

REGULATORY AND OTHER COMMITTEE REPORT

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| NAME OF COMMITTEE: | Schools Forum |
| DATE OF MEETING: | 25 January 2012 |
| SUBJECT: | Mainstreaming of Grants |
| REPORT BY: | Tony Warnock (Head of Finance – Children’s and Specialist Services) |
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| IS REPORT CONFIDENTIAL? | No |

SUMMARY

The purpose of this report is to seek the views of the Schools Forum on proposals for changes to the schools funding formula in 2012/13. The proposals follow the Government’s decision in the autumn of 2010 to mainstream grants in to the Dedicated Schools Grant (DSG).

DISCUSSION

Background

As reported to the Schools Forum on 26th January 2011, the Government decided to mainstream a number of grants in to the DSG in 2011/12 (a detailed list of the grants is shown at Appendix 1). Regulations allow Local Authorities (LAs) to distribute those funds in a different way. However, due to the short timescale available, the Schools Forum supported the LA’s proposal to replicate the 2010/11 funding arrangements in 2011/12, then conduct a thorough review in the summer of 2011, with a view to altering the distribution of those funds from 2012/13.

As the value of the grants is considerable (i.e. £67m) and represents a significant percentage (14%) of the total DSG (£466m), the LA decided to review the whole of the school funding formula, rather than deal with the mainstreamed grants in isolation. This approach should ensure that the local funding formula: is compatible with anticipated Government changes to school funding arrangements; can respond to the challenges facing schools and academies in Lincolnshire, and; is fit for purpose in the years ahead.

Working group

Schools Forum volunteers and other members¹ were asked to join a working party, which met on 22 September 2011. A report was presented to the Schools Forum on 12 October 2011 and at that meeting, a request was made for a further meeting of the working group to be arranged to consider the financial modeling work that the LA was undertaking. The working group reconvened on 24 November and the proposals in this report were influenced by the conclusions from that meeting. The members of the working group are shown in Appendix 2. Once again, the LA wishes to place on record its gratitude for their support.

Objectives

The working group was asked to:

- consider how the mainstreamed grants should be redistributed;
- review all other aspects of the local funding formula.

As part of that work, the group was asked to consider a number of more strategic issues including:

- the funding of small schools;
- the funding of deprivation;
- the possible need for additional support for children in earlier years and hence the relative funding between each sector.

The principal aim of the review was to create a funding system that would improve outcomes for all children in Lincolnshire.

Outcomes

As reported in October, at the first meeting of the working party there was broad consensus on some issues, but disagreement on others. The funding of deprivation was considered to be very important and it was agreed that a redistribution of some mainstreamed grants was appropriate. Keeping small school sites open was also considered important and it was agreed that work should be undertaken to promote formal partnerships.

For the second meeting in November, officers used the outcomes from the first meeting and put forward suggestions covering:

- all existing formula factors used to calculate school budget shares;
- all in-year adjustments made through the Schools Contingency budget;
- all mainstreamed grants.

For each item, information was presented to show the financial impact upon individual schools². The impact was then analysed to show the probable impact upon schools of different size and levels of deprivation. The suggestions were then debated and, once again, there was consensus on some issues and robust challenge, debate and disagreement on others. For the sake of absolute clarity, a vote was taken to assess the overall level of support for each suggestion. For some items, alternative suggestions were made and voted upon.

The views of the working group were shared with the Directorate Management Team (DMT) and the lead Executive Councillor for Children's Services. The proposals set out in Appendix 3 are the culmination of that process. There have been no fundamental changes to the proposals since the working group met in November. Indeed, the proposals in this report reflect the majority views expressed at that meeting and refinements that the working group requested.

Impact

¹ The other members were selected to try to provide a balanced representation of all schools and academies, including: members from all sectors; small and large schools, and; those serving more and less deprived pupils.

² School names were hidden to avoid putting school representatives in an invidious position and distracting them from representing the interests of all county maintained schools and academies.

The likely impact that these proposals will have is set out in Appendix 4. It is notable that although there are some very significant losses, they are primarily due to the redistribution of significant elements of School Development Grant (SDG) which were previously regarded as unfair. Putting the SDG to one side, the proposals do not create a significant degree of instability for the majority of schools.

Transitional arrangements

Transitional arrangements will be important and are considered in Appendix 5. The Government has recently announced that the Minimum Funding Guarantee (MFG) will be set at minus 1.5% next year. However, in keeping with recent practices, the LA is considering whether to reduce all losses due to the mainstreaming of grants to zero in 2012/13, if that is both practicable and affordable. It will be necessary to contain the level of gains initially. Although the LA has earmarked £10m from the DSG underspending in 2010/11 to help lift the 'ceilings', it is imperative that the funding of all schools is sustainable from within the DSG when the underspending has been fully utilized. The LA is also considering whether to honour the Infant Class Size funding arrangements for the first five months of next year, given that some schools will be expecting significant funding levels from April 2012.

Next steps

The Schools Forum is asked to consider and support the proposals set out in this report. The views expressed by the Schools Forum will be considered by the DMT and Lead Executive Councillor for Children's Services before formal decisions are made by the Lead Executive Member in early February 2012. It is anticipated that changes to the funding of schools will be introduced in April 2012, with appropriate protection arrangements put in place.

Finally, it is worth noting that the completion of this work means that the LA and Schools Forum have reviewed every aspect of school funding in the last year. This report deals with primary and secondary school funding, and new funding systems for nursery schools, early years providers and special schools were introduced in April 2011.

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| RECOMMENDATIONS |
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The Schools Forum is asked to:

- a. Note the contents of the report;
- b. Consider and support the proposals set out in Appendix 3, having regard to the impact described in Appendix 4 and the suggested transitional arrangements set out in Appendix 5.

