



Derby City Council

COUNCIL CABINET
22 January 2014

ITEM 15

Report of the Cabinet Member for Children
and Young People

CHANGES TO DERBY'S FORMULA FOR FUNDING SCHOOLS

SUMMARY

- 1.1 The Department for Education - DfE - published on the 4 June 2013 minor changes to the Formula for Funding Schools in light of the national reform of schools funding. The DfE require all local authorities to consult with schools and academies on any proposed changes to their formula.
- 1.2 Schools Funding will continue to be distributed to local authorities through a ring-fenced grant, the Dedicated Schools Grant, and will continue to be split into three funding blocks; Early Years Block, High Needs Block and Schools Block.
- 1.3 The DfE have issued further guidance on changes to any factors allowable for the forthcoming financial year. Their continued focus is to move towards a national funding formula with an emphasis of a greater proportion of schools funding allocation on a per-pupil basis.
- 1.4 The proposed changes being considered are:
 - changes to the prior attainment factor
 - consideration of levels of funding for children with English as an additional language - EAL
 - mobility of pupils, transient cohorts of children
 - lump sum allocations to schools
 - notional special educational needs funding.
- 1.5 A full consultation exercise has been carried out with schools and other stakeholders over the period 7 September to 18 October 2013. The Local Authority consulted with Schools Forum at their meeting of 10 October 2013.
- 1.6 This report details the proposed changes to the local funding formula for Derby with effect from 1 April 2014. This formula will apply to all schools and academies.

RECOMMENDATIONS

- 2.1 To make changes to the fair funding formula as detailed in this report.

- 2.2 To delegate the decision to cap any gains to individual schools necessary for setting a balanced budget to the Strategic Director of Resources.

REASONS FOR RECOMMENDATION

- 3.1 To ensure that Derby's formula for funding schools is compliant, offers least turbulence for Derby schools and is affordable.



Derby City Council

COUNCIL CABINET 22 JANUARY 2014

Joint Report of the Strategic Director for Children and Young People and Resources.

SUPPORTING INFORMATION

- 4.1 Schools Funding will continue to be distributed to local authorities through a ring-fenced grant, the Dedicated Schools Grant, and will continue to be split into three funding blocks; Early Years Block, High Needs Block and Schools Block. The Department for Education - DfE - published on the 4 June 2013 minor changes to the Formula for Funding Schools in light of the national reform of schools funding. The DfE require all local authorities to consult with schools and academies on any proposed changes to their formula
- 4.2 In determining any changes to the formula the Council has established the following principles:
- Minor turbulence to individual schools funding
 - A reduction of the Minimum Funding Guarantee (the protection mechanism for individual schools funding)
 - Narrowing the gap
 - Derby's position in the national context
- 4.3 A full consultation on the proposed changes was carried out over the period 7 September to 18 October and 6 responses were received in addition to the specific consultation with Schools Forum. The response rate was at unprecedented low levels.
- 4.4 The Council has a desire to reduce the number of schools who are dependent on the Minimum Funding Guarantee - MFG - where ever possible. This is because the MFG is not guaranteed indefinitely and those schools reliant on protection mechanisms are vulnerable in terms of future funding. A high number of schools on the MFG also reduces the Council's ability to make future changes to the formula as the costs of protection become a significant affordability issue.
- 4.5 The proposed changes being consulted on are:
- Changes to the prior attainment factor
 - consideration of levels of funding for children with English as an additional language - EAL
 - Mobility of pupils, transient cohorts of children
 - Lump sum allocations to schools
 - Notional special educational needs funding
- 4.6 The Minimum Funding Guarantee will remain in place for 2014-15 at its current level of -1.5%, this means that schools will be protected from significant losses

in funding amounts, however it does not protect against funding losses as a result in a reduction of pupil numbers.

4.7 **Low Cost, High Incidence Special Educational Needs (SEN) (Prior Attainment)**

Secondary Phase

Currently pupils qualify for the prior attainment factor in secondary phase if at KS2 they fail to achieve a level 4 or higher in English **and** Maths. The DfE have reviewed the attainment data, which shows that currently only 20% of pupils who achieved a level 4 in English **or** Maths went on to achieve the 5 (A-C) GCSEs including English and Maths. In light of this, the measure has been changed for 2014-15, pupils will qualify for the prior attainment factor if they fail to achieve a level 4 or higher in English **or** Maths.

