

**Report of The Director of Children's Services**

**Report to Executive Board**

**Date: 12<sup>th</sup> December 2012**

**Subject: School Funding 2013/14**

Are specific electoral Wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, name(s) of Ward(s):		
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, Access to Information Procedure Rule number:		
Appendix number:		

**Summary of main issues**

1. The DfE requires that all Local Authorities adopt a simplified formula for funding schools from April 2013, using only a limited range of formula factors and proxy indicators set out by the Secretary of State for Education.
2. This is an interim arrangement and the Secretary of State intends to work towards a national formula directly funding all schools and academies in the next spending review period from April 2015.
3. The Schools Forum has been given new powers which cover the following areas
  - To determine that any newly delegated services may be de delegated for Primary and Secondary Schools.
  - To determine whether to establish a centrally retained growth fund to support all schools with in year increases in pupil numbers due to increased admissions limits, and funding to support the class size pledge.
  - To be consulted on the simplified funding formula to be used from April 2013.
4. The Schools Forum continues to be consulted on the use of the Dedicated Schools Grant and centrally retained services funded from it.

## **Recommendations**

5. That the decisions of the Schools Forum on the de delegation of services, provision of a growth fund and support for continued funding for Children's Services Clusters at £5.2m per year over the next three years be noted and that the simplified formula agreed by the Schools Forum is adopted for 2013/14.

## **1 Purpose of this report**

- 1.1 The Secretary of State for Education has determined new arrangements to apply to the funding of Schools from April 2013.
- 1.2 This report is to inform Members of the new arrangements for School Funding and to agree to a new simplified formula to be used to fund Leeds Schools, including Academies, from April 2013.
- 1.3 The report also informs Members of the decisions of the Schools Forum regarding the de delegation of services that must be delegated to schools from April 2013, the provision of a growth fund to provide additional funding in year where schools expand due to increased admission limits.
- 1.4 The report also covers the decision of the Schools Forum to support the continued funding of School based Children's Services Clusters at £5.2m per year over the next three years.

## **2 Background information**

- 2.1 The DfE published draft changes to the School Funding System '**School funding reform: next steps towards a fairer system**', at Easter 2012. The document set out proposals for new arrangements for the use of the dedicated schools grant. The document introduced changes that will have a wide ranging impact on both individual school funding, central functions within the schools budget and the funding of LEA central education functions currently funded from formula grant
- 2.2 In July 2012 the DfE published final arrangements for 2013/14, including details of the funding factors to be allowed in the new system and revised arrangements covering services and budgets to be delegated to schools from April 2013.
- 2.3 In July and August 2012 the DfE provided school level datasets of the information that can be used in the new formula.

## **3 Main issues**

### **3.1 School Funding Formula**

- 3.2 The current funding formula used by all Local Authorities to fund their schools may use any of 37 factors set out by the Secretary of State. The current factors are broad, allowing much local determination as to how they are used and local determination of proxy indicators in the use of the factors
- 3.3 From April 2013 as an interim measure towards the introduction of a national formula to fund all schools simplified formula arrangements must be introduced by all Local Authorities. The new formulae may only use up to 11 factors set out by the Secretary of State. The factors also set out the proxy indicator that may be used under each factor, and the DfE is to provide the school level data to run the new formula. The factors that can be used are:

- A single lump sum for all schools
- A per pupil amount (one amount per Primary pupil, one for KS3, one for KS4);

- An amount per pupil eligible to receive free school meals (FSM), or eligible at any point over the past 6 years;
- An amount per pupil based on banded relative deprivation by postcode using the Income Deprivation Affecting Children Index (IDACI),
- An amount per pupil with English as an Additional Language (EAL), but only in the first three years of school admission;
- An amount per Looked after Pupil;
- An amount per Primary pupil scoring less than 78 points in the early years foundation stage assessment, or less than 78 points, and an amount per Secondary pupil achieving less than a level 3 in both English and maths at Key stage 2;
- Pupil mobility, based on pupils entering schools at non standard entry points;
- National Non Domestic Rates (NNDR) at actual cost;
- Public Finance Initiative (PFI) factor to cover affordability / higher costs;
- Split site allowance;
- Post 16 – where used in 2012/13;
- Exceptional Premises factors agreed by the Education Funding Agency (EFA)