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| APPENDICES (If applicable) - these are listed below and attached at the back of the report. |
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| Appendix 1 - The Mainstreamed grants Appendix 2 - Working party representatives Appendix 3 - Proposals to alter the school funding formula Appendix 4 - The impact of these proposals Appendix 5 - Transitional arrangements |
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| BACKGROUND PAPERS | | | |
|--------------------------|-------------------------------------|-----------------|---|
| PAPER TYPE | TITLE | DATE | ACCESSIBILITY |
| Report to Schools Forum | Streamlining of Grants | 12 October 2011 | County Offices, Newland, Lincoln, LN1 1YQ |
| Report to Schools Forum | School Funding Arrangements 2011/12 | 26 January 2011 | County Offices, Newland, Lincoln, LN1 1YQ |

The Mainstreamed Grants

The grants that were mainstreamed in to the DSG are:

| Grant | £000 | % |
|---|---------------|------------|
| Schools Standards Grant (SSG) | 19,380 | 28 |
| Schools Standards Grant (Personalisation) | 4,461 | 6 |
| School Development Grant (SDG) | 22,165 | 32 |
| Specialist Schools | 6,244 | 9 |
| High Performing Specialist Schools | 1,712 | 2 |
| School Lunch Grant | 1,087 | 2 |
| EMAG | 265 | 4 |
| 1-2-1 Tuition | 3,376 | 4 |
| Extended Schools Sustainability | 2,882 | 4 |
| Extended Schools Subsidy | 2,299 | 3 |
| National Strategies (Primary) | 2,115 | 3 |
| National Strategies (Secondary) | 1,331 | 2 |
| Diplomas. | 451 | 1 |
| Total | 67,778 | 100 |

The SSG and SDG are clearly the largest elements.

Working party representatives – 24 November 2011

The working group was formed to represent the interests of all pupils in all maintained schools and academies across the county. The working group was unchanged from the meeting held on 22 September 2011 and comprised:

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| Nursery | | |
| Heather Steed* | Headteacher | Boston Nursery School |
| Primary | | |
| Jenny Wheeldon * | Headteacher | Scothern Ellison Boulters CoE Primary School |
| Andy Craven | Headteacher | Horncastle Community Primary School |
| Secondary | | |
| Roger Hale * | Headteacher | Caistor Grammar Academy |
| Jeremy Newnham * | Headteacher | Caistor Yarborough Academy |
| Adrian Reed | Executive Headteacher | Boston The Haven High Technology College |
| Special | | |
| Bill Bush * | Headteacher | Grantham The Phoenix School |
| Governors | | |
| John Beswick * | Secondary School Governor | Louth Cordeaux School |
| Michael Follows * | Special School Governor | Boston John Fielding Community Special School |
| CfBT | | |
| Paul Snook | Strategic Director - Projects | School Improvement Service (CfBT) |
| Mouchel | | |
| Julie Hulme | Senior Accountant | Mouchel |
| LCC | | |
| Mark Popplewell | Assistant Head of Finance, Children's & Specialist Services | Lincolnshire County Council |
| Michelle Grady | Assistant Head of Finance, Children's & Specialist Services | Lincolnshire County Council |
| Tony Warnock | Head of Finance, Children's & Specialist Services | Lincolnshire County Council |
| Apologies³ | | |
| Dominic Loyd* | Headteacher | Boston Tower Road Academy |
| Elaine Radley | Principal School Improvement Adviser - Primary | School Improvement Service (CfBT) |
| Keith Batty | Principal Adviser 11-19 | School Improvement Service (CfBT) |

* denotes Schools Forum representative

³ Dominic, Elaine and Keith attended the first meeting of the working group, but were unable to attend the second.

Proposals to alter the school funding formula

This section of the report sets out proposals for altering the way that schools and academies are currently funded. It is proposed that the changes are introduced in April 2012.

The review was intended to consider and address the following key strategic issues:

- The funding of small schools;
- The funding of deprivation;
- The possible need for additional support for children in earlier years and hence the relative funding between each sector;

with the principal aim being to improve the outcomes for all children in Lincolnshire.

The intention was to develop proposals that were underpinned by a set of core funding principles. The proposals should therefore be:

- Equitable and reflect the relative needs of pupils in each school.
- Transparent and increase parental confidence.
- Effective in helping raise pupil achievement and narrow the gap in attainment levels between children.
- Simple and easily understood by all interested parties.
- Responsive to changes in local needs.
- Objective.
- Stable in the funding it delivers to schools.
- Predictable, to aid school planning.
- Affordable.
- Sustainable.
- Provide Value for Money through efficient distribution of resource.
- Ensure Accountability can be demonstrated through the use of these resources.

Officers consider that in its discussions, the working group placed greatest emphasis on equity (especially in relation to the redistribution of School Development Grant and the removal of funding streams that are no longer relevant); simplifying the funding system (by removing small or duplicate funding streams) and providing stability in funding.

The proposals set out below deal with:

- All core formula factors;
- All in-year adjustments allocated through the Schools Contingency budget;
- All elements of the grants mainstreamed in to the DSG in April 2011;

and set out whether they should:

- remain unchanged;
- be removed; or
- be amended.

