
**Meeting of the Decision Session –
Cabinet Member for Education, Children
and Young People**

19 November 2012

Report of the Director of Adults, Children & Education

School Funding Reform – LMS Formula Review

Summary

1. This report presents a proposed new LMS Funding Formula for 2013/14 that conforms to the revised regulations introduced by the DfE under its reform of school funding arrangements. The Cabinet Member is asked to consider and approve the proposed formula.
2. The Cabinet Member is also asked to consider some specific recommendations from the Local Authority about the de-delegation of a small number of services back to the LA, to enable them to continue to be managed under existing arrangements for 2013/14.

Background

3. As part of its reform of school funding the DfE has instructed each LA to review and simplify its current LMS Funding Formula for the 2013/14 financial year. The new formula will need to be fully compliant with the DfE revised School Funding Regulations which describe:
 - A reduction in the number of allowable factors from the current 37 (22 used in York) to 10, and significant prescription on how these remaining factors are to be applied.
 - A requirement to delegate to schools a number of budgets and services that are currently held and managed centrally by the LA.
 - An option for schools (via the York Education Partnership Board [YEP]) to agree to de-delegate some of these services back to the LA if they wish.
 - New constraints on the use that the LA can make of any remaining centrally retained budgets.
 - Changes to the funding arrangements for high needs SEN and

Alternative Provision (AP) pupils by introducing a commissioner/provider arrangement, with commissioners (including schools for AP) responsible for funding the actual cost of provision for their pupils.

Principles

4. In reviewing the existing York formula the following principles were agreed with the York Education Partnership Board:
 - That the current York formula is fit for purpose and represents a fair allocation of available resources between schools.
 - That the revised formula needs to match the current allocation as closely as possible within the constraints set by the new DfE regulations.
 - Therefore any redistribution of resources will only be as a result of the nationally prescribed changes and not locally driven.
 - That full use of the transitional protection arrangements are to be made to help mitigate any turbulence for individual schools.

Transfer of Existing Formula Factors to the New Arrangements

5. In order to maintain stability of funding as we move to the new arrangements, each factor within the existing funding formula has been considered separately and mapped to the new allowable factors under the new regulations. Annex 1 summarises this mapping.
6. As far as possible existing formula factors have been mapped to their nearest equivalent under the new regulations. Where this hasn't been possible the approach taken has been to use a combination of new factors that produces an allocation of funding as close to the current distribution for that factor as can be achieved.
7. However, despite our best efforts to match the current distribution of resources there will be implications for some schools, most notably in the following areas:
 - The new regulations put greater emphasis on funding allocated on a per pupil basis. This can have an impact on some schools that are significantly smaller or larger than the average.
 - No premises (floor/grounds area) factors are allowed under the new regulations. This can impact on schools operating with pupil numbers below capacity levels or not in proportion to their building size.
 - Only one lump sum is allowed across both school sectors, and the maximum that this can be set at is £200k. York's current lump sums

are £124k for primary schools and £284k for secondary schools. There is no perfect solution to this issue as wherever the lump sum is set will impact materially on some schools. As other aspects of the changes are, in general, likely to be more beneficial to larger schools it has been decided to set the lump sum at the £200k maximum to support our smaller schools, particularly smaller secondaries.

- There is an inability to replicate the allocation of the former standards fund grants that were mainstreamed into the formula in 2011/12. This has a particular impact for specialist schools and schools that received targeted funding in those former grants.

8. The proposed formula factors and values for 2013/14 are set out at Annex 2.

Transitional Arrangements

9. Under the new regulations the Minimum Funding Guarantee (MFG) will remain in place at -1.5% per pupil for 2013/14 and 2014/15. This will ensure that no school will see a significant reduction in funding following the introduction of the new formula.
10. In order to fund the MFG there will also need to be a limit on gains for those schools whose funding will increase under the new formula. This will again operate on a per pupil basis, and will be a ceiling increase that under current modelling is estimated at +1.28%, but may vary depending on the actual level of MFG protection required in 2013/14.
11. Annex 3 sets out the detail of indicative funding changes for individual schools on a like for like basis and following the MFG and ceiling damping adjustments described above. This shows that the range of change is limited, with maximum losses and gains as follows:

| | Maximum Loss £000 | Maximum Gain £000 |
|-------------------|----------------------|----------------------|
| Primary Schools | 21 | 22 |
| Secondary Schools | 58 | 67 |

Target Funding Levels

12. It is also important to understand the potential projected impact for individual schools once all of the transitional arrangements have run their course. In these circumstances the level of potential change for individual schools is more material.

