

Consultation on Changes Proposed by the Schools Forum to Factors Within the Local Funding Formula for Schools

INTRODUCTION

- 1 This consultation seeks schools' responses on proposed changes to a number of factors within the Local Management of Schools (LMS) Allocation Formula. Two copies of the Consultation Document are being made available for each school, one for the Headteacher and the other being sent directly to the Chair of Governors.
- 2 The document sets out the recommendations of the Schools' Forum (the forum) with regard to its work in reviewing these elements of the LMS Formula along with some background information and the main rationale behind each of the proposed formula changes. Full copies of all of the reports considered by the forum including the detailed analysis of the options considered are also being made available and can be accessed on the **Webstore** website editorial.webstore-ed.net/. Once on the Webstore homepage:
 - *click* Webstore for Education, *then*
 - Learning City of York, *then*
 - Resource Management, *then*
 - Finance, *then*
 - LMS Formula Reviews for April 2008
- 3 Please read through the document and consider the response page at Annex 11. Your response must to be returned by the **9 November 2007** at the latest. **Only one response will be accepted from each school.**
- 4 If you wish to raise any queries or questions then please do not hesitate to contact:

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We also intend to publish a list of frequently asked questions, which will be updated throughout the consultation period, at the Webstore site referred to above.

BACKGROUND

- 5 Headteachers and governors will be aware that 2007/08 is the second and final year of the Department for Children, Schools and Families (DCSF)¹ first multi-year budget period. During each multi-year period no changes to the LMS Funding Formula are allowed except in very exceptional circumstances. The next multi-year period will cover the three financial years 2008/09, 2009/10 & 2010/11. This means that if any changes to the formula are to be introduced at any time up until 31 March 2011 then they will need to be agreed and published before the 31 March 2008.

¹ References to the DCSF will also include the former Department for Education and Skills (DfES)

- 6 In order to meet this deadline options for formula change have been considered by the forum during 2007. This now allows time for consultation with all schools during the autumn term with any revisions included in the three year funding allocations issued to schools early in 2008.
- 7 The forum were also conscious of the fact that the whole York funding formula had undergone a fundamental review during 2004 with a completely new formula introduced in April 2005. In light of this the forum endorsed the view that the underlying principles behind the current formula should not be revisited. Only those factors where there was either a statutory/regulatory requirement or very strong evidence of the need to re-examine specific items would be subject to review.
- 8 Within these parameters, the following areas were agreed by the forum for formula review prior to April 2008.

Statutory/Regulatory Requirements

Former Standards Fund Grants

- 9 In 2003/04 (the year of the 'school funding crisis') the DCSF ceased to provide a number of standards fund allocations for schools. At that time the Local Authority (LA) replaced the DCSF funding from its own resources by increasing the Schools Budget by £0.8m above the government passport level. This additional council provided funding has now been locked in to the Dedicated Schools Grant (DSG). It now appears that York was the only authority in the country that followed this course of action.
- 10 This means that in York, as well as receiving LMS formula and DCFS standards fund allocations, schools also receive a number of Local Authority standards fund allocations (totalling over £0.9m in 2007/08) under the following headings:
 - School Improvement
 - Newly Qualified Teachers (NQTs)
 - Social Inclusion
- 11 The vast majority of this funding is allocated to schools on a formula basis but outside of the LMS Funding Formula. For DCSF reporting purposes it is therefore classified as Local Authority centrally retained expenditure. Under the current regulations it should score against the authority in calculating the Central Expenditure Limit (CEL), but we have agreed with the DCSF that for 2006/07 and 2007/08 we can exclude it from this calculation as it is all devolved to schools. In the discussions with the DCSF they have requested that we now transfer this funding into the Individual Schools Budget (ISB), and hence the funding formula, as they cannot guarantee allowing it to continue as an exception to the CEL from 2008/09.
- 12 This is a purely technical change. Current devolved funding and formulae will simply be moved in to the ISB or by adding them to existing factors such as Age Weighted Pupil Units (AWPUs). The forum did, however, agree that the Social Inclusion funding was then also included in the Deprivation Funding Review (see below).

Deprivation Funding

- 13 During 2006 the DCSF required all authorities to produce a Deprivation Funding Statement (York's statement was presented to the forum in June 2006 and is contained in the background documents that can be accessed at Webstore). Since then the DCSF has analysed and formally published all authorities' statements. Whilst recognising some good practice in these statements, the DCSF also concluded that there was a wide degree of variation between local authorities' strategies for assessing and funding the costs of deprivation. In many cases they felt there was no systematic approach to reviewing need or how to use funding to drive up the attainment of pupils from deprived backgrounds.
- 14 The DCFS has subsequently written to all authorities requiring them to undertake a full and systematic review of their local arrangements with a view to consulting on and introducing any revised formulae from April 2008. Each local authority and schools forum is required to consider the extent to which their own arrangements deliver resources to schools to cover the costs of deprivation in a way that best supports schools to close the gap in pupil outcomes.
- 15 For York this meant that the following funding formula factors were required to be included in the review of deprivation funding:
 - Additional Educational Needs (AEN)
 - Non Statemented Special Educational Needs (SEN)
 - Statemented SEN
 - Personalised Learning
 - Social Inclusion (former Standards Fund allocation)

Locally Driven Reviews

- 16 The forum also agreed that there was sufficient evidence or demand to initiate reviews in the following factors prior to fixing the formula up until 2011.
 - Infant Class Size Funding
 - Small Secondary School Factor
 - Special School and Enhanced Resource Allocation funding

Balance of Funding

- 17 In setting the broad principles for the reviews the forum considered benchmarking data setting out how the balance of funding between mainstream primary and secondary schools had changed since the fundamental formula review in 2004. In 2004 PricewaterhouseCoopers (PWC), who were commissioned by the forum to analyse the previous formula, produced comparative data that showed that the differential in funding (between mainstream primary and secondary schools) on a per pupil basis was higher in York than in any other authority in York's Audit Commission/Ofsted family group. This is shown at Annex 1.
- 18 One of the key objectives of the new formula introduced in 2005 was to narrow this funding differential within the constraint of the total amount of available funding.

Annex 2 shows that the differential has closed significantly with both sectors now close to the family average in 2007/08 after the new formula has been in place for 3 years.