A. Core formula factors

| No. | Factor | Proposal | Reasons |
|-----|--------------------------------|------------------|--|
| 1 | Age Weighted Pupil unit factor | Retain unchanged | This factor delivers most of the funding to school budgets. Different weightings are applied to each Key Stage. The relative weightings may be affected by other proposals set out in this report, but there is no intention here to alter the balance between key stages. The relative funding between primary and secondary sectors is comparable with statistical neighbours. |
| 2 | Net YPLA post-16 funding | Retain unchanged | The funding for sixth form pupils is determined by formula and the YPLA. The LA has no control or influence over it. |
| 3 | Special Needs Units | Retain unchanged | There are now very few special needs units in schools, following a decision a decade ago to phase those out. Those that remain are specialist in nature and deal with hearing and visually impaired pupils. This provision is still required. |

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| 4 | Extraordinary social requirements (ESR) | Retain unchanged | This factor was introduced in 1990 and was designed to target resources to schools serving areas of deprivation. The Personalised Learning (PL) factor was introduced much more recently and was also designed to target resource at deprivation. Although funding for deprivation is provided in two different ways and the sum for ESR is quite modest, far more schools qualify for it. Modeling suggests that it is not be possible to incorporate ESR in to the PL factor and provide a similar level of funding to all of those schools. As returns to the DfE suggest that LCC is underfunding deprivation compared to the majority of other LAs, this factor should not be removed. |
| 5 | SEN factor | Retain unchanged | This factor allocates 20% of funding via free schools meals and deprivation, and 80% through prior attainment measures. As it was only introduced in April 2010 and refined for 2011/12, no further changes are considered necessary at this point in time. |
| 6 | SEN 1:1 | Retain unchanged | This factor finances statements at bands 6 to 8. The funding is still necessary, especially as needs vary considerably across schools and the sums are significant for many of them. |
| 7 | Building rents | Retain unchanged | This factor provides funding mostly to very small primary schools that don't have access to basic accommodation or facilities that all pupils have a right to expect. Although the sums allocated are often just several hundreds of pounds, this can be significant to those schools' budgets and equity dictates that such funding should continue. |
| 8 | High turnover | Retain unchanged | This factor provides funding to those schools that face a significant level of change in numbers on roll mid term. Although very few schools tend to qualify for this, it can be a significant issue for those schools that are subject to significant and often unexpected changes in demographics, e.g. those schools close to RAF bases or coastal resorts. The costs can be significant. |
| 9 | Prior attainment | Remove the factor | This factor applies only to secondary schools that have an average KS2 score below 3.85. In recent years, no schools have qualified for this and so no funding is available to be re-allocated. Other formula factors, including the recently introduced SEN factor, now objectively measure and fund low prior attainment. |
| 10 | Block allocation | Retain unchanged | This factor provides a fixed sum to schools, regardless of size. The amounts vary by sector and are designed to reflect the fixed or semi-variable nature of some schools' costs. The block allocations play an important role in helping determine the size at which schools can remain financially viable. The Government has a presumption against the closure of small schools and the LA is keen to keep school sites open. Further consideration is given in a separate report to the protection of small schools and how to help improve their performance, keep them sustainable and improve their value for money. |
| 11 | Small schools | Retain unchanged | This factor offers additional financial protection to primary schools with less than 80 pupils on roll, and secondary schools with less than 300 on roll. Both the Government and the LA wish to keep existing sites open. Further consideration is given in a separate report to the protection of small schools and how to help improve their performance, keep them sustainable and improve their value for money. |
| 12 | Free school meals | Amend | This factor delivers funding for the provision of free schools meals. The number of children eligible for free school meals can vary across schools and is significant to many. The amount funded per meal was reviewed and increased a few years ago and so should cover the typical costs of providing a meal. However, presently, only 75% of the funding is added to initial budget shares, with a reconciliation undertaken at year end to enable an adjustment to be made for the actual number of meals taken. This represents unnecessary bureaucracy for both schools and the LA, and the original rationale for this approach (i.e. that there could be a significant departure of pupils eligible for f.s.m. from individual schools after the January census) is not sufficient a risk in practice to warrant continuation of this approach. The proposal is therefore to provide 100% of the funding for the actual number of children eligible for f.s.m. on the date of the preceding January census, with no reconciliation or end of year budget adjustment being made for the actual number of meals provided. |

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| 13 | Mandatory Rate Relief | Retain unchanged | This deduction to school budgets is still necessary to ensure that those schools that happen to be able to claim charitable status do not gain a material financial advantage from having to pay only 20% of the school's rates bill. |
| 14 | Threshold | Amend | <p>This factor provides funding for the additional costs of staff that have moved through the upper pay scale. There are a number of important aspects to consider here. Currently, this factor is time consuming and costly to maintain. It operates on the basis that funding is provided to schools, even if eligible teachers have chosen not to progress through to the upper pay scale. Also, there are significant variations in the level of funding attracted by individual schools. Certain types of schools tend to have lower turnover of staff and so tend to attract more funding which helps meet their higher staffing costs. However, those schools that have higher turnover of staff may struggle to recruit sufficiently experienced or suitable teachers and this, together with their additional costs of recruitment, is not recognized in the school funding formula. It is noteworthy too that Lincolnshire's funding formula has relatively few formula factors and does not recognize other significant variations in school costs, such as the number of teachers on each of the main payscales and premises costs including rates, etc. The cost of the staff in schools with higher turnover will indeed be lower, but there is arguably a question of equity here which was heatedly debated by members of the working group.</p> <p>The proposal is to amend the current system in two ways. Firstly, it is proposed that funding will only be provided to those schools where staff are actually paid on the upper pay scale. Secondly, funding for each financial year will be based on an annual snapshot undertaken on the preceding autumn census date, with no adjustment being made upwards or downwards for any changes to the number of staff paid on the upper pay scale in the remainder of the academic year. This will mean that a financial contribution will continue to be made to those schools that have staff paid on the upper pay scale; it should assist schools' financial planning as all funding will be issued and be fixed at the start of the financial year, and; it should reduce bureaucracy by removing the need for an in-year adjustment (although the LA will need to secure evidence from all schools and academies that eligible staff are actually being paid on the upper pay scale).</p> |
| 15 | Infant class size | Remove the factor and add the funding to the primary sector's awpu | <p>The Infant Class Size factor provides additional funding to schools to help them comply with the legislation that requires infant classes to have 30 or less children. The government's planned changes to the Admissions code of practice mean that the legislation for infant classes of 30 or less will be less restrictive due to extension of the number of permitted exceptions. Despite LA' recommendations, some schools have refused to alter their PANs and a contributory factor to their decisions could have been the financial benefit that this factor delivers. The factor is open to exploitation and the situation is likely to worsen as LAs may not in future be consulted by schools on proposals to change their PANs. It is a fundamental principle of formula funding that it should not create perverse incentives, and recent changes to admissions regulations could create that situation. The proposal therefore, is to remove the current formula and redistribute those funds to all primary schools through the awpu. Junior schools will clearly gain from this approach, but there appears to be no justification whatsoever, to direct this funding through the KS1 awpu only. That would effectively preserve funding arrangements which are historic in nature and which, following recent government decisions, appear to be no longer necessary (as, in practice, the expectations regarding class size will be similar for both key stages). Although this proposal may give rise to what would appear to be significant losses in some schools, it is important to remember that many of those schools may not have been guaranteed, or expected, that level of funding on an ongoing basis, because minor changes in the number of infants can heavily influence funding levels. Nevertheless, some schools will have expected 5/12ths Infant Class Size funding for the period from April 2012 and so it is proposed that additional transition is made available</p> |