13. Annex 4 sets out the detail of potential funding changes for individual schools once they have reached their full target level under the new funding formula. The comparison is made to each school's target allocation under the current formula, and in this context it needs to be remembered that some schools have yet to reach their target level under the current formula. In summary, the range of change for schools at their target funding levels is as follows:

| | Maximum Loss | | Maximum Gain | |
|--------------------|--------------|------|--------------|------|
| | £000 | % | £000 | % |
| Primary Schools | 92 | 6.9% | 68 | 9.5% |
| Secondary Schools* | 87 | 2.4% | 189 | 4.5% |

* Note – Excluding Burnholme Community College which is subject to separate support arrangements during its phased closure period.

Infant Class Size Funding

14. The new regulations do not allow a factor for assisting schools in meeting infant class sizes legislation, and some primary schools have already raised this as a significant concern.
15. A solution to this problem would be to remove the current funding allocated under the Infant Class Size Factor from the LMS Funding Formula and retain it as a separate centrally held contingency. The LA could then allocate this funding to individual schools at the beginning of each academic year based on the actual numbers of pupils in infant classes at that time. This has the potential to enable the funding to be targeted in a much more accurate way than at present under the existing funding formula, which allocates based on the previous January pupil numbers.
16. Primary schools have supported this proposal through the consultation exercise, but the LA will still need to request that the DfE allows the current Infant Class Size allocations to be excluded from the MFG calculations. In addition some one-off arrangements may need to be put in place for 2012/13 for some schools that did not receive ICS funding in 2012/13, but have had to implement extra classes in autumn 2012 in anticipation of receiving funding under the current formula in 2013/14.
17. If this proposal were not to be implemented then the funding would need to be included in the new formula, and would increase individual primary schools' allocations by £39 per pupil.

New Delegations

18. The new regulations require LAs to delegate, for the first time, a number of budgets and services that are currently retained centrally. These are as follows:

| Centrally Held Budgets | | Centrally Funded Services | |
|---------------------------------|------|---|------|
| | £000 | | £000 |
| Schools In Financial Difficulty | 414 | Behaviour Support Outreach Service | 344 |
| Schools Contingency | 100 | Traveller Education & Ethnic Minority Support Service | 461 |
| Teachers Panel | 93 | Access & FSM Eligibility Assessment Service | 73 |
| Newly Qualified Teachers | 146 | | |
| Advanced Skills Teachers | 161 | | |
| 14-16 Diploma Funding | 355 | | |
| School Lunch Grant | 201 | | |

19. Annex 5 sets out the amount of funding that each school could expect to receive from each of these new delegations. Under the new arrangements the YEP Board (by school sector) has the power to agree on behalf of all maintained schools, that some of these budgets and services be de-delegated back to the LA. Any de-delegation would be for the 2013/14 financial year only and would have to be renewed on an annual basis. For 2013/14 the LA requested, and the YEP Board has approved, the following de-delegations:

Schools in Financial Difficulty (£414k)

20. This budget has been set aside specifically to support Burnholme Community College during its phased closure and the transitional arrangements for pupils and staff that have previously been endorsed by the Cabinet. From the LA's perspective it is essential that this funding continues to be made available to ensure high quality education provision for those pupils affected by the closure of the college.
21. Following the phased closure of the college the previously endorsed plan would see overall annual savings to the Schools Budget of c£1m. The plan provided for approximately 50% of this saving being returned directly to secondary schools through the funding formula, and 50% retained to fund Prudential Borrowing repayments to support building works for expansion and improvement of secondary schools.

Schools Contingency (£100k)

22. This small budget has been used in the past by the LA to support significant but unexpected expenditure in some schools on an exceptional basis. Examples from previous years include:
- Significant legal costs supporting employment tribunals.
 - Funding of compromise agreements in certain circumstances.
 - Backfill costs following the suspension of a headteacher.
 - Uninsured continuing education costs following a school fire.

Teachers Panel (£93k)

23. The teachers' panel arrangement is the primary mechanism for the LA, on behalf of schools, to consult with teaching staff across the city. Each trade union is represented on the panel, with the bulk of the budget being spent on funding the salaries of panel members, or backfill arrangements in the individual home schools of the panel members.