- 19 The forum were asked to consider whether this position now represented a satisfactory balance of per pupil funding between primary and secondary schools compared with York's family group of authorities. As a consequence, a principle of all of the proposals for formula change put forward for consideration is that they do not alter the current mainstream primary/secondary balance of funding on a per pupil basis. Only if additional resources are allocated nationally that are deemed to be specifically targeted at a particular age group would this principle be reviewed.

Question 1 – Do you agree that the current 2007/08 funding proportions (shown in Annex 2) represent a satisfactory balance of per pupil funding between mainstream primary and secondary schools?

FORMER STANDARDS FUND GRANTS

- 20 The forum is recommending that the former standards fund allocations and formulae for School Improvement and Newly Qualified Teachers (NQTs) be transferred into the ISB from 2008/09 (along with the Social Inclusion allocation that is now being considered under the deprivation review).
- 21 This is a purely technical change and will not alter the level of funding received by any school through these two funding streams. The forum is recommending that this transfer is handled in the following way within the LMS Funding Formula from 2008/09.

School Improvement

- 22 In 2007/08 a total of £490k has been allocated to schools on the following basis:
- a lump sum of £3,356 per school
 - an amount per mainstream pupil of £10.41
 - an amount per special school pupil of £20.82
- 23 The forum's recommendation is that from 2008/09 onwards the
- nursery, primary, secondary and special school lumps sums are increased by £3,356 over and above any normal inflationary increase.
 - reception, key stage 1,2,3 and 4 AWPU's are each increased by £10.41 over and above any normal inflationary increase.
 - nursery unit factors (based on multiples of 13 part-time places) are each increased by £67.67 (i.e. £10.41 x 13/2) over and above any normal inflationary increase.
 - special school place values are each increased by £20.82 over and above any normal inflationary increase (and then subject to any further changes that may be made as part of the review of special school funding).

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?

Newly Qualified Teachers

- 24 In 2007/08 a total of £170k has been budgeted for at a payment rate of £700 per NQT per term.
- 25 The forum's recommendation is that an additional LMS Funding Formula factor is established from 2008/09 for NQTs at a rate of £700 per NQT per term plus the standard teachers pay inflationary uplift applied to all other elements of the funding formula. Schools would continue to access this funding in the same way as they currently do via an NQT Induction Assessment Form, which should be completed for each NQT by the headteacher for each assessment. Payment will be made on actual basis termly in arrears.

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?

DEPRIVATION FUNDING

- 26 It should be remembered that this review is one that has been imposed on the authority by the DCSF. It is also worth remembering that the whole York funding formula underwent a fundamental review for 2005/06. In light of this the forum agreed that the underlying principles behind the current York formula should not be revisited but that work should focus around the following areas:
- consideration of national comparative data setting out the attainment gap between pupils from deprived backgrounds and their peers
 - analyse York's existing formulae to identify the amounts currently allocated under the following categories:
 - deprivation, e.g. Free School Meals (FSM) or Additional Educational Needs (AEN) indicators
 - prior attainment, e.g. key stage results
 - whole school lump sums and pupil numbers
 - consider how much, if any, of the lump sum and pupil number funding should be retained
 - consider whether the current balance between deprivation and prior attainment should be altered e.g. by reallocating lump sum and pupil based funding
 - consider whether the current deprivation indicator of free school meal entitlement should be retained or whether other indicators such as the Index of Multiple Deprivation (IMD) would offer a better alternative
 - any other minor amendments prior to the next fixed 3 year funding period
- 27 Furthermore it was also agreed that any options for change would be constructed on a cost neutral basis within the current total funding allocations for primary and secondary schools respectively i.e. no change to the current balance of funding.

- 28 On 25 June the DCSF announced its decisions following the review of 'School, Early Years and 14-16 Funding Arrangements 2008-11'. Of particular relevance to this report, the Schools Minister (Jim Knight) included the following in his statement to parliament.

"Narrowing the achievement gap between children of different backgrounds will remain one of our key aims - we want all children to succeed, whatever their background. Ensuring that the distribution of funding takes account of deprivation will therefore continue to be a critical issue over the next three years, at both national and local level.....

..... we have asked all authorities to review their formulae for funding schools to ensure that they properly reflect the funding for deprivation distributed to them through Dedicated Schools Grant in 2007-08. We are monitoring progress on this; in addition we will be asking them to submit a further statement in the autumn setting out in detail their plans for the CSR period. Where progress is not adequate there will be further challenge and support."

Comparative Attainment Data

- 29 The graphs at Annex 3 set out to compare the attainment of pupils from deprived backgrounds, based on entitlement to FSM, in York with the average for all of England. The graphs also show how the gap in attainment between those pupils entitled to FSM and their peers has changed over time.
- 30 Annex 3 shows that across all of the assessment levels the attainment gap for York has been consistently greater than the average for England. Annex 3 also shows that, in general, the gap both nationally and for York has been narrowing over time. For York a significant factor to consider is the rate at which the gap is narrowing. This is more difficult to see from Annex 3, but table 1 below summarises the position and shows that the gap in York is reducing at a faster rate than nationally.

Table 1: Percentage Point Reduction in Attainment Gap 2002 to 2006

	York	England
Key Stage 2 - English	6%	4%
Key Stage 2 - Maths	4%	2%
Key Stage 2 - Science	6%	1%
GCSE 5+ A* - C	5%	3%

- 31 Annex 4 shows a different analysis based on 2006 GCSE results and the IMD. This shows that York underperforms against the national average for pupils from the 20% most deprived areas but does slightly better than the national average for those pupils from the 20% least deprived areas.
- 32 The comparative data confirms the position that was recognised at the time of the full LMS Formula Review in 2004. At that time additional weight and resources were targeted towards deprivation and lower achievement within the York formula. This was achieved with new factors added for AEN, delegation of resources for statemented and non-statemented SEN (including targeting of these resources more closely to those pupils not achieving the expected levels at KS1, 2 & 3 and those pupils entitled to FSM).

- 33 It is still probably too early to come to any firm conclusions about the effectiveness of the changes introduced in 2005/06, but the fact that the attainment gap for York has continued to narrow faster than the national average does not suggest that radical changes are now required.

Analysis of Existing Formula Factors Targeting Deprivation

- 34 Tables 2 and 3 below provide a detailed breakdown of how funding notionally earmarked for deprivation within the LMS funding formula is actually allocated within each factor.