- 4.8 This change increases the number of pupils eligible from 1,852 to 3,970 pupils and would increase funding to schools by £2.9m if the factor rate remained the same. It is proposed to reduce the factor rate from £1,865 to £870 in order to keep the amount of funding allocated through this factor at levels consistent with previous years.

The recommendation is to reduce the factor rate to £870.

4.9 **English as an Additional Language - EAL**

The current amount of funding allocated to schools through an EAL factor is of a significant higher proportion of the schools budget when compared regionally and nationally. As we move to a national funding formula it is very likely that the DfE will prescribe minimum and maximum limits for factors (we have already seen a shift to this for 2014/2015 in the limits for AWPU funding). An option could be to steadily and safely move outlying factors to a more sector average; EAL is one of these outlying factors. A reduction of the amount directed specifically through this factor by 25% was considered with the funding being redirected back through pupil number factors.

Note, Derby's EAL funding reflects the generous funding the City received through the old Standards Fund Grant; Ethnic Minority Achievement Grant - EMAG.

- 4.10 As schools are continually experiencing pressures from this cohort and the numbers are projected to significantly increase it is recommended that this proposal is not implemented for next financial year as it would add additional burdens to some of Derby's schools. This will be revisited in light of the next steps required in implementing a national funding formula.

The recommendation is to continue with the English as an Additional Language Factor unchanged.

4.11 **Mobility**

Whilst the definition of mobile pupil remains the same the DfE have introduced a threshold of 10%; those schools who have less than 10% mobility will not

attract funding. The mobility factor is an optional factor.

- 4.12 The reasoning behind the change cited by the DfE is that the mobility factor did not allow them to target funding to schools with high volumes of mobile pupils as the factor spread the mobility funding too thinly across a large number of schools and did not consistently target funding to the those school which most needed additional support.

That probably doesn't reflect the full scale of the situation in Derby because the mobility factor used is flawed in that it does not capture short term incidents of movements in and out of schools (it looks a numbers on roll in September that did not have a September start) and a 10% threshold sees the majority of Derby schools who previously attracted this funding losing it. This is a real cause for concern and what this creates is a cliff edge for funding, especially those schools very close to the 10% trigger.

- 4.13 The impact of these changes for the funding for Derby schools is very significant. The current funding through the mobility factor in Derby's formula in 2013-2014 was £2.4m. If, using the same data and the same factor rate (£762 primary and £1,793 secondary) but allowing for the threshold the amount of funding via this factor would reduce to £172,000 however this would then increase the MFG by £1.5m (because those schools losing the funding would be protected).

- 4.14 The mobility factor is not a mandatory factor so the consultation focused on whether we should retain the use of such a factor and if so where the balance of funding should be directed; the balance remaining of the schools that would have formally attracted this factor. The considerations proposed were to distribute the balance between pupil numbers factors or through deprivation factors as there was the strongest correlation to deprivation, or a combination of both, the impact on the MFG was minimal under each option.

- 4.15 The recommendation is to keep a mobility factor and to distribute the remaining funding that formally went through the mobility factor through pupil numbers. The reason for this recommendation is because Pupil Premium Funding, a separate grant, is now considered the primary mechanism for raising the attainment of those children on free school meals and has increased from £488, when first introduced in April 2011, to £1,300 per pupil for the year 2014/15.

4.16 **Lump Sum**

A lump sum is given to each school through the formula to recognise that there are structural costs to schools that are not linked to pupil numbers. This factor is particularly important to school with lower or very turbulent pupil numbers as this does give some reassurance of funding levels.

- 4.17 Prior to the changes made to the formula in April 2013 the lump sum values for Derby schools were £70,000 for the primary phase and £350,000 for the secondary phase. The DfE imposed changes to this and required local authorities to set a lump sum factor both equal for all phases and at a

maximum value of £200,000. As a consequence of this Derby's lump sum factor was set at a level of £100,000 for all schools. This increased the MFG considerably particularly for the secondary phase.

