

MEETING:	SCHOOLS FORUM
DATE:	6 JULY 2012
TITLE OF REPORT:	REPORT OF THE BUDGET WORKING GROUP
REPORT BY	GOVERNANCE SERVICES

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To consider a report from the Budget Working Group (BWG) on the following issue: National Schools Funding Formula.

Recommendation(s)

That the following principles be adopted in preparing the 2013/14 schools budget:

- a) no values be allocated to Looked After Children (LAC) in the first year of implementation, but that this aspect be reviewed in preparing the 2014/15 budget, having regard to the approach taken by other authorities;**
- b) a composite per pupil value be used in secondary schools representing the average value for KS3 and KS4, subject to any guidance from the DfE;**
- c) It be noted that the Forum will be requested to de-delegate the trade union funding;**
- d) It be noted that the DfE intended to move towards national consistency for the primary/secondary ratio which implied a gradual move towards the average 1:1.27 and it be requested that consideration given to the implications of this in developing a strategy for school configuration in the County;**
- e) that schools gaining funds should have the gains capped by the same percentage as used by the Minimum Funding Guarantee (MFG) in order to fund the costs of the MFG; and**
- f) the proposed further discussions with Special School Headteachers and Pupil Referral Units be supported and a progress report made to the BWG in July**

Further information on the subject of this report is available from
Tim Brown, Governance Services on (01432) 260239

Key Points Summary

- The BWG has considered a discussion paper designed to form the basis of a consultation paper for Herefordshire Schools on the local application of the National Schools Funding Formula (NSFF), recognising that there are aspects where local choices could be made.
- The Forum is asked to support the adoption of a number of principles to guide the preparation of the 2013/14 schools budget.

Alternative Options

- 1 No alternative options are proposed by the BWG at this stage. There are a number of options open to the Forum.

Reasons for Recommendations

- 2 To consider the BWG's views on the development of a consultation paper for Herefordshire Schools on the local application of the National Schools Funding Formula (NSFF).

Introduction and Background

- 3 The BWG met on 2 May and 15 June 2012. Copies of the Notes of that meeting are being circulated separately to Members of the Forum.
- 4 The Forum's meetings have focused on the implementation of a National Schools Funding Formula that also entails significant changes to the funding of special educational needs.
- 5 A copy of the briefing note previously circulated to schools: School Funding Reform: Next Steps towards a Fairer System is appended.
6. The SFM presented a discussion paper designed to form the basis of a consultation paper for Herefordshire Schools on the local application of the National Schools Funding Formula (NSFF), recognising that there were aspects where local choices could be made.
7. The SFM's starting point had been to seek to develop the Herefordshire 2013/14 schools budget based on the "Line of Best fit" model to achieve maximum stability of school budgets to assist the transfer to the national funding formula. This approach was intended to minimise winners and losers and the cost of the Minimum Funding Guarantee. Further adjustments would be considered as necessary for the 2014/15 NSFF based on advice from the Education Funding Agency (EFA) and evidence from all other LEAs.
8. The SFM highlighted a number of specific proposals for discussion. He emphasised that the DfE modelling tool would become the mechanism by which budgets would in future be calculated. He proposed to include an appendix to the consultation paper showing the NSFF budgets as calculated by the DfE budget calculator.

Proposal: No values will be allocated to the Looked After Children (LAC) and English as an Additional Language (EAL) in the first year of implementation.

9. The SFM reported that on reflection he proposed to make an allocation of £55k for EAL at £295 per EAL pupil (first year only) to maintain consistency with the Herefordshire schools 2012/13 budget – which allocated £55k to EAL. He did not propose to make an allocation for LAC as no allocation had been made for LAC to date because of lack of data. There were factors in the DfE model that took LAC into account. He proposed that this aspect be

reviewed in preparing the 2014/15 budget, having regard to the approach taken by other authorities.

The BWG supported this revised proposal.

Proposal: To use a composite per pupil value in secondary schools representing the average value for KS3 and KS4 (to be confirmed following publication of DfE consultation replies)

10. The SFM commented that this proposal was being put forward for consultation in the expectation that the DfE would provide some direction on this point.

The BWG supported this proposal.

Proposal: No application for exceptional funding factors or dis-application of the Minimum Funding Guarantee will be made to the Education Funding Agency

11. The SFM reported that the Education Funding Agency would have discretion to consider additional factors in exceptional circumstances – but these must apply to less than 5% of the area's schools but account for more than 1% of costs. The SFM did not consider that any factor fulfilled these criteria in Herefordshire.

The BWG supported this proposal.

De-Delegation of Trade Union Funding

12. It was noted that the Schools Forum would be asked to de-delegate Trade Union Funding which would in effect delegate the funding to all schools including academies. De-delegation provided the opportunity for LA maintained schools to pass the money back to the Council to provide the service. Academies would have to do the same through an SLA.

The BWG noted this proposal.