Table 2: Primary School Deprivation Funding Breakdown Per Pupil 2007/08

	Deprivation (FSM etc.) £/pupil	Low Prior Attainment £/pupil	High Prior Attainment £/pupil	Per Pupil & Lump Sum £/pupil	Total £/pupil
AEN	76	-	-	-	76
Non-statemented SEN	41	30	-	41	112
Statemented SEN	-	51	-	32	83
Personalisation	-	-	-	47	47
Total	118	80	0	120	318
Percentage of ISB	4.2%	2.9%	0%	4.3%	11.4%

Table 3: Secondary School Deprivation Funding Breakdown Per Pupil 2007/08

	Deprivation (FSM etc.) £/pupil	Low Prior Attainment £/pupil	High Prior Attainment £/pupil	Per Pupil & Lump Sum £/pupil	Total £/pupil
AEN	60	-	-	-	60
Non-statemented SEN	34	30	-	53	117
Statemented SEN	-	74	-	30	104
Social Inclusion	-	-	-	13	13
Personalisation	-	45	20	26	91
Total	93	150	20	122	385
Percentage of ISB	2.7%	4.3%	0.6%	3.5%	11.0%

- 35 Tables 2 and 3 show that while York nominally targets its funding for deprivation under appropriately defined factors within its formula, it is clear that a significant proportion of the funding is in fact allocated to schools in an untargeted manner based on pupil numbers or whole school lump sums. This will come under close scrutiny when the DCSF Children's Services Adviser visits the authority in the autumn to review progress. In light of this the forum recommended redirecting some element of the current per pupil and lump sum funding towards deprivation and/or low prior attainment.

Redirection of Per Pupil and Lump Sum Funding

- 36 More details of the options the forum considered are contained in the background papers available on Webstore. In light of the analysis of comparative attainment data and the concern that the York formula may be seen as still relying on per pupil and lump sum funding to some degree in its allocation of deprivation funding to schools, the forum is now recommending that some proposals for change are considered. The forum also felt that fundamental change is not justified or desirable

so soon after the fundamental review undertaken for 2005/06. The following proposals for changes to AEN, Non-statemented and Statemented SEN funding (incorporating elements of a number of options the forum discussed) are therefore put forward for consideration:

- a 10% redistribution of per pupil and lump sum funding in to the FSM deprivation indicator
- a 10% redistribution of per pupil and lump sum funding in to the Low Prior Attainment indicators
- establishing an SEN Contingency for both primary and secondary sectors in the range of £20k to £50k
- including Looked After Children (LAC) as an additional indicator within the AEN factor

Statemented SEN Contingency

- 37 Currently all available funding for Statemented SEN is either delegated to schools through the funding formula (intended for statements requiring up to 15 hours Learning Support Assistant [LSA] support) or devolved to schools (from a centrally retained budget) on an actual basis for statements requiring more than 15 hours LSA support.
- 38 The delegation arrangements are generally working well. There are though a small number of schools who genuinely are struggling to cope financially and have expressed concerns as to their ability to respond effectively to the needs of all their statemented pupils, mainly because they have attracted more children with high need statements than would have been predicted.
- 39 At present no contingency is held because, understandably, the forum wanted as much funding as possible to be made available to schools (in fact the original delegated sum totalled £120k more than the previous amount spent centrally supporting these pupils). As the system matures though, the case for a centrally held contingency becomes stronger, although this would need to be carefully managed.
- 40 One way of addressing this issue would be to hold back a small amount of the total statemented SEN per pupil funding as a contingency to deal with any exceptional circumstances. This would be held as a cash limited sum and allocated each year to those schools with the greatest need. Any resources would be made available on the basis of a school being able to demonstrate that it cannot meet its SEN obligations through delegated budgets, even when long term planning and revenue reserves are taken into account. It is anticipated that only a very small number of schools would qualify for this funding.
- 41 If this option were to be implemented, then officers would recommend separate sums for the primary and secondary sectors. The views of schools on an appropriate level of contingency for each sector would be welcomed, although officers feel this should be in the range of £20k to £50k. For example, a contingency of £50k per sector would require per pupil reductions in Statemented SEN funding of £4 for primary schools and £5 for secondaries.

- 42 This option would also require the existing devolved SEN funding for above 15 hours LSA support to be re-designated as ISB funding to allow it to be taken in to account when assessing schools bids against the contingency fund. This would have an entirely neutral impact on the level of funding received by any school.

Looked After Children (LAC)

- 43 It has been questioned as to why funding for LAC was not included as a specific element of the AEN funding factor when this was introduced in 2005/06. The AEN factor provides a fixed unit of funding (£383 in 2007/08) for each pupil that falls in to any of the following categories:
- Entitled to FSM
 - English not their first language
 - Travellers (and registered with the Traveller Education Service)
 - Service Pupils (one parent serving in the armed forces)
 - Mobile Pupils (joined the school outside the first two weeks of any term)
- 44 The total amount of funding required to add LAC to the AEN factor would be £16k for primary schools and £15k for secondary schools. This would require per pupil reductions in SEN funding of £1.28 for primary schools and £1.59 for secondaries.
- 45 Annex 5 shows the impact of introducing the four proposals listed at paragraph 36, assuming an SEN contingency sum of £50k per sector. The graphs map the per pupil funding change against the percentage of FSM pupils for each school, based on 2007/08 data.

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?

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?

Personalised Learning Funding

- 46 Given the timing of the original announcement of this funding (December 2005) the forum found it extremely difficult to come to any firm decisions about how this should be allocated to schools in the longer term. Because of this decisions on its allocation in 2006/07 were delegated to primary and secondary headteacher groups respectively. The original allocations were then maintained for 2007/08 pending this current review of deprivation funding.

Secondary Personalisation

- 47 For 2007/08 secondary (key stage 3) personalisation funding has been allocated as follows:
- 15% based on pupil numbers.
 - 15% based a lump sum for each school.
 - 50% based on low attainment (the number of pupils not achieving level 4 at Key Stage 2 in English or Maths)
 - 20% based on high attainment (the number of pupils achieving level 5 or above at Key Stage 2 in English or Maths). This last element was included in recognition that personalisation funding was also intended to cover provision for gifted and talented pupils.
- 48 Previous discussions at the forum, and the secondary headteachers' group, have been focused on whether too great a weight had been given to the proportion of funding allocated to low attainment. Given the analysis and discussion earlier in this report, the forum now believes that the low attainment proportion should not be reduced below the current 50% level. The forum therefore recommends that no further changes are made to the secondary personalisation factor.

