

Annex A



Agenda Item

Schools Forum

05 December 2007

Report of the Director of Learning, Culture and Children's Services

LMS FORMULA REVIEWS FOR APRIL 2008 – OUTCOME OF CONSULTATION WITH SCHOOLS

Summary

- 1 This report summarises proposals to change some factors within the Local Management of Schools (LMS) Funding Formula prior to April 2008. The report considers the responses received from schools during the recent consultation period and where appropriate suggests revisions to the original proposals in light of these responses for the forum to consider.

Background

- 2 The forum considered a report at its meeting of 21 February setting out a number of proposals for formula review and agreed to review or consider introducing the following factors.
 - Deprivation funding, comprising:
 - Additional Educational Needs
 - Non-statemented Special Educational Needs (SEN)
 - Statemented SEN
 - Personalised Learning
 - Social Inclusion (Former Standards Fund devolved allocation)
 - Infant Class Size (ICS) Funding
 - Special School and Enhanced Resource Centre (ERC) funding
 - Small Secondary School Factor
 - School Improvement (Former Standards Fund devolved allocation)
 - Newly Qualified Teachers (Former Standards Fund devolved allocation)
- 3 Further reports were considered on 26 April and 5 July that informed the forum's proposals that were then put out to consultation with all schools at the start of the autumn term. The consultation document is attached at Appendix 1.
- 4 Subject to the forum's agreement any revisions to the formula will be included in the three year funding allocations to be issued to schools early in 2008.

Response to the Consultation Questions

- 5 In response to the consultation document 41 written replies were received from schools, a response rate of 61%. This compares to a response rate of 54% for the fundamental review of the formula undertaken in 2004. A return was also received from the Governors' Viewpoint Group. As well as answering the specific questions raised, many schools made a number of additional comments. The key concerns and questions raised by schools are considered within this report. A full analysis of the responses by sector is shown at Appendix 2.

Question 1

Do you agree that the current 2007/08 funding proportions (shown in Annex 2 of the consultation document) represent a satisfactory balance of per pupil funding between mainstream primary and secondary schools?

- 6 All secondary schools who responded to the consultation believe the balance of funding is now about right. However, the majority (69%) of primary schools who responded feel that further resources need to be transferred to the primary sector from secondary schools. The main issues cited for this further transfer of resources are the impact of Planning, Preparation and Assessment (PPA) time and the need to reduce the pupil / teacher ratios in reception classes.
- 7 The impact of PPA time was dealt with at the time of the last formula review and is now fully funded within the class teacher element of the Age Weighted Pupil Units (AWPUs) at each key stage. At that time the recognition of PPA costs in the formula resulted in a reduction in the level of Key Stage (KS) 3 & 4 AWPUs and increases in KS1 & 2 AWPUs. There is therefore no justification for any further allocation of resources for PPA.
- 8 For Reception classes the current AWPU allows for one classroom teacher for every 25.7 fte pupils and one classroom assistant for every 60 fte pupils. This equates to an average of one adult for every 18.0 fte pupils. The Reception AWPU would need to be increased by £222 to fund the additional cost of moving to 1 adult for every 13 fte pupils (1 teacher and 1 teaching assistant for every 26 pupils), a total additional cost of £374k.
- 9 This is clearly an issue for a significant number of primary schools and needs to be recognised as such by the forum and the local authority. It is also clear that there is no overall consensus that would enable this aspiration to be funded by a transfer of resources from the secondary sector. In fact all the comparative evidence and data supports the view that the overall balance of funding between primary and secondary sectors is currently at the most appropriate level. Primary schools have also given a clear message that they don't wish to see additional funding allocated to the Reception AWPU by increasing the class size assumptions in the KS1 & 2 AWPUs.
- 10 It is therefore recommended that the current balance of primary to secondary funding (on a per pupil basis) be maintained throughout the 3 year budget period 2008-11. The only exceptions to this would be additional national allocations specifically targeted at a particular sector, or new delegations that are already being allocated to a specific sector or group of schools outside of the formula funding.
- 11 Within these parameters it is further recommended that any above inflation headroom available within the primary sector be allocated in the first instance to the Reception AWPU, with the aim of lowering the assumed ratio of pupil to teachers to 1 teacher and 1 teaching assistant for every 26 pupils. An assessment of how far this could be

progressed over the 2008-11 budget period will be made and presented to the forum as part of the full Schools Budget report in January.

Question 2

Do you agree to the proposal to transfer School Improvement funding in to the LMS Funding Formula from 2008/09 on the basis set out in paragraph 23 of the consultation document?