4.18 The DfE have recognised that a single value lump sum across all phases has created some risk to the financial sustainability of some schools, particularly those with a smaller pupil number base, and have now changed the regulations to allow local authorities the ability to set different lump sum values across the phases. The proposal is to increase the lump sum for secondary schools to £150,000 to reduce the MFG of the secondary phase.

4.19 **Looked After Children - LAC**

The criteria for pupils funded through the LAC factor has changed, Derby's formula currently allocates funding to those children who had been looked after for six months or more. The current rate is £1,657.

4.20 DfE research shows that children who have been looked after for one day are equally likely to under-perform at KS4 as those who are looked after for 12 months or more and may have equally challenging backgrounds. Although not a mandatory factor the DfE have changed the criteria for use; looked after children who have been looked after for one day or more will attract the additional funding.

4.21 The cost of including the extra children is a minimal £13,930 across all schools, the recommendation therefore is to keep the factor and apply the 12 month criteria.

4.22 **Notional Special Educational Needs - SEN - Funding**

The DfE have stated that local authorities must make sure that the budget shares of schools and academies have an appropriate level of delegation of SEN funding that enables them to contribute to the costs of the whole school's additional SEN support arrangements up to the new mandatory cost threshold of £6,000 per pupil.

Derby City currently delegates £9,000 per pupil (based on the first 15 hours of Teaching Assistant - TA - support). Support over and above these levels come in the form of high needs top up funding.

4.23 To move to a £6,000 level (equivalent of 10 hours TA support) monies will have to be removed from schools budgets and transferred to the High Needs Block to fund the additional top up funding.

This is a complex issue and there are great risks associated with taking money from all schools as the MFG does **not** apply in this instance. Schools will receive this money back in the form of an individual targeted model based on additional top up hours; the funding taken out of schools' budgets is not targeted back in the same way so there could be some real significant losers.

4.24 There is no discretion around the principles of de-delegation, the DfE have

made this a requirement from April 2014 (was previously only a recommendation). The decision to be considered is around where the funding is taken from, which factors are reduced within the formula.

4.25 The Factors currently used to allocate notional SEN funding are:

- AWPU (0.09)
- Deprivation (0.4)
- Looked After Children (1.0)
- Prior Attainment (1.0)
- English as an Additional Language (0.45)
- Mobility (1.0).

4.26 The proposal is to reduce the notional SEN factors proportionately to the level of de-delegation required. Extensive modelling has been carried out in the area and no correlation can be determined with one single factor.

4.27 **Capping Gains**

As there is a protection mechanism in the system to protect schools from losing more than 1.5% from formula changes there may have to be a cap introduced on schools gaining from the formula changes to ensure that the whole model is affordable within the context of setting a balanced Dedicated Schools Grant budget. As the data has not yet been finalised and the confirmation of the final grant for 2014-15 will not be known until March 2014 it is proposed that the decision on the required levels of capping required to set a balanced budget is delegated to the Strategic Director of Resources.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer	Robin Constable Alison Parkin Liz Moore
--	---

Estates/Property officer Service Director(s) Other(s)
--

For more information contact: Background papers: List of appendices:

Alison Parkin 01332 642674 alison.parkin@derby.gov.uk Schools Formula Consultation Appendix 1 Implications
--

IMPLICATIONS

Financial and Value for Money

- 1.1 The Schools Funding reform requires changes to the way schools are funding. Any changes need to be considered in the context of the overall funding available. Schools are funded from a specific ring-fenced grant, the Dedicated Schools Grant.

Legal

- 2.1 For the financial year 2013-14 funding for schools is governed by the Schools and Early Years Finance (England) Regulations 2012.

Personnel

- 3.1 Staffing costs form the largest single part of an individual school's budget. Governors are responsible for making staffing decisions, taking into account the budget available. The Minimum Funding Guarantee provides some protection to schools funding.

Equalities Impact

- 4.1 Elements of the formula are directed at minority and vulnerable groups.

Health and Safety

- 5.1 None for consideration.

Environmental Sustainability

- 6.1 None for consideration

Property and Asset Management

- 7.1 None for consideration

Risk Management

- 8.1 None for consideration

Corporate objectives and priorities for change

- 9.1 All people in Derby will enjoy achieving their learning potential.