Question 6 – Do you agree that no further changes should be made to the secondary personalisation factor?

Primary Personalisation

- 49 For 2007/08 primary personalisation funding is currently allocated as follows:
- 70% based on pupil numbers.
 - 30% based on a lump sum for each school.
- 50 It seems clear from the analysis earlier in this report that the current distribution of primary personalisation funding is unsustainable and difficult to justify in the longer term. The forum therefore recommends that a move to a distribution in line with the current secondary distribution should be implemented. Annex 6 shows the impact of moving to this position. The graphs map the per pupil funding change against the percentage of FMS pupils for each school, based on 2007/08 data.

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.***

Free School Meals versus The Index of Multiple Deprivation (IMD)

- 51 The existing deprivation measure within the York formula is the number of pupils entitled to FSM, but many authorities use the IMD. The forum spent some time

considering the impact of moving to use the IMD as an alternative measure of deprivation.

- 52 IMD is the main index for measuring deprivation in England. Each ward in York (and England) is built up from a number of smaller areas known as Super Output Areas (SOAs), which have a minimum population size of 1,000. By taking key pieces of deprivation data about each area, it is possible to rank all the SOAs in England from the most deprived to the least deprived. A picture is then built up of an area, or the population that live in that area, based on the deprivation scores or rankings. York is made up of 118 Super Output Areas out of a total of 32,482 in England. The Index combines together seven different measures of deprivation:
- Income
 - Employment
 - Health
 - Education
 - Housing
 - Crime
 - Living environment
- 53 Every York pupil lives in a unique SOA. This maybe within a school catchment area, within the York LA boundary or another area of the country. Using data from the January pupil census (which includes postcodes) it is possible to link each pupil with a particular SOA and also the deprivation data, which goes along with that SOA. By doing this for pupils we can then build up a geodemographic profile of a school's roll based on where they live.
- 54 The most significant difference between FSM and IMD is that FSM relates directly to the individual children in each school, whereas IMD relates to the nature of the area in which each child lives. Annex 7 shows a comparison of the advantages and disadvantages of each approach as set out in the DCSF guidance for authorities.
- 55 Annexes 8 & 9 set out a number of graphs analysing the impact of any move from FSM to IMD as an indicator of deprivation. Annex 8 maps the percentage of FSM against the IMD score for each school. As might be expected this does show a close relationship between the two values for both secondary and primary schools. It is also clear though that moving to IMD would mean a change in funding levels for most schools.
- 56 Annex 9 shows the impact on funding at individual school level of a move from FSM to IMD. The figures are based on York's existing formula for 2007/08 (i.e. prior to any other changes discussed in this report) and show the funding change on a per pupil and whole school basis.
- 57 Annex 9 shows that a full move to IMD as an indicator in place of FSM would produce some significant turbulence in funding, particularly within the primary sector. The forum felt there may be some merit in allocating some funding based on the IMD indicator but were not convinced that now was the time to make that change. The forum has therefore recommended that further research be undertaken about the

impact of moving to the IMD and how this would operate in practice, with a view to implementing any changes for the three-year funding period starting in April 2011.

Question 8 – Do you agree that any move to using the IMD as a deprivation measure should be delayed until at least April 2011 to allow further research to be undertaken?

Other Minor Amendments to Deprivation Funding Proposed Prior to the Next Fixed 3-Year Funding Period

- 58 The following proposals are put forward to simply improve the presentation of some elements within this part of the formula. The intention is to make the formula easier for schools to understand, interpret and model without actually affecting the level of funding received by any individual school.

Secondary Social Inclusion (former Standards Fund allocation)

- 59 This former standards fund allocation will be included within the formula from 2008/09. It is currently allocated on a per pupil basis, but has been included in the analysis of deprivation funding options in this report.
- 60 This proposal recommends that, regardless of the decisions taken on any changes to how the funding is actually allocated, the funding is then merged in to the relevant elements of the existing Non-Statemented SEN factor.

Question 9 – Do you agree that Secondary Social Inclusion funding should be merged in to the Non-Statemented SEN factor?

Statemented SEN Prior Attainment Data

- 61 Currently some elements of Statemented SEN funding (e.g. key stage results) are presented on a percentage basis in the formula and in funding statements to schools. On the basis that there is no actual reduction to the funding of any school, it is recommended that these elements are in future presented on the basis of the number of pupils being funded.

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?

LOCALLY DRIVEN REVIEWS

Infant Class Size (ICS) Funding

- 62 The current ICS factor operates by allocating additional funding to primary and infant schools to help them deliver on their statutory requirement to organise reception, year 1 & 2 pupils in to class sizes of no more than 30 pupils. In 2007/08 the York ICS funding formula allocates £348,319 of ICS funding to 41 schools at an average amount of £8,496 per school (range £71 to £21,941).
- 63 The factor was introduced at the time of the fundamental review of the whole funding formula in 2005/06. A key element of that whole formula review was adjustments to

align funding as close as possible to the actual number of pupils in a school in each academic year. This was achieved by way of a dual pupil count, using pupil numbers at the January immediately prior to the financial year to calculate funding for the period April to August and using an estimate of the pupil numbers at the January within the financial year to calculate funding for the period September to March. The second estimated figure was then retrospectively adjusted in the following financial year once the actual pupil numbers were known.

- 64 When the DCSF introduced multi-year budgeting in 2006/07 they also introduced a new requirement to fund only on the January pupil numbers immediately prior to the financial year. This means that for the 2007/08 financial year, for example, the ICS funding will be calculated entirely on the number of pupils in reception, year 1 & 2 classes in January 2007. Clearly ICS funding is meant to be targeted directly to those schools in particular circumstances to help them deliver on a statutory requirement. The current arrangements therefore may not respond effectively to the position of some schools in the autumn and spring terms of a financial year. In some instances this could result in significant under or over funding of particular schools.
- 65 During its review of this factor the forum discussed a large range of possible options. In addition the forum also considered the wider issue of the relative level of funding provided within the formula for reception pupils compared to other primary year groups. Full details of all the options considered and the analysis of the reception funding position are available in the background reports at Webstore. In summary the forum were unable to come to a conclusive recommendation for the future treatment of ICS funding within the formula and have therefore put forward a number of options for consideration by schools.