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| | | | to them. This could be calculated by taking the sum the schools would have received for that five month period had the formula factor not been removed, and deducting the extra funding the school will have received through its awpu. This transition will need to be added in such a way as not to become part of the MFG in subsequent years. The transition could be funded from the £10m DSG underspending at 31 March 2011 that has been earmarked to support transition. |
| 16 | Personalised Learning | Retain unchanged | This factor was introduced several years ago. It is targeted at schools serving the most deprived pupils and is based on IDACI scores. The funding is provided on a graduated scale and so it increases with deprivation levels. The funding of deprivation remains important and LCC may be significantly underfunding this compared to most other LAs. |
| 17 | Schools Standards Grant | Remove this factor and re-allocate through the block and awpu, ring-fencing funds at sector level | This funding stream was introduced c.12 years ago. It was based on a Government formula and was intended to supplement school budgets with direct funding. It serves no useful purpose as a separate funding stream. It is proposed that funding is ring fenced by sector and directed through the block and awpu to help minimise turbulence in funding. |

B. Contingency / In-year allocations

| No. | Factor | Proposal | Reasons |
|-----|---------------------------------|--|---|
| 1 | April Update for four year olds | Retain unchanged | This factor is designed to overcome the problem of delayed admission to some schools with pupils not being recorded on the January census or therefore being funded from the following April. Although few schools qualify for this and the overall sum allocated is small, the amounts can be very significant for the smallest of schools (e.g. £7k). |
| 2 | September trigger | Retain unchanged | This factor provides additional funding to schools that encounter significant growth in the number on roll at the start of a new academic year. Although very few schools have qualified for this in recent years, and the sum allocated last year was small, this factor is very important when there is a significant increase in numbers on roll. Such situations can lead to a sharp increase in costs (e.g. for additional teachers), rather than just marginal costs that can be more easily accommodated. This factor is particularly important at times of demographic growth. |
| 3 | SEN 1:1 | Retain unchanged | This factor funds in-year adjustments to SEN statements at bands 6 to 8. The needs still exist. They vary considerably across schools and the in-year adjustments are just as important as the initial allocations at the start of the financial year. |
| 4 | 11plus | Retain unchanged | The factor provides additional funding to schools to help meet the costs of 11 plus tests. The overall sum (£128k) and amounts per secondary school (average: £8k; highest £12k) are quite modest. Although the county operates selective education and this factor aims to compensate schools for those additional costs, it could be removed under the principle of simplifying the formula (not least as other larger variations in costs between schools, e.g. for repairs and maintenance, rates, etc, are not recognized in the local for funding formula). However, the sensitivities of adopting such an approach are recognized. |
| 5 | Admissions appeals | Retain unchanged | This factors provides funding to schools to help meet the cost of appeals where the LA is not the admissions authority. Although the sums per school and overall are quite modest, the provision of this funding ensures equity, in that the LA administers f.o.c. the appeals for those schools where it acts as the admissions authority. |
| 6 | Infant class size | Remove the factor and add the funding to the primary sector's awpu | The proposal is explained earlier in this report. |

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| 7 | English as an Additional language | Retain unchanged | This is a relatively new formula factor that targets resource where pressure is greatest, i.e. to those schools where the number of children with EAL is above a qualifying level. The amounts allocated to the few schools that qualify can be quite significant. Although EAL now affects most schools, many have developed strategies for dealing with the children and, rather than dilute existing funding or draw more funding in from other areas of the local funding formula, it is proposed to leave the funding mechanism unchanged, apart from for nursery schools. It is proposed that consideration is given to reducing the qualifying limit for the nursery schools because the current threshold penalizes very small schools and especially those with a high incidence of EAL. |
| 8 | Exclusions | Retain unchanged | Currently, the DfE requires LAs to deduct a proportion of the awpu when pupils are permanently excluded. Pilots are being arranged by Government to deduct more where such action results in more expensive provision outside of school. |
| 9 | Free school meals | Amend | The proposal is explained earlier in this report. |
| 10 | Threshold | Remove the factor | The proposal is explained earlier in this report. |
| 11 | NQTs | Remove the factor and add the funding to the awpu in each sector | This factor provides additional funding for NQTs. Schools recruit NQTs and so arguably should accept the full financial consequences without receiving extra funding, not least as NQTs are cheaper than mainscale teachers (even with the added supervision, etc, that is required for them). The current allocation as an in-year budget adjustment creates more difficulty for schools' financial planning. As a very high percentage of schools receive an allocation, it is proposed to distribute the funding via awpu. The financial impact upon most schools is likely to be modest. |
| 12 | Schools Standards Grant (Personalisation) | Remove the factor, ring fence at sector level and add the funding to the SEN factor | This factor reflects the funding introduced by a former government. It allocates funding based on prior attainment and free school meals eligibility. To simplify the formula, it is proposed to add this funding to the SEN factor, which has a similar distribution mechanism. Consideration will be given to putting more or less of this funding through the deprivation and prior attainment elements, to more closely match the current distribution of funds to schools. |
| 13 | Split site factor | Retain but convert to a fixed sum that approximates the split site costs in each sector | Few, but nevertheless an increasing number of schools qualify for a split site factor. The time and effort to calculate precisely the additional costs can be significant. It is proposed that a formal policy on calculating the additional costs is devised and then applied to each school's circumstances. Once those costs have been identified, the sum will be fixed and then reviewed every three years, unless there has been a major change in circumstances. This will ensure equity, reduce bureaucracy and aid school financial planning. |