- 12 The vast majority of schools support the proposal. Some questions were raised about the way the new factor will be inflated and ensuring some transparency so that schools can identify the transferred amounts within their 2008/09 allocations.
- 13 It is therefore recommended that the transfers be made at 2007/08 values and then added to the existing relevant 2007/08 formula values. The new combined value (at 2007/08 prices) will then be increased by the relevant inflation factors over the 2008-11 budget period. In 2008/09 a memorandum note will be added to each school's Resource Allocation Statement identifying the transferred amounts.

Question 3

Do you agree to the proposal to transfer Newly Qualified Teacher funding in to the LMS Funding Formula from 2008/09 on the basis set out in paragraph 25 of the consultation document?

- 14 The vast majority of schools support the proposal. Questions were raised about the way the new factor will be inflated and the fact that the termly allocation of £700 does not match the costs incurred by schools.
- 15 The current figure of £700 reflects the level of the existing budget available outside of the funding formula. The forum will recall that NQT funding was originally allocated by the DCSF as a Standards Fund grant. The DCSF withdrew this grant in 2003/04 and the local authority provided additional funding from its own (non schools) resources to replace the DCSF grant. Unfortunately it was not possible to replace the grant in full hence the reason the current termly allocation falls short of actual costs.
- 16 It is therefore recommended that the transfer be made at the current 2007/08 value and then be increased by the relevant inflation factors over the 2008-11 budget period.

Question 4

Do you agree to the proposals for redistributing per pupil and lump sum funding within the AEN, Non-statemented and Statemented SEN factors as set out at paragraph 36 of the consultation document?

- 17 The vast majority of schools support the proposal. It is therefore recommended that the changes be implemented for the 2008-11 budget period. Officers have considered the issue of the size of the contingency fund and would recommend that the maximum levels set out in the consultation of £50k are retained for each sector.
- 18 Some schools highlighted that the criteria for schools to access the contingency fund should be transparent. Officers agree that this should be the case and will ensure that the criteria are communicated to schools before the start of the 2008/09 financial year.

- 19 In their comments a number of schools, who chose not to support the proposal, have put forward some further suggestions and ideas for amendments to the SEN factors within the funding formula. Although it has not been possible to examine these in detail for this review, it is recommended that officers investigate the advantages and disadvantages of these suggestions and report back to the forum prior to the start of the 2011-14 budget period.

Question 5

Who should make decisions on the allocation of the SEN Contingency:

- a. *Local Authority officers?*
 - b. *A panel of headteachers, supported by officers?*
 - c. *The Schools Forum?*
- 20 There was no strong consensus of opinion to this question. In lieu of any strong opinion either way, officers would recommend that for 2008/09 the Schools Forum should make decisions on the allocation of the contingency. The appropriateness of this could then be reviewed in light of this experience.

Question 6

Do you agree that no further changes should be made to the secondary personalisation factor?

- 21 The vast majority of schools support the proposal. Of those that don't there seems to be an equal split between those suggesting an increase in the targeting to low attainment and those suggesting a reduction.
- 22 It is therefore recommended that no further changes be made to the secondary personalisation factor for the period 2008-11.

Question 7

Do you agree that the primary personalisation factor should be changed to allocate funding on the following basis?

- 15% based on pupil numbers*
- 15% based a lump sum for each school*
- 50% based on low attainment*
- 20% based on high attainment*

- 23 Of the primary schools that responded to the consultation, 38% are in favour of the proposal with 56% not in favour. Of those that are not in favour the main issue appears to be the weighting suggested between low and high attainment in the proposal, rather than any strong view that the existing pure per pupil allocation should be retained.
- 24 A number of schools have suggested in their comments that the low attainment / high attainment proportions should be equal at 35% each rather than the proposed 50% / 20%. It seems from the responses and the comments that the forum needs to decide whether to stick with the proposed percentages or increase the high attainment percentage (possibly up to 35%) at the expense of the low attainment percentage.
- 25 The forum is reminded that one of the drivers for change here is the requirement from the DCSF that all authorities review how they allocate funding for deprivation within their local

formulae. The DCSF are closely monitoring authorities' progress in this area and have clearly indicated that they will intervene where they consider progress is not adequate.

- 26 The proposals put forward for consultation were the minimum that officers considered would be acceptable to demonstrate satisfactory progress in targeting funding allocated nationally for deprivation under local deprivation factors. Any move to allocate less than 50% of the personalisation funding under a deprivation indicator could leave the authority vulnerable to challenge.
- 27 In light of this the forum is asked to consider the following options for allocating primary personalisation between low and high attainment:
- Low 50% / High 20% - as per the consultation document
 - Low 35% / High 35% - as suggested by a number of schools in response to the consultation
 - A staged approach, starting at 35%/35% in 2008/09, 42.5%/27.5% in 2009/10 and finishing at 50%/20% in 2010/11.