Option 1

- 66 Retain the current formula factor based on the January pupil numbers prior to the financial year. The rationale for the funding would then change to be clear that the funding is covering a whole academic year i.e. 7 months in arrears and 5 months in advance (e.g. in 2008/09 funding based on January 2008 numbers would be for the academic year September 2007 to August 2008).
- 67 This helps to maintain stability and predictability of funding during financial years but schools would be unclear at the time they are making plans prior to an academic year whether funding will be provided. The underlying problem of using a fixed January count, which could be different from the actual situation in April or September, still remains.

Option 2

- 68 Delete the current factor and reallocate the funding within the reception, year 1 & 2 Age Weighted Pupil Units (AWPUs). Based on 2007/08 data this would enable an increase in each AWPU of £69 per pupil. If all of the funding were targeted to the reception AWPU the increase would be £207.

Option 3

- 69 Delete the current factor and reallocate a cash limited sum to an ICS contingency that schools who were experiencing exceptional difficulties in conforming to the ICS

legislation could access. The balance of the funding would be redistributed within the reception, year 1 & 2 AWPU. For example, if £50k were kept as a contingency then this would enable an increase in each AWPU of £59 per pupil. If all of the funding were targeted to the reception AWPU the increase would be £177. Bids could be assessed either by officers, a panel of headteachers with advice provided by officers or the forum. If this option were to be pursued then the exact timetable for the process and format of the bids would need to be discussed in more detail. Schools' views on the 3 options would be welcomed.

Question 11 – Which of the 3 options for Infant Class Size funding set out at paragraphs 66-69 do you support?

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?

Small Secondary School Factor

Background

- 70 The current formula, introduced in 2005/06, saw a significant increase in the lump sum allocations for both primary and secondary schools. For primary schools, because of the very small number of pupils in some schools, the lump sum was set at a level to allocate sufficient funding (in conjunction with the AWPU) for any size of school.
- 71 The secondary school lump sum however was only intended to work effectively for schools with 450 or more pupils. Once the number of pupils drops below this level the funding provided by the formula would make it difficult for any school to provide a properly balanced curriculum for all of its pupils. In recent years only one school has seen its numbers drop below 450 (Lowfield, 414 at January 2006 and 358 at January 2007). In this instance the school was already included in the wider West of York review and the forum had set aside a specific contingency provision to support the school (and others subject to the review) up until the point of closure in August 2007.
- 72 In light of this experience and recognising that there may be one other school in the near future that will see their pupil numbers drop below 450 it would now seem sensible to consider a specific factor in the funding formula to deal with this scenario. Rather than review all of the secondary AWPU and lump sum (which would be a considerable undertaking so soon after the full formula review) the forum asked officers to explore options for a new formula factor that is only triggered when a secondary school's pupil numbers fall below 450.

Proposal

- 73 Full details of the analysis undertaken by officers and considered by the forum is contained in the background papers. In light of this work the forum is recommending that for secondary schools with less than 450 KS3 and KS4 pupils (as used in the AWPU factor within the formula) the Small Secondary factor will generate additional funding based on the weighted average of the KS3 and KS4 AWPU for each pupil

between the actual number of pupils and 450 pupils. For 2007/08 the weighted average equates to £2,374.

- 74 This proposal has been modelled against the known budget position of York's smallest secondary school and the only school likely to fall within the remit of the new factor for the foreseeable future. Although it is difficult to come to precise conclusions, this work does suggest that a formula at this level should be reasonably effective at pupil numbers close to the 450 level. It does though indicate that as the number of pupils drops further below this level the additional funding allocations could be too generous and more than required to enable the school to support a balanced curriculum for its pupils. In light of this the proposal put forward for consideration is that as pupil numbers fall further below 450 the percentage of the weighted AWPUs allocated reduces by 0.5% per pupil. This continues until a minimum value of 50% per pupil is reached at the 350 pupil level. Table 4 indicates how this would work over a range of pupil numbers (based on 2007/08 values).

Table 4: Impact of Proposed Small Secondary Factor

Pupil Numbers fte	Number Below 450 fte	Percentage of KS3/4 AWPUs %	Amount per 'Missing' Pupil £	Funding Allocation £
>449	<1	100.0%	2,374	2,374
449	1	99.5%	2,362	2,362
448	2	99.0%	2,350	4,700
447	3	98.5%	2,338	7,014
446	4	98.0%	2,326	9,304
445	5	97.5%	2,314	11,570
440	10	95.0%	2,255	22,550
430	20	90.0%	2,136	42,720
400	50	75.0%	1,780	89,000
350	Max 100	50.0%	1,187	118,700

- 75 It is also important to recognise that any school triggering this factor is already likely to be under close scrutiny from the authority. Applying funding in this way would be seen as a short-term option and a full review of the school's economic viability would be instigated.

Funding

- 76 If this factor had operated in 2007/08 then additional funding of £24,673 would have been required. Assuming funding of the factor is ring-fenced to the secondary sector then this equates to a reduction in all schools KS3 and KS4 AWPUs of £2.69 per pupil. More realistically though the estimated impact of this factor in 2008/09 is £61,186 or a £6.68 reduction in KS3/4 AWPUs for all secondaries. This could rise to a maximum of £118,700 (at 100 'missing' pupils) or a £12.96 reduction in all secondary AWPUs.

Question 13 – Do you agree that a Small Secondary School factor should be introduced as set out at paragraph 74 & 75?

Special School and Enhanced Resource Centre (ERC) Funding

Background

- 77 This review originated from a formal request from the governing body of one of York's two special schools for a review of the relative levels of funding between secondary and primary special schools. In addition a number of schools that operate Enhanced Resource Units also requested that the rates of funding for place purchasing at the units be reviewed.
- 78 Officers were happy to support the requests for a review on the grounds that the current formula was introduced at the same time as major structural change was being made to special school provision in the city. In addition, the fact that both special schools have since moved into new buildings justifies an early review of this part of the formula. However, it was recommended that this be carried out as a cost neutral exercise within the total funding currently allocated to Special Schools and ERCs.
- 79 The forum therefore agreed that the review should focus on the following areas:
- assess the impact of reducing place led funding across the board but then including all special school and ERC pupils in the AWPU calculations based on their ages at the time of the January census. To be modelled on a cost neutral basis.
 - consider whether special school and/or ERC pupils should also trigger funding in other elements of the mainstream school funding formula, for example Additional Educational Needs or premises factors for ERC pupils
 - review the level of premises funding required at the two special schools now that actual data is available following their recent moves to new accommodation.