C. Former Standards Fund allocations

| No. | Factor | Proposal | Reasons |
|-----|--------------------------------|--|---|
| 1 | School Development Grant (SDG) | Remove the factor, ring fence at sector level, redistribute the BIP and EiC element through the SEN Factor and the rest through the block and awpu | The SDG was a term used by a former government to bring together a myriad of old, ad hoc former grants. It included the Behaviour Improvement Programme and Excellence in Cities which were not allocated to all schools in similar circumstances. Therefore, some of these allocations were arguably unfair at the time and the government's later application of the MFG to this funding stream effectively locked it in to the funding system. Some of the original aims behind these funding streams may no longer be relevant today. The amounts per school vary <u>considerably</u> and significant gains and losses are inevitable. All schools currently receive an SDG allocation and the overall level of funding is very significant in value. There appears to be a correlation between the size of the allocations to schools and their relative deprivation and as LCC's formula already distributes less funding for deprivation than most other LAs, it is proposed that the element for BIP and EiC is distributed through the SEN Factor so that a wider group of schools in similar circumstances can access those |

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| | | | funds. |
| 2 | Specialist Schools | Remove the factor, ring-fence funding to the secondary sector and allocate through a block and awpu | This factor reflects the fact that a former government introduced a grant for specialist school status and second specialisms. Schools had to work with a minimum 5 other schools, including one secondary, to enhance the education of young people in those schools. Higher Performing Specialist Schools had to partner with lower attaining schools. Four of the county's smallest secondary schools did not achieve specialist status. The current Government's requirements of schools around those specialisms have now ended and the targeting of funds is no longer necessary. It is therefore proposed that this factor is removed, with the funding being distributed to all secondary schools via a block and awpu. |
| 3 | Leadership Incentive Grant | Remove the factor, ring-fence to secondary schools and add to the SEN factor | This factor reflects the fact that a former government introduced a grant many years ago to help underperforming schools tackle leadership issues. The funding was repeatedly retained. There appears to be some correlation between schools receiving this funding and deprivation and low attainment. It is therefore proposed that the funding is added to the SEN factor. |
| 4 | School Lunch Grant | Remove the factor and provide £500 as a block allocation with the rest via awpu | This factor was allocated across all schools and was designed to improve the take up of hot school meals. Following recent investment in school kitchens, the need for a separate funding stream is much reduced. It is therefore proposed that the funding is ring fenced to each sector and allocated through a block and the awpu. |
| 5 | Targeted Primary & Secondary Strategy | Remove, ring fence at sector level and redistribute the funding through the SEN factor | For primary schools, this factor was used to allocate funds to improve delivery in core subjects and to assist schools that may fall below floor targets. All schools receive an allocation. For secondary schools, the funding was targeted mainly at those that may have fallen below their floor targets. Most of the funding appears to have been distributed to smaller secondary modern schools (70% of the largest allocations were given to schools with <600 on roll). The current allocations have a degree of subjectivity attached to them. To simplify current arrangements, it is proposed that the funding is distributed through the SEN factor, although consideration will be given to placing slightly more emphasis on the deprivation element, to try to more closely match historical allocations. |
| 6 | Advanced Skills Teachers | Retain unchanged | This grant has existed for many years. Although few schools have ASTs, some have several and the funding tends to be focused mainly in the secondary sector. Although ASTs are required to support schools in the community, and this funding helps meet the actual costs incurred by the employing school, there may be an issue of equity and ease of access to consider. Having said that, the loss of this funding stream would probably lead to the removal of ASTs from schools, and also expertise and the sharing of good practice in the county. The proposal is to leave this factor unchanged but try to ensure that there is fair access to ASTs for all schools. |
| 7 | Extended Provision Sustainability | Remove, ring fence at sector level and allocate via a block allocation and awpu | This factor distributes similar but modest sums to all school budgets to enable them to offer some form of extended provision. To simplify the formula, it is proposed to redistribute this funding to schools via the block and awpu. |
| 8 | Economic Disadvantage subsidy | Retain the name, but redistribute by reference to the number of free school meals in schools | This factor is intended to finance activities for those pupils from the most economically disadvantaged backgrounds. It is proposed to retain the name so that schools can see a separately identifiable funding stream, and allocate the funding in a similar way, i.e. using free school meals data. |
| 9 | Primary 1:1 | Remove and add to the | This is a more recent initiative by a former Government. It was designed to support individual pupils that had fallen behind expected |

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| | | SEN factor introduced in April 2010. | standards, by providing support in English and Maths. To simply funding arrangements, it is proposed to add this to the SEN factor. |
| 10 | Secondary 1:1 | Remove and add to the SEN factor introduced in April 2010. | This is a more recent initiative by a former Government. It was designed to support individual pupils that had fallen behind expected standards, by providing support in English and Maths. To simply funding arrangements, it is proposed to add this to the SEN factor. |

The proposals in the tables above deal with the primary and secondary sectors. The funding of nursery schools and special schools was the subject of separate fundamental reviews that led to significant changes to their funding from April 2011. The LA therefore considers it unnecessary to conduct a comprehensive review of the funding of those two sectors at this time. However, it is proposed that the mainstreamed grants for those two sectors are ring-fenced and redistributed through existing formula factors. Details are set out in separate reports.