Primary – Secondary Ratio

13. The discussion paper stated that the national average ratio of funding for primary to secondary funding per pupil was 1:1.27 and the range varied from 1.15 to 1:1.50. The DfE intended to move towards national consistency for the primary/secondary ratio which implied a gradual move towards the average 1:1.27.
14. Herefordshire's ratio in 2012/13 is 1.17. The estimated ratio in 2013/14 will be 1.16. The DfE have suggested that authorities should not move away from the national average ratio.
15. Medium term convergence to the national average ratio implied a gradual and continual shift of funding from primary to secondary schools. This would imply a reduction in funding of £150 per primary pupil and an increase in secondary funding of £195 per pupil to give a ratio of 1.27. An alternative would be to reduce the lump sum by £25,000 for all schools and switching to per pupil secondary funding.
16. The SFM reported that the DfE had set no timetable or targets for achieving convergence to the national ratio. It was unlikely given Herefordshire's circumstances and the number of small schools that the authority would be required to move to a ratio of 1.27. However, a move nationally to a range of 1.22—1.32 might be expected. It was clear that the DfE would not accept a move further away from the national ratio. The long term aim was clearly that similar schools with similar catchment areas in all local authorities would get similar funding and this implied a common primary/secondary ratio.
17. The BWG considered that it was important that the implications of the DfE's thinking on this aspect were made clear to schools. The BWG was sceptical about the logic of moving to a

national average, given the extent to which local circumstances differed, and its inclination, in the absence of direction to the contrary, was to propose no action other than to highlight the potential implications of such a move in the consultation paper and to request that consideration be given to the implications in developing a strategy for school configuration in the County. The BWG did not, however, consider that it was its role in making recommendations about the budget to pre-empt strategic decisions about the configuration of schools in the County that were properly taken elsewhere.

Proposal: that schools gaining funds should have the gains capped by the same percentage as used by the MFG in order to fund the costs of the MFG.

18. The Minimum Funding Guarantee has been set by the DfE at -1.5% for 2013/14 and 2014/15 to protect schools losing funding during the implementation of the national funding formula. Given that the new formula simply shared out the same funding but on a different basis creating as many winners as losers it seems entirely appropriate to use the same mechanism for capping winners, i.e. capping winners by the same percentage but on a plus basis i.e. +1.5%.

The BWG supported this proposal.

SEN/HIGH NEEDS FUNDING

19. The report noted that to continue to provide stability for schools, it was proposed to calculate a school's notional SEN budget consistently with the calculation used within Herefordshire's 2012/13 formula. This was set out in the discussion paper as 6% of "per pupil funding" plus 6% of the lump sum plus 100% of delegated SEN funding plus 40% of social deprivation funding.
20. The SFM commented that he proposed to hold further discussions with Special School headteachers and Pupil Referral Units and report back to the BWG in July regarding the introduction of a standardised range of top-up funding allocations for special schools, PRUs and SEN resource bases.
21. The BWG commented that the proposals as currently presented were confusing and needed further work. It was accepted that for presentation purposes a simpler presentation would be needed. The initial top-up costings were essentially draft workings for discussion. It had been considered that it would be useful for the BWG to be aware of the proposals
22. There were particular concerns about the need to ensure that funding was allocated to known and projected need for the year ahead. It was suggested that an analysis of the pattern of the growth in need for SEN provision would be helpful. It was noted that in the longer term questions would need to be addressed over the funding of different special schools and pupil referral units which varied partly because of the different running costs of schools.
23. The BWG also considered that it was essential that clear eligibility criteria were drawn up for entry to special school provision.

NEXT STEPS

24. The implementation timetable envisages the next steps as follows
 - An initial consultation strategy was developed by the BWG will be developed further by the council to set out a framework of consultation and briefings for headteachers, governors, members and early years providers.

- Further meetings with Special school and pupil referral unit headteachers are planned before the end of term to finalise the proposals for SEN funding and the High Needs Funding Block.
- The BWG will meet on the 12th July to review the progress to date, taking account of any feedback from Schools Forum, and to advise on any outstanding queries prior to the drafting of the consultation paper over the summer break.
- The BWG will meet on the 6th September to review the consultation paper prior to distribution to schools, governors, members and early years settings in September
- The BWG will meet on the 4th October to review the feed back from the consultation process.
- Schools Forum will meet on the 19th October to agree final recommendations to the Cabinet member for Education prior to submission to the Education Funding Agency by the 31st October.

Community Impact

25 No direct impact.

Financial Implications

26 The recommendations, if agreed, will not have an impact on the overall Dedicated Schools Grant as the funding changes will pass directly between schools thereby creating equal numbers of winners and losers.

Legal Implications

27 The proposals comply with the Council's legal duties.

Risk Management

28 The BWG reviews proposals in detail prior to making recommendations to Schools Forum. This two stage process helps to ensure greater scrutiny of budget proposals.

Appendices

School Briefing on School Funding Reform – Next Steps

Background Papers

None