Analysis

- 80 It has not been possible to analyse the special school formulae for all other authorities. From those that have been reviewed 53% (27 out of 51) have some form of age related element within their place funding calculations. Almost all of these give a greater weight as the pupils' age increases. For York's Ofsted/Audit Commission family group of authorities this rises to 80%. This alone suggests it is appropriate to be considering some form of age weighting in York's formula. Unfortunately though it has not been possible to identify enough individual schools that are similar in nature to the two York special schools to enable reliable comparisons to be made at this level.
- 81 Table 5 sets out the revenue budget position of York's two special schools since they were established in 2004.

Table 5: Special School Revenue Budget Position 2004 to 2007

	Secondary £000	Primary £000
2004/05 In Year Surplus/(Deficit) - 7 months	(15)	63
2005/06 In Year Surplus/(Deficit)	(165)	42
2006/07 In Year Surplus/(Deficit)	(103)	63
Cumulative Surplus/(Deficit) at 31 March 2007	(194)	168

Note - all in year figures have been adjusted to remove the impact of the one-off allocation of £120k agreed by the forum in 2004/05.

- 82 It is much more difficult to analyse the exact position of each ERC because of the overlaps and interrelationship between mainstream funding and costs in these schools. Officers are though reasonably confident from the evidence provided by these schools that the general overall picture is one of increasing deficit budgets over time, regardless of the age range catered for.
- 83 The graphs at Annex 10 set out data for the overall level of special school funding as a proportion of both mainstream funding and the level of Dedicated Schools Grant (DSG) on a per pupil basis. York's position is compared to the family group authorities and the average of all English local authorities.
- 84 These type of comparisons are quite difficult to make with accuracy because of the small numbers of schools and pupils involved and the differing nature of provision at each school. The graphs do though tend to suggest that the overall proportion of funding that York allocates to special school pupils is at the high end both nationally and within the family group. They don't suggest any significant level of relative underfunding for special schools in York on an average per pupil basis and certainly not when compared to resources available to York through the DSG.
- 85 From this analysis the forum concluded that some form of age weighting seems justified for special schools but that this should not be at the expense of funding already allocated to mainstream schools within the formula.

Proposal

- 86 Full details of the options considered by the forum are contained in the background papers. In light of this work the forum is now recommending some material changes to the operation of the Special School and ERC elements of the funding formula.
- 87 Almost all authorities that include an age weighting in their special school formulae do this by applying the general AWPU factors (or a proportion of them) to the pupils within special schools. This is done as a top up to the place value applied to each pupil based on their individual special needs.
- 88 The proposed formula applies 75% of the mainstream AWPU to all pupils in the special schools (and ERCs). In addition special school (and ERC) pupils would also generate funding within the premises and AEN (but not SEN and Personalised Learning) elements of the main formula. The total additional cost of this option (based on 2007/08 data and ignoring the impact of ceilings and floors) would be

£669k. Assuming a cost neutral introduction within the special/ERC sector, this would necessitate a 16.25% reduction in each special place value.

- 89 The forum felt that this level of place value reduction was too great. Officers, however, struggled to come up with further formula options that delivered the change required whilst not prejudicing the on-going position of the primary special school and remaining within the existing level of special/ERC resources.
- 90 From the analysis set out earlier the forum were clear that any transfer of resources from mainstream primary/secondary into the special school sector was not considered appropriate. It is also important to note though that over the last 2 years York has bucked the national trend and been able to stabilise the number of special needs pupils sent to expensive Out of City Placements. This has been achieved partly as a result of the forum agreeing to redirect DSG resources to support an expansion of the local fostering programme. As a consequence savings have been generated in both the Out of City Placement and SEN Recoupment budgets that totalled over £250k in 2006/07.
- 91 We need to be cautious about projecting these underspends forward in to future years as small numbers of unexpected placements can have a significant impact on expenditure levels. In addition we are aware that North Yorkshire County Council have been reviewing their own special needs provision and this may have a detrimental impact on the level of Recoupment receipts we can expect to receive in the coming years. Despite these caveats though it is reasonable and prudent to expect that a sum of up to £100k should be available for re-investment in 2008/09.
- 92 In light of this, the proposal put forward by the forum for consideration assumes an additional sum of £100k is applied to the special/ERC sector and is used to lower the reduction in place values required to 10.8%. The £100k additional requirement would be funded in future years by a redirection of centrally retained SEN Recoupment budgets.
- 93 The impact of this at individual school/ERC level is set out in table 6 below:

Table 6: Impact of Special School / ERC Proposal

School/ERC	Change in Funding	
	Per School/ERC £	Per Pupil £
Secondary Special School	+ 74,295	+ 502
Primary Special School	- 34,282	- 418
Primary ERC Average	+ 13,412	+ 677
Secondary ERC Average	+ 9,876	+ 954

Any changes will be subject to the transitional arrangements set out below

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)?