Question 8

Do you agree that any move to using the Index of Multiple Deprivation (IMD) as a deprivation measure should be delayed until at least April 2011 to allow further research to be undertaken?

- 28 The vast majority of schools support the proposal. It is therefore recommended that further research be undertaken before any move to using the IMD measure is considered again. The IMD indicator will not be used within the funding formula during the 2008-11 budget period.

Question 9

Do you agree that Secondary Social Inclusion funding should be merged into the Non-Statemented SEN factor?

- 29 The vast majority of schools support the proposal. It is therefore recommended that the changes be implemented for the 2008-11 budget period.

Question 10

Do you agree to presenting prior attainment data within the Statemented SEN factor on the basis of absolute numbers of pupils rather than percentages?

- 30 The vast majority of schools support the proposal. It is therefore recommended that the changes be implemented for the 2008-11 budget period.

Question 11

Which of the 3 options for Infant Class Size funding set out at paragraphs 66-69 of the consultation document do you support?

- Retain the current factor?
 - Reallocate all funding to the infant age AWPUs?
 - £50k ICS contingency with balance to the infant age AWPUs?
- 31 There was no consensus of opinion from primary schools in response to this question, although only a small number of schools (12%) were in favour of establishing an ICS

contingency fund. An equal number of primary schools were in favour of options a and b, with 42% in favour of each.

- 32 As there is no overwhelming support for a change it is therefore recommended that the current formula for ICS funding be retained for the 2008-11 funding period.

Question 12

If option 3 were to be implemented, who should make decisions on the allocation of the ICS Contingency:

- a. Local Authority officers?
 - b. A panel of headteachers, supported by officers?
 - c. The Schools Forum?
- 33 Not now relevant as there was no real support for the introduction of an ICS contingency fund in response to question 11.

Question 13

Do you agree that a Small Secondary School factor should be introduced as set out at paragraph 74 & 75 of the consultation document?

- 34 A small majority of secondary schools support the proposal (57% compared to 43% against). There is some concern from some secondary schools about the impact on their budgets of redirecting existing resources into this factor. It is therefore recommended that the changes be implemented for the 2008-11 budget period as a short-term measure and its long-term inclusion within the funding formula be reviewed prior to the 2011-14 budget period.

Question 14

Do you agree to the introduction of an age weighted element to the Special School and Enhanced Resource Centre formula funded by reductions in the place values and a redirection of £100k from the centrally held SEN Recoupment budget. (see paragraphs 88 – 92 of the consultation document)?

- 35 The majority of schools support the proposal. It is therefore recommended that the changes be implemented for the 2008-11 budget period. Having reflected on the proposal though, officers feel that they could be presented in a slightly simpler way for the two special schools by allocating all of the age weighting element within the place values rather than through a separate special school AWPU. ERCs would still receive an AWPU for all of their ERC pupils as proposed. This would not alter the impact of the proposals as set out in the consultation document for any school but would aid understanding and transparency in this part of the formula.

Question 15

Do you agree that the existing ceilings and floors mechanism should continue to be used to smooth the transition to revised funding levels for individual schools?

- 36 There was overwhelming support for this proposal. It is therefore recommended that the existing ceilings and floors mechanism should continue to be used for the 2008-11 budget period.

School Comments and Queries

- 37 Appendix 2 lists all the comments and queries raised by schools during the consultation (*note - not included for EMAP report*). The majority that relate to specific consultation questions have been addressed in the paragraphs above. It is intended that others not directly related to the consultation questions are published in the LMS Formula Consultation section on Webstore along with a copy of this report to the forum.

Recommendations

- 38 The forum is asked to agree or consider the recommendations in response to each consultation question as set out in the paragraphs above.

Reason: To ensure the LMS Funding Formula is reviewed and updated prior to being fixed for the period 1 April 2008 to 31 March 2011.

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Appendix 1 – Formula Review Consultation Document Appendix 2 – School Responses to the Consultation Questions

Background Papers

York LMS Funding Formula 2006/07 to 2007/08

Schools Forum Report 21 February 2007 - LMS Formula Reviews For April 2008

Schools Forum Report 26 April 2007 - LMS Formula Reviews Update

Schools Forum Report 5 July 2007 - LMS Formula – Review Of Deprivation Factors

Schools Forum Report 5 July 2007 - LMS Formula Reviews For April 2008