shows the number of qualifying pupils (e.g. NOR x applicable percentage).

Table C shows the resultant funding for each factor in the formula with the total funding shown in Column A. Note that the funding differs from that shown in the consultation document for four reasons:

1. Total funding available has been increased.
2. We are now using forecasted NOR in October 2012 and not actual NOR in January 2012.
3. We have now included IDACI Band 5 and Mobility.
4. All the rates have been rounded (other than AWPU) for simplicity.

For direct comparison between schools, funding for business rates and PFI charges have been removed as these are straight in and out items and net school budget shares are

shown in Column B. Column C shows the comparison on a per pupil basis. **Chingford Hall Primary Academy** receives the highest funding at £4,797 per pupil and **Handsworth Primary School** the lowest funding at £3,576 per pupil – a difference of £1,221 per pupil. The data in Table 2 explains this difference in funding levels. The low level of funding for Handsworth means that the school has difficulties in funding low cost- high incidence SEN (see report on High Needs Block).

Column D shows the comparable school budget share for each school in 2012/13 after business rates, PFi, In-year growth and SEN have been removed. Columns E and F show the change in funding between 2012/13 and 2013/14 expressed in monetary terms and as a percentage change.

Column G shows the NOR in January 2012 and Column H shows the percentage change in roll between January 2012 and that forecasted for October 2012. Finally Column I shows the change in real terms e.g. after changes in NOR have been taken into account. The range is from + 8.2% (**St Joseph's RC Infants**) to – 9.3% (**Edinburgh Primary**). Highlighted schools with a real reduction of more than 1.5% per pupil are likely to have their funding protected at minus 1.5% through the Minimum Funding Guarantee.

For those schools that gain, the growth will be restricted by the extent of the cost of the Minimum Funding Guarantee. The feedback from the consultation process showed that the majority of schools (60%) responding favoured an upper percentage cap to the gain. At this stage no calculation on what this may be has been done but it will be provided for the next meeting in October. The early indications are that it could be quite low e.g. around 2%.

Secondary Schools:

Table D shows the NOR, pupil characteristics and premises data that triggers the funding.

Table E shows the number of qualifying pupils (e.g. NOR x applicable percentage).

Table F shows the resultant funding for each factor in the formula with the total funding shown in Column A.

The Lammas is the best funded secondary school with £6,703 per pupil and **Highams Park Academy** receives the least funding at £5,485 per pupil – a difference of £1,219 per pupil. Changes to the formula have narrowed the gap. Changes in real terms show a range from +6.1% for **Chingford Foundation** to -12.2% for **Norlington Boys**.

Six secondary schools face reductions in real terms and four of them (those highlighted) are likely to receive some form of protection through the Minimum Funding Guarantee which limits the loss per pupil to minus 1.5%. However, the loss for **Norlington Boys** will be greater than minus 1.5% since 2012/13 includes on-off measures to support the school which end on 31st March 2013 and are not allowable in the calculation for MFG. For those schools that gain, the growth will be restricted by the extent of the cost of the Minimum Funding Guarantee. Again it is likely to be quite low but not necessarily the same as for the primary phase schools.

(d) Conclusion:

This report sets out the factors that the Local Authority will be using in the Local Funding Formula from April 2013. It is grateful for the contribution made by schools & Academies and by Schools Forum in the development of its proposals and the feedback to the consultation document which has led to some adjustments in the distribution of funding.

The factors now have to be formally signed off by Cabinet on 9th October 2012 so that the Local Authority can submit the Local Authority pro-forma to the EFA by **31st October 2012**. Whilst the factors in the Local Funding Formula will be fixed, the total funding available, the rates for each factor and the individual school budget shares will change as follows:

- The **School Census on 4th October 2012** will determine the DSG and therefore the total funding available. The Local Authority will bring an updated report to Schools Forum on 17th October on how the unvalidated NOR data from schools impacts on both the DSG and the individual school budgets. The intention will be to leave the rates for FSM, IDACI, EAL, Prior Attainment and Mobility unchanged and to make any adjustments through varying the AWPU. However, any significant variation in balance of numbers on roll in the primary and secondary sectors may mean adjusting the funding in the primary and secondary pools.
- The Local Authority will be bringing a report on 17th October 2012 relating to **central retained funding** and this may also affect total funding to be delegated to schools in 2013/14.
- The **updated information from the EFA (NOR) and DfE (pupil characteristics)** in late December 2012 will enable the Local Authority to present final school budget shares to Schools Forum on 17th January 2013 before sending the completed pro forma to EFA on 18th January 2013.

There remains an opportunity to review the distribution between phases and the rates for particular factors (at the margin) up to the meeting on 17th January 2013, the biggest factor will be the extent to which funding can be increased due to less centrally retained funding and forecasted underspends in contingency funding for 2012/13.

Action by Schools Forum:

- **To agree to recommend to Cabinet that the factors set out in Table 5 of this report are adopted as the factors for allocating funding to schools and Academies in 2013/14.**
- **To comment upon:**
 - **the Local Authority's strategy for the distribution of funding between the primary and secondary phases;**
 - **the rates being applied to each of the factors within the formula;**
 - **the methodology for capping gains in funding; and**
 - **any specific information that members would want to see for the follow-up report in October 2012.**

Advice and Guidance to members:

All members of Schools Forum are able to comment upon the content of the report. However, only schools members may formally vote on the first action above. The feedback from consultation did not show any difference in views between primary and secondary schools and therefore it is not envisaged that there would need to be a sector vote.