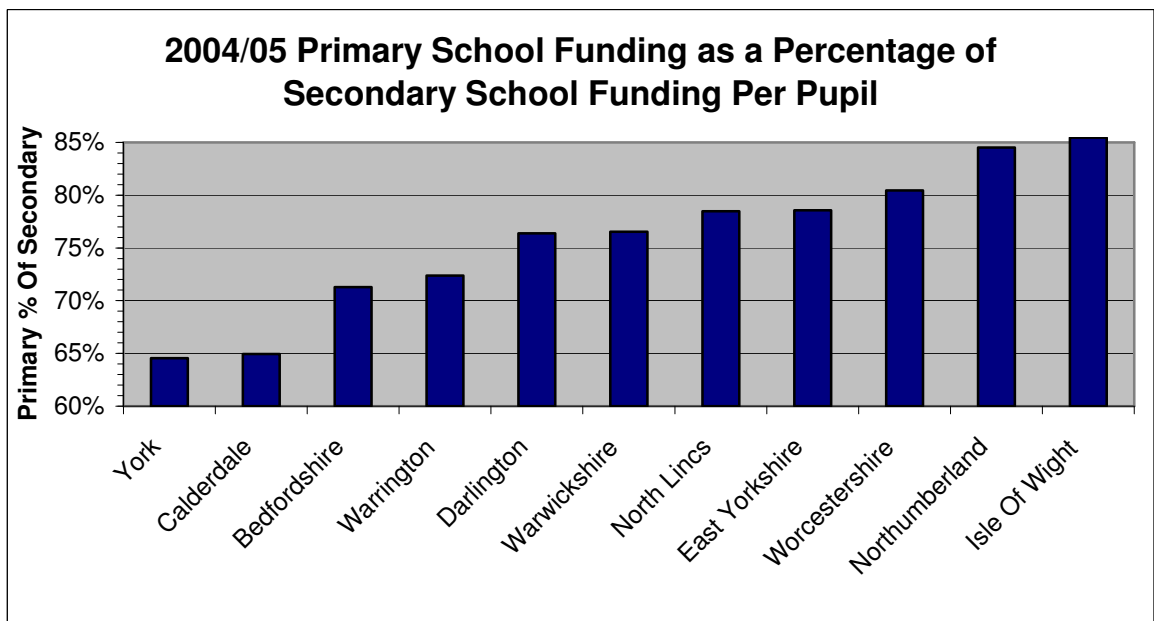
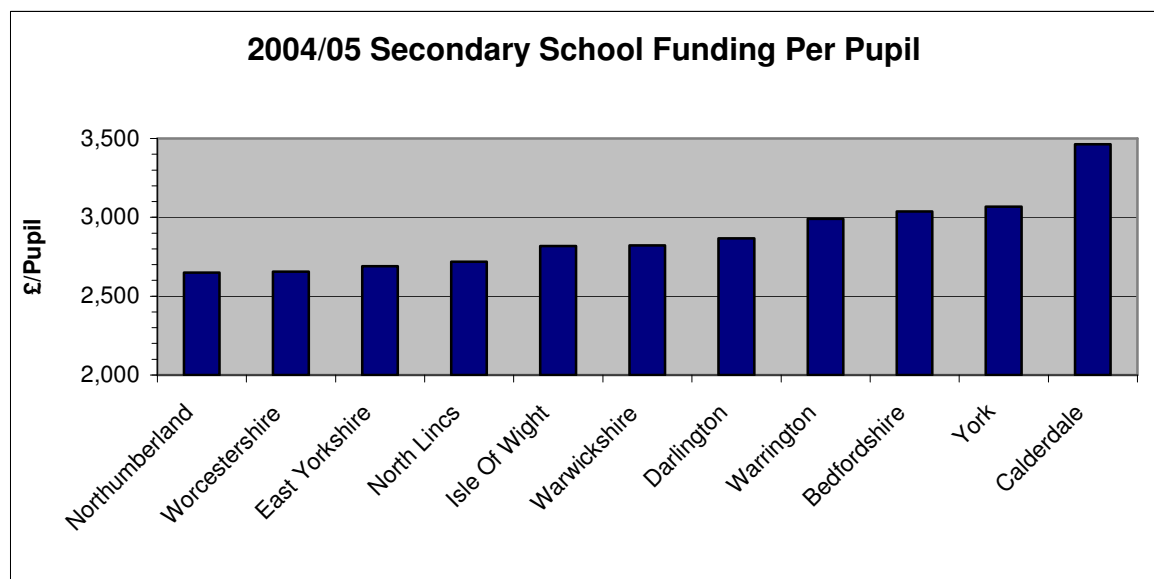
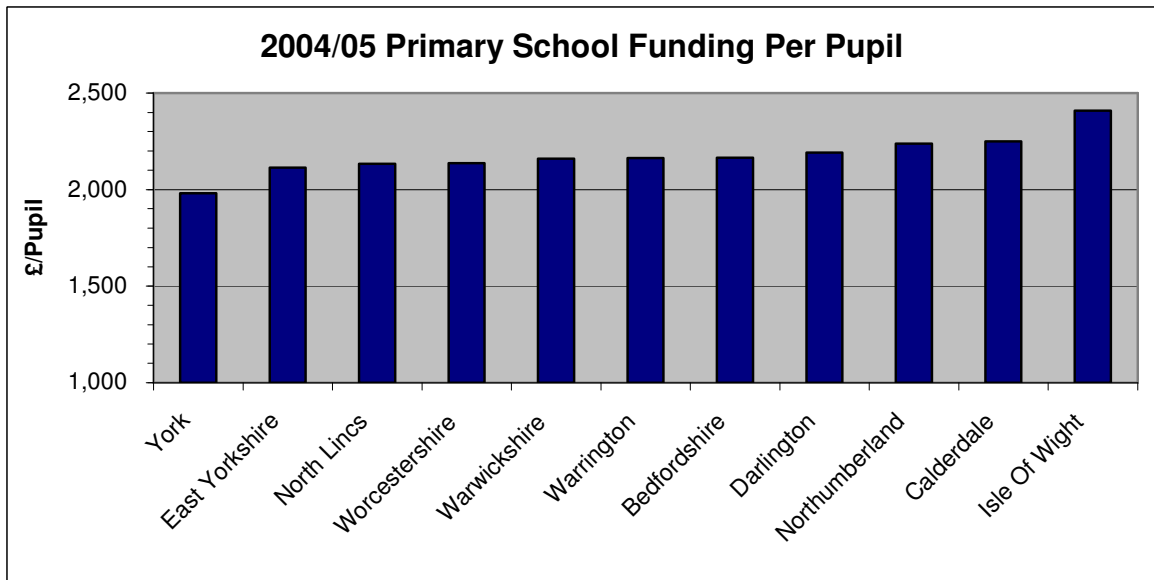
TRANSITIONAL ARRANGEMENTS