Behaviour Support Outreach Service (£344k)

24. The service is provided to schools through the Danesgate Community, outside of the Danesgate provision for individually named pupils. The service is discussed in more detail in the report at item 9 on this agenda, but in summary the service provides an outreach service to schools in the form of:
- In school behaviour support workers.
 - Advisory teachers.
 - Specialist teaching assistant support.

Traveller Education & Ethnic Minority Support Service (£461k)

25. The team includes teachers, teaching assistants, an Education Welfare Officer and an adviser for young people. It provides specialist advice and teaching for minority ethnic pupils, including Travellers, with language or cultural needs which may create barriers to access, attendance and achievement. In particular the service provides the following support for schools:
- Advice and support.
 - Specialist teaching.
 - Short term intervention projects.

- Assistance in the development of policy and practice.
- In-service training and development opportunities for teachers, support staff and a range of other professionals.
- Guidance on responding to racial harassment.

Access & FSM Eligibility Assessment Services (£73k)

26. These functions currently form a small part of the overall School Services team, with the team covering a range of work from management of the admissions process to organising all of the city's home to school transport arrangements. The particular services that are the subject of this new delegation requirement appear to include the following areas:
- Free school meal eligibility assessment.
 - School Uniform Grants.
 - Child employment permits.
27. The LA's view is that further work needs to be done on this area to ensure that there is clarity on what is, or is not, included in the delegation, and therefore which specific responsibilities would transfer to schools if the service were to be delegated.

Consultation

28. Although the timescales set by the DfE for the development of the new formula have been challenging, a comprehensive consultation exercise has been undertaken with the school community. The consultation process has included:
- A formal consultation with all schools during the first half of the autumn term.
 - Presentations at headteacher and governor termly briefing meetings.
 - Question and answer sessions at the primary headteacher's forum.
 - Detailed reports and discussion at the York Education Partnership Board.
 - Specific discussions with individual headteachers and governing bodies.
29. The consultation questionnaire and schools' responses are shown at Annex 6.

Timescales

30. The timescales for implementing the required changes prior to April 2013 are exceptionally challenging. The DfE only finalised their guidelines and regulations in July and required LAs to submit (fully consulted) revised formulae for their approval by the end of October. The following outlines the expected process to March 2013:
- Submission of formula (following consultation) for approval to the DfE by 31 October.
 - DfE release autumn census data in December.
 - Further discussion at YEP Board, including consideration of the changes required to the high needs (SEN and Alternative Provision) funding rates and arrangements.
 - LA finalises the formula for 2013/14 based on autumn data and resubmits to DfE in January 2013. Schools provided with provisional budgets.
 - DfE approves final formula and schools issued with final budgets in March 2013.

Recommendations

31. The Cabinet Member is asked to consider and approve the proposals for a revised LMS Funding Formula for the 2013/14 financial year, including the formula factors and values set out at Annex 2.
32. In addition the Cabinet Member is asked to support the following budgets and services being de-delegated back to the LA for the 2013/14 financial year, as approved by the York Education Partnership Board:
- a) Schools in Financial Difficulty (£414k).
 - b) Schools Contingency (£100k).
 - c) Teachers Panel (£93k).
 - d) Behaviour Support Outreach Service (£344k).
 - e) Traveller Education & Ethnic Minority Support Service (£461k).
 - f) Access & FSM Eligibility Assessment Services (£73k).

Reason: To be both compliant with national regulations on allocations to schools and reflective of the recommendations from York Education Partnership.

| Contact Details | Chief Officer Responsible for the Report: | | | |
|---|--|---|------|------------------|
| Author: | | | | |
| Richard Hartle Head of Finance Adults, Children and Education 01904 554225 richard.hartle@york.gov.uk | Pete Dwyer Director of Adults, Children and Education 01904 554200 | | | |
| | Report Approved | ✓ | Date | 14 November 2012 |
| Specialist Implications Officer(s) None | | | | |
| Wards Affected: | | | All | ✓ |
| For further information please contact the author of the report | | | | |

Annexes

- Annex 1 - Mapping of Existing Formula Factors to the New Arrangements
- Annex 2 - Proposed formula factors and values for 2013/14
- Annex 3 - Indicative funding changes – following damping
- Annex 4 - Indicative funding changes – at target level
- Annex 5 - Indicative funding allocations for new delegations
- Annex 6 - York LMS Funding Formula Consultation

Background Papers

- DfE School Funding Reform: Arrangements for 2013/14
- DfE 2013/14 Revenue Funding Arrangements: Operational Guidance for Local Authorities
- City of York LMS Funding Formula 2012/13