- 3.4 A further important change in the regulations is that Primary and Secondary schools must meet the first £6,000 of additional SEN support costs for each pupil that requires such support from within the resources delegated using the factors above. This change is designed to produce a national common system for the funding of SEN. Under this system all Primary, Secondary and Special Schools together with FE Colleges and Sixth Form Colleges must meet an average of the first £10,000 of support for each pupil / student from a formula driven budget, and the Local Authority will then provide top up funding where the additional SEN support costs for individual pupils are over £6,000 a year. The common figure of £10,000 is based on the expectation that this comprises of £6,000 of additional SEN costs and a basic curriculum cost for all pupils of an average of £4,000. The DfE recognises that the £4,000 figure is an average and that the formula funding of individual schools will be lower and higher than this figure.
- 3.5 Under the current formula arrangements the majority of funding for SEN support is allocated through the Funding for Inclusion (FFI) mechanism. The first £6,000 of support funded through FFI must now be allocated to primary and secondary schools only using the factors in 3.3 above.
- 3.6 The revised funding formula for schools will fund all Primary and Secondary Schools in Leeds including Academies from April 2013. A number of workshops were held over the summer term with members of the Leeds Schools Forum to consider possible formula options and to identify a framework for the simplified formula following the publication of draft arrangements by the DfE. A set of draft options was prepared following confirmation of the funding framework by the DfE in July, and provision of a data set of proxy indicators to be used within the formula in August.
- 3.7 There are a number of principles that have been adopted in the construction of the formula
- The formula should not move funding between the primary and secondary phase other than through changing pupil numbers or where the regulations require it.

- The formula should not increase the funding disparity between the highest and lowest funded schools. It is noted that funding through the pupil premium is estimated to increase by £9m from 2012/13 to 2013/14.
- The single lump sum should be based on a figure to protect small Primary Schools

3.8 Within the above broad principles three options were prepared and all Schools and Academies were consulted on the formula factors to be used, de delegation of newly delegated services and need to establish a growth fund.

3.9 All options explored within the new formula framework lead to redistributions of funding between schools. The models put forward for consultation all lead to redistribution of funding, but gains and losses are to be capped in the next two financial years.

3.10 The results of consultation were reported to the Schools Forum and members of the Schools Forum agreed to the following

### 3.11 **Newly Delegated Services**

Schools Forum agreed that the following newly delegated services should be de delegated and remain centrally retained for the 2013/14 financial year for both Primary and Secondary Schools : School Contingency Fund, including support for schools in financial difficulty; Staff Cover costs (maternity, JP, magistrates, reserve services); Suspended Staff Cover; Trades Union facilities time cover; School Museum Service; School Library Service (Primary schools only); Free School Meals eligibility Checks; Behaviour Support; Support to underperforming ethnic minority groups and bilingual learners:

Schools Forum agreed that the following services should remain delegated for Secondary Schools, but centrally retained for primary Schools; Licences for Schools,(SIMS, Performing Rights, Copyright Licensing, Education Recording Agency):

Under the new funding arrangements all of the above services must remain delegated to Academies and Special Schools in 2013/14.

### 3.12 **Growth Fund**

Schools Forum agreed that the Schools Budget should be top sliced in order to provide funding to be allocated to schools where numbers increase in year due to increases in admission limits in order to meet demographic growth. Funding allocated to the Class Size pledge in 2012/13 will be allocated as a lump sum to all Primary schools in 2013/14.

### 3.13 **Funding Formula**

The Schools Forum agreed with the funding proposals supported by the majority of respondents to consultation. Appendix 1 to this report details the unit values of the funding option and details the proposed arrangements for the use of funding factors approved by the Schools Forum. It should be noted that the data to be used in the 2013/14 formula will not be known until late December.

### 3.14 **Cluster Funding**

School based Children's Services Clusters have been funded through the Dedicated Schools Grant over the past two years with funding of £5.2m each year. Schools Forum Members had requested assurance over the value for money of cluster partnerships and wished to see evidence that pooling funding in this way has generated additional capacity / resources which improve the overall education outcomes for the money invested than would otherwise be the case.

Following consultation with schools it was noted that clusters are increasingly forming close links with Members and Area Committees and that Governors are also becoming increasingly involved. These developing links are noted in the separate report on this agenda regarding Area Working Findings and Recommendations.