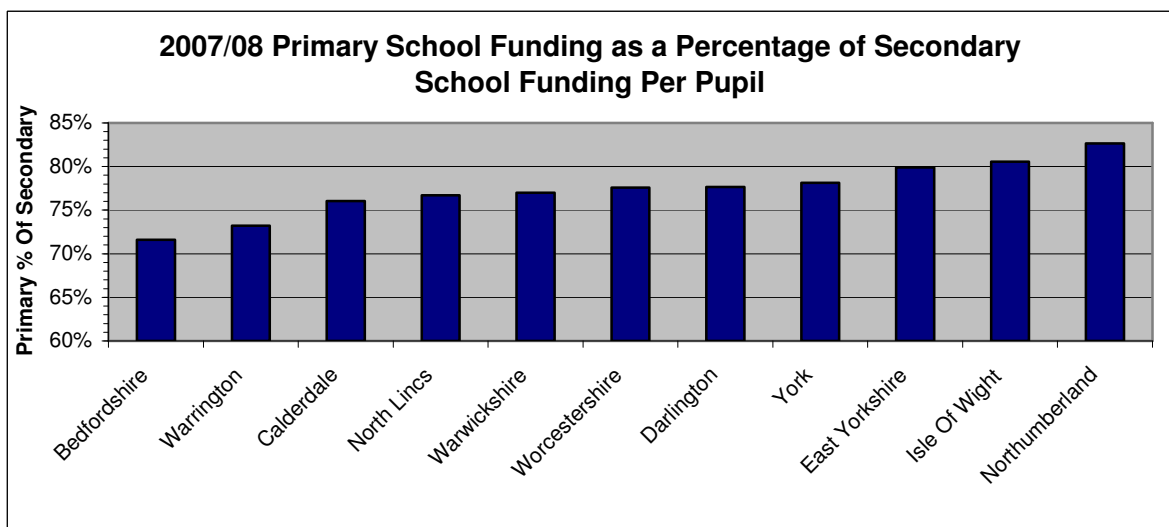
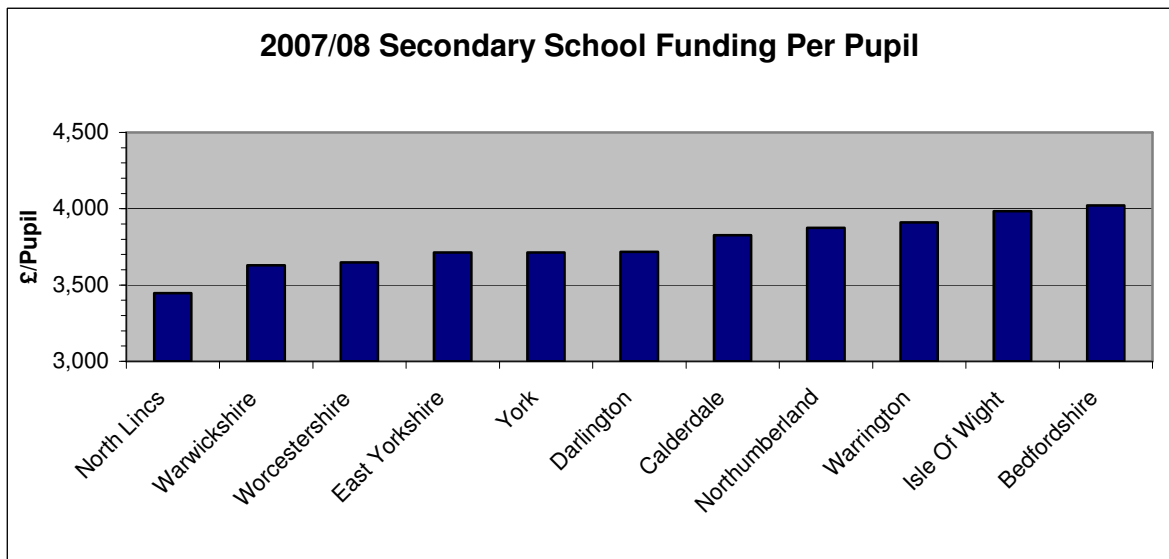
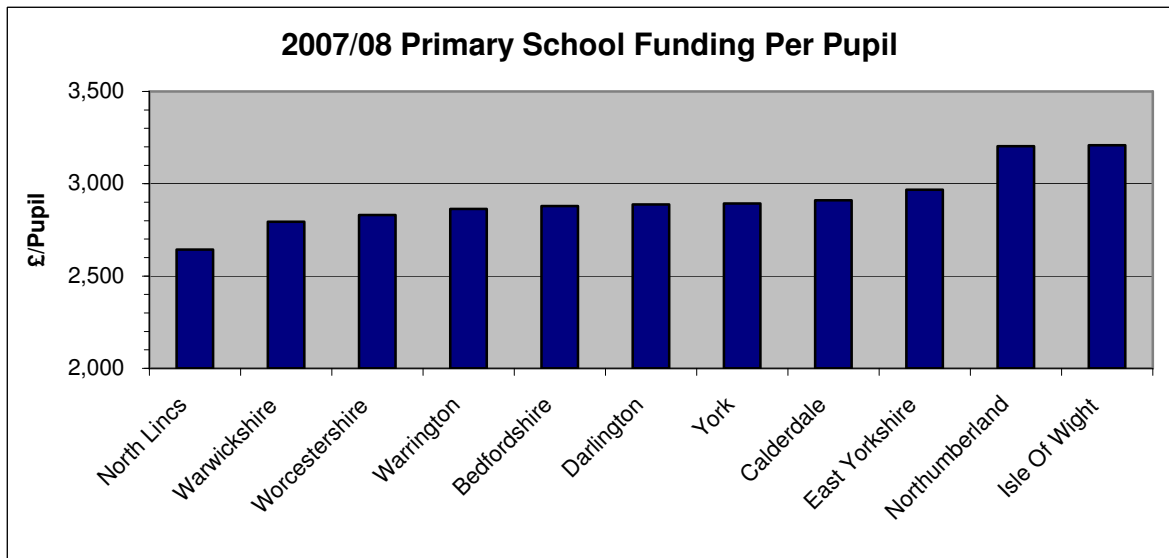
- 94 With the exception of the changes to the Special School / ERC section of the formula, all of the proposed changes have been put forward on the basis that they are cost neutral within the overall level of resources available in either the primary or secondary sectors of the ISB respectively. The additional requirement of £100k within the Special / ERC sector is to be funded by a transfer of resources from outside of the current ISB (the centrally retained SEN Recoupment budget).
- 95 It is proposed that the current arrangements of using the 'Ceilings and Floors' mechanism to smooth transition to new funding levels for individual schools is continued. Under this arrangement a minimum (floor) percentage per pupil increase is set each year by the Local Authority in consultation with the Schools' Forum (in recent years this has been set at the level of the DCSF minimum funding guarantee). This ensures that all schools receive a year on year increase in funding per pupil regardless of the implications of any other changes in the funding formula.
- 96 The maximum (ceiling) per pupil increase is then determined depending on the overall increase in the total level of resources available. Only those schools whose formula funding level (on a per pupil basis) is above the ceiling level would have their increase capped at the ceiling level.
- 97 In line with the DCSF guarantee, certain specific items such as Infant Class Size Funding (if retained), Prior Year Adjustments, Rent & Rates and PFI funding would be excluded from the ceilings and floors calculations.

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?