The impact of these proposals

The impact of the proposals in this report, before transition is applied, is shown below. It is important to note that the LA had to use data for the last complete financial year, i.e. 2010/11. It may not therefore accurately reflect what will happen to individual school budgets next year and it is partly for that reason that the impact for individual schools is not shown here.

However, it is quite clear from the analysis that:

- There is no significant transfer of resource between sectors.
- There are some very significant losses, but the majority of those are attributable to the redistribution of the SDG which is widely regarded as unfair at present.
- For the vast majority of primary schools, the gains and losses are relatively small. Before transition, 9 primary schools would lose more than 10% of their budget, with the highest being 19%. In nearly all of these cases, this is almost entirely due to their current high level of SDG funding which, as stated above, is now widely regarded as unfair. If the impact of SDG and Infant Class Size⁴ are discounted, the largest percentage loss in primary schools would be just over 5%. Also, 260 schools (95%) would have gains between + or – 3%, and; 172 (62%) schools would have gains between + or – 1%.
- Before transition, 4 secondary schools would lose more than 5% of their budget, with the highest being 9%. This is due to their current high level of SDG funding, LiG and second specialisms. If the impact of SDG is discounted, the largest percentage loss in secondary schools would be just over 4%; 42 schools (72%) would have gains between + or – 3%, and; 18 schools (31%) would have gains between + or – 1%.
- As a consequence of redistributing SDG more fairly, secondary modern schools will inevitably lose funding (however, please note the final paragraph below).
- Although some losses are quite high in percentage and monetary terms, the transitional arrangements should delay any significant impact on school budgets for several years. It should also be noted that those schools have for many years been receiving significant extra funding compared to other similar schools, and this will continue for some time due to the proposed transitional arrangements and the operation of the Government's Minimum Funding Guarantee.
- There is no discernible impact upon schools of different size in either sector.
- There is no discernible impact upon schools with different levels of deprivation in either sector.

It is also important to note that some of the schools losing significant funds under these proposals are gaining significant sums under the transitional arrangements arising from the new SEN factor introduced in April 2010.

The analysis of the impact of the proposals suggests that a number of key principles have been upheld, i.e. there will be a simpler, more equitable system of funding and a limited degree of instability. However, whilst these proposals respond to the challenge presented by the Government's mainstreaming of grants in to the DSG, the LA believes that this does not address a number of key strategic issues and major challenges that the LA and schools will face in the years ahead. Therefore, a separate report to the Schools Forum makes proposals for targeting uncommitted DSG base budget, including to small schools. Therefore, the proposals in this report should perhaps be assessed alongside those broader proposals.

⁴ The allocations can vary markedly from year to year and therefore many schools will not plan to receive this beyond 12 months.

IMPACT ANALYSIS

| Gains & Losses (£) Range of Difference | Number of Primary Schools | Number of Secondary Schools |
|---|--|--|
| (1,000,000) - (90,001) | 3 | 11 |
| (90,000) - (60,001) | 8 | 4 |
| (60,000) - (30,001) | 10 | 9 |
| (30,000) - (1) | 107 | 4 |
| 0 - 30,000 | 121 | 7 |
| 30,001 - 60,000 | 23 | 4 |
| 60,001 -91,000 | 2 | 4 |
| 90,001 -1,000,000 | 1 | 15 |