On the basis of consultation responses from schools the Schools Forum agreed that the current level of funding should be retained from the Dedicated Schools Grant for the next three years and continue to be devolved to School based Children's Services Clusters.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 The Local Authority is required to consult the Schools Forum on proposed changes to the funding formula. All School members of the Forum (Primary, Secondary, Special, Academy, Pupil Referral Unit and Early Years Provider) are able to vote on the formula.
- 4.1.2 The funding formula will be used to fund all Primary and Secondary schools in Leeds, including Academies.
- 4.1.3 In order to inform the members of the Forum of the views of all Schools and Academies within Leeds a consultation document was published and sent to the Chair of Governors of all Schools and Academies. It was also emailed to Headteachers and Bursars/Business Managers. This was backed up by a series of 10 consultation meetings held over mornings, afternoons and evenings across the city. In addition presentations / discussions were also held with the Leeds Primary Heads Forum and the Secondary Heads Forum. These meetings were attended by over 260 Heads, Governors and Bursars/Business Managers.
- 4.1.4 The formula consultation meetings followed on from a series of 7 meetings held in early July to inform Schools of the changes to be brought in.
- 4.1.5 A total of 88 written responses were received which were summarised and reported to the Schools Forum. 70 responses were received by the deadline for papers for the Schools Forum, and a further 18 responses were summarised for the meeting.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 The framework significantly simplifies the school funding formula and as a result creates a change in the distribution of funding between individual schools. In

particular the change from FFI to the new formula factors creates a significant level of redistribution of SEN funding.

- 4.2.2 Significant resources within the formula remain targeted towards the support of vulnerable pupils, but may only be targeted using the factors in 3.3. The use of social deprivation indicators through FSM and IDACI, in addition to EAL, prior attainment, looked after status and pupil mobility have all been used within the new formula.
- 4.2.3 Whilst the full range of available formula factors has been used there is a significant redistribution of funding previously allocated through FFI. The impact of this redistribution has been mitigated as follows:
- An overall minimum funding guarantee and cap has been applied to individual school budgets so that no school may lose more than 1.5% in funding per pupil
  - The Local Authority is able to set a maximum number of blocks of £6,000 to be met by each individual school from its formula budget. Above this maximum, additional funding will be provided.
- 4.2.4 An Equality Impact Assessment screening form is appended to this report

### 4.3 **Council policies and City Priorities**

- 4.3.1 The funding formula supports the Children and Young People's Plan CYPP in ensuring that funding is targeted towards the areas of greatest need. The formula continues to target resources towards schools supporting the most socially deprived communities, and targets additional resources to schools educating pupils with low prior attainment, with English as an Additional Language or who are looked after.

### 4.4 **Resources and value for money**

- 4.4.1 There is no additional resource implication as the required action is simply to allocate the current School's Budget by the new simplified formula.
- 4.4.2 The draft unit values and indicative allocations to individual schools are based on October 2011 pupil numbers and pupil datasets prior to October 2011, provided by the DfE. The final Dedicated Schools grant for 2013/14 will not be known until late December, together with revised pupil numbers and updated school by school information for the other formula factors.

### 4.5 **Legal Implications, Access to Information and Call In**

- 4.5.1 The Local Authority must allocate funding to its Schools from April 2013 using a simplified formula which meets the requirements set out by the Secretary of State, following consultation with the Schools Forum. The decision is subject to call in.

### 4.6 **Risk Management**

- 4.6.1 The Local Authority is required to ensure that it allocates funding to its Schools through a formula that complies with the funding regulations set out by the

Secretary of State. The Education Funding Agency will audit the proposed formula to ensure that it meets the regulations.

## **5 Conclusions**

- 5.1 The Local Authority must implement a funding formula from April 2013 that meets the revised requirements determined by the Secretary of State. Under the available formula factors it is not possible to provide an allocation that does not lead to a level of redistribution. This is a consequence of the simplification.
- 5.2 Whilst the Government intends to work towards the implementation of a national formula funding all schools and academies directly in the next spending review period there is an intention to review the regulations for the 2014/15 financial year.
- 5.3 The effects of the simplified formula are mitigated through the minimum funding guarantee and the ability to provide additional support to schools with high numbers of pupils with high need SEN or in year pupil number growth.

## **6 Recommendations**

- 6.1 Members are requested to note the decisions of the Schools Forum regarding the de delegation of newly delegated services, and the wish to establish a growth fund.
- 6.2 Members are also requested to note the decision of the Schools Forum to support continued funding for Children's Services Clusters from the Dedicated Schools Grant at £5.2m per year over the next three years
- 6.3 Members are requested to approve the simplified funding formula approved by the Schools Forum on 25<sup>th</sup> October.

## **7 Background documents<sup>1</sup>**

- 7.1 None

---

<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.