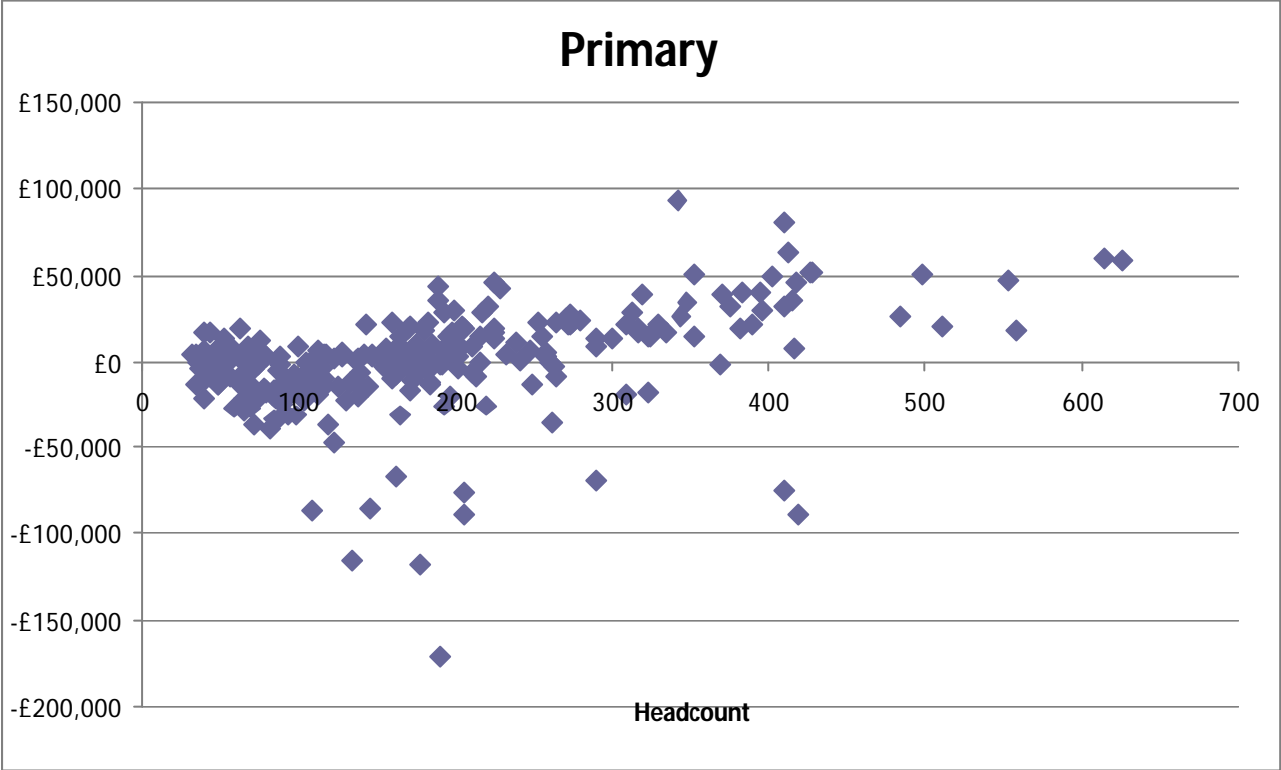
| Primary Gains & Losses (£) Range of Difference | NoR 0-50 | NoR 51-100 | NoR 101-200 | NoR 201-300 | NoR 301-400 | NoR 401-500 | NoR 501-650 |
|---|---------------------|-----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| (1,000,000) - (90,001) | 0 | 0 | 3 | 0 | 0 | 0 | 0 |
| (90,000) - (60,001) | 0 | 0 | 3 | 3 | 0 | 2 | 0 |
| (60,000) - (30,001) | 0 | 6 | 3 | 1 | 0 | 0 | 0 |
| (30,000) - (1) | 13 | 42 | 41 | 8 | 3 | 0 | 0 |
| 0 - 30,000 | 10 | 18 | 44 | 32 | 13 | 2 | 2 |
| 30,001 - 60,000 | 0 | 0 | 3 | 3 | 7 | 7 | 3 |
| 60,001 -91,000 | 0 | 0 | 0 | 0 | 0 | 2 | 0 |
| 90,001 -1,000,000 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |

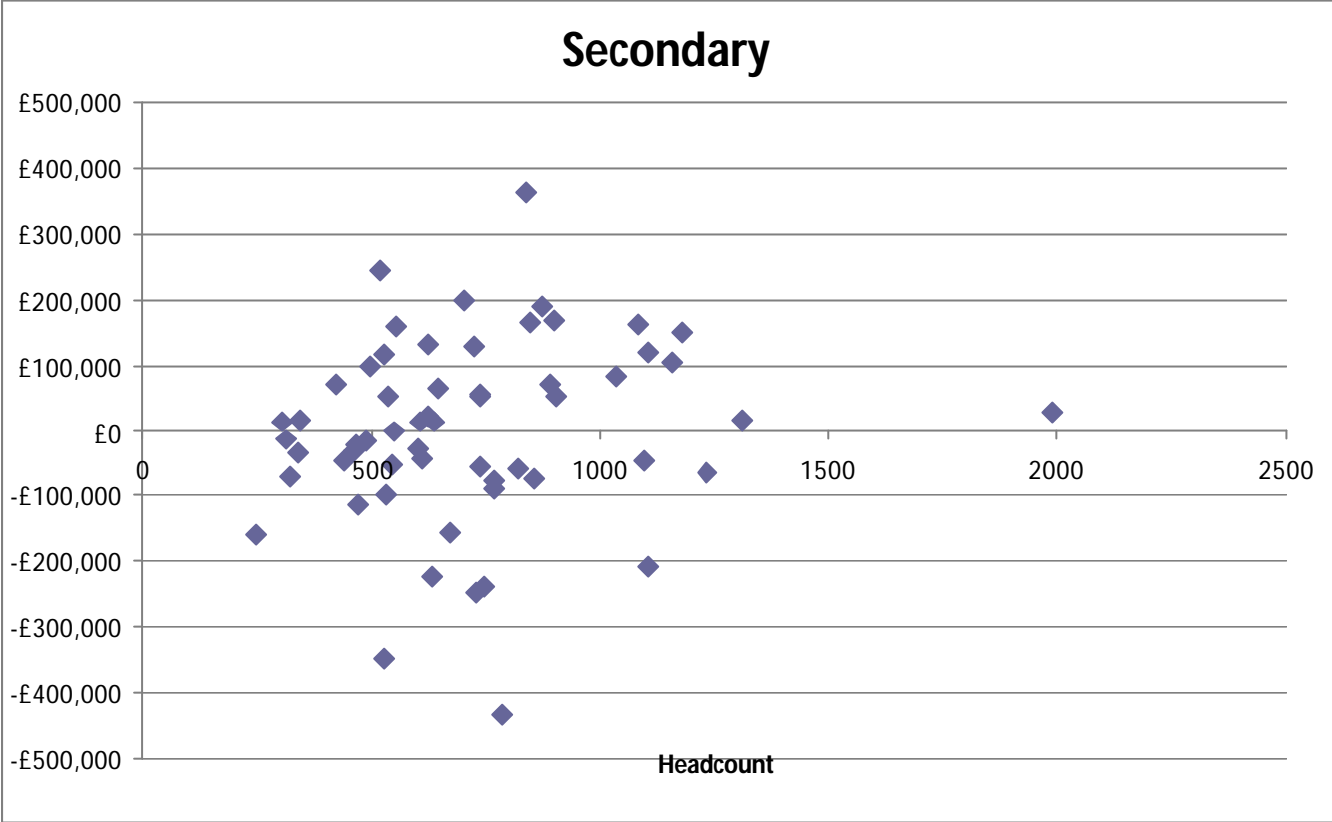
| Secondary Gains & Losses (£) Range of Difference | NoR 240-400 | NoR 401-550 | NoR 551-700 | NoR 701-850 | NoR 851-1200 | NoR 1201-2000 |
|---|------------------------|------------------------|------------------------|------------------------|-------------------------|--------------------------|
| (1,000,000) - (90,001) | 1 | 3 | 2 | 4 | 1 | 0 |
| (90,000) - (60,001) | 1 | 0 | 0 | 1 | 1 | 1 |
| (60,000) - (30,001) | 1 | 3 | 2 | 2 | 1 | 0 |
| (30,000) - (1) | 1 | 3 | 0 | 0 | 0 | 0 |
| 0 - 30,000 | 2 | 0 | 3 | 0 | 0 | 2 |
| 30,001 - 60,000 | 0 | 1 | 0 | 2 | 1 | 0 |
| 60,001 -91,000 | 0 | 1 | 1 | 0 | 2 | 0 |
| 90,001 -1,000,000 | 0 | 3 | 2 | 4 | 6 | 0 |

| Primary | Least deprived | IDACI =21%-40.99% | IDACI =41%-60.99% | IDACI =61%-80.99% | Most deprived |
|---|-------------------------|-------------------|-------------------|-------------------|------------------------|
| Gains & Losses (£) Range of Difference | IDACI =0%-20.99% | | | | IDACI =81%-100% |
| (1,000,000) - (90,001) | 0 | 0 | 0 | 2 | 1 |
| (90,000) - (60,001) | 0 | 1 | 2 | 2 | 3 |
| (60,000) - (30,001) | 0 | 3 | 5 | 1 | 1 |
| (30,000) - (1) | 0 | 33 | 57 | 13 | 4 |
| 0 - 30,000 | 4 | 33 | 53 | 30 | 1 |
| 30,001 - 60,000 | 0 | 4 | 9 | 9 | 1 |
| 60,001 -91,000 | 0 | 1 | 1 | 0 | 0 |
| 90,001 -1,000,000 | 0 | 0 | 0 | 1 | 0 |

| Secondary | Least deprived | IDACI =21%-40.99% | IDACI =41%-60.99% | IDACI =61%-80.99% | Most deprived |
|---|-------------------------|-------------------|-------------------|-------------------|------------------------|
| Gains & Losses (£) Range of Difference | IDACI =0%-20.99% | | | | IDACI =81%-100% |
| (1,000,000) - (90,001) | 0 | 0 | 8 | 2 | 1 |
| (90,000) - (60,001) | 0 | 1 | 1 | 2 | 0 |
| (60,000) - (30,001) | 0 | 2 | 4 | 3 | 0 |
| (30,000) - (1) | 0 | 0 | 4 | 0 | 0 |
| 0 - 30,000 | 0 | 0 | 5 | 2 | 0 |
| 30,001 - 60,000 | 0 | 1 | 3 | 0 | 0 |
| 60,001 -91,000 | 0 | 2 | 1 | 1 | 0 |
| 90,001 -1,000,000 | 0 | 3 | 7 | 5 | 0 |

| School type | Difference £ |
|--------------------|---------------------|
| Primary | -84,570 |
| Secondary Modern | -881,472 |
| Grammar | 122,612 |
| Comprehensive | 843,429 |
| Total | £0 |





Transitional arrangements

Although many of the proposals set out above were heavily influenced by the need to retain a significant degree of stability in school funding, it is important to safeguard school budgets further by introducing transitional arrangements. At its meeting in October 2011, the Schools Forum supported the LA's proposal to set aside £10m from the DSG underspending at 31 March 2011, to assist with this.

The Government has recently confirmed that LAs will be required to continue to operate the MFG and it has been set at minus 1.5% for a second year. Clearly, that protection mechanism, or 'floor', will offer a significant degree of protection to schools. With limited growth expected in the DSG over the next three years, the LA would, ordinarily, have needed to limit gains initially, to help protect some schools from significant losses. Protection arrangements might then have to be in place for many years. However, the £10m earmarked from last year's DSG underspending will be used to reduce the restrictions on those gains. The LA must treat this with tremendous care though. The underspending is a one-off sum of money and once it has been fully spent, it is critical that from that point onwards, all schools can continue to be funded at least to the level of the MFG from within the available DSG. This may be difficult to model accurately and it is likely to mean that the £10m may have to be used over several years. So, it may be prudent to utilise only c.£2m of the underspending in 2012/13, with a slightly larger commitment in subsequent years. It is therefore likely that the LA will need to carry forward a large but reducing element of the £10m underspending over the next few years.

Due to the process that has to be followed, the impact of the decisions arising from this review will not be communicated to schools until shortly before April 2012. Even with transitional protection offered by the MFG, it is important to consider offering full protection from losses in 2012/13. This would aid schools' financial planning and be consistent with the approach recently adopted for the introduction of the SEN factor, the special schools formula and the new Early Years Single Funding Formula. The cost of this protection is not yet known, but it could also be financed from the £10m underspending earmarked for transition.

As indicated above, it may also be sensible to offer a degree of extra protection to schools that will lose out under proposals for the Infant Class Size factor, by honouring the funding for the first five months of the next financial year.

It is proposed that the LA develops plans for transition along the lines indicated above. Unfortunately, the details cannot be modelled until the January 2012 schools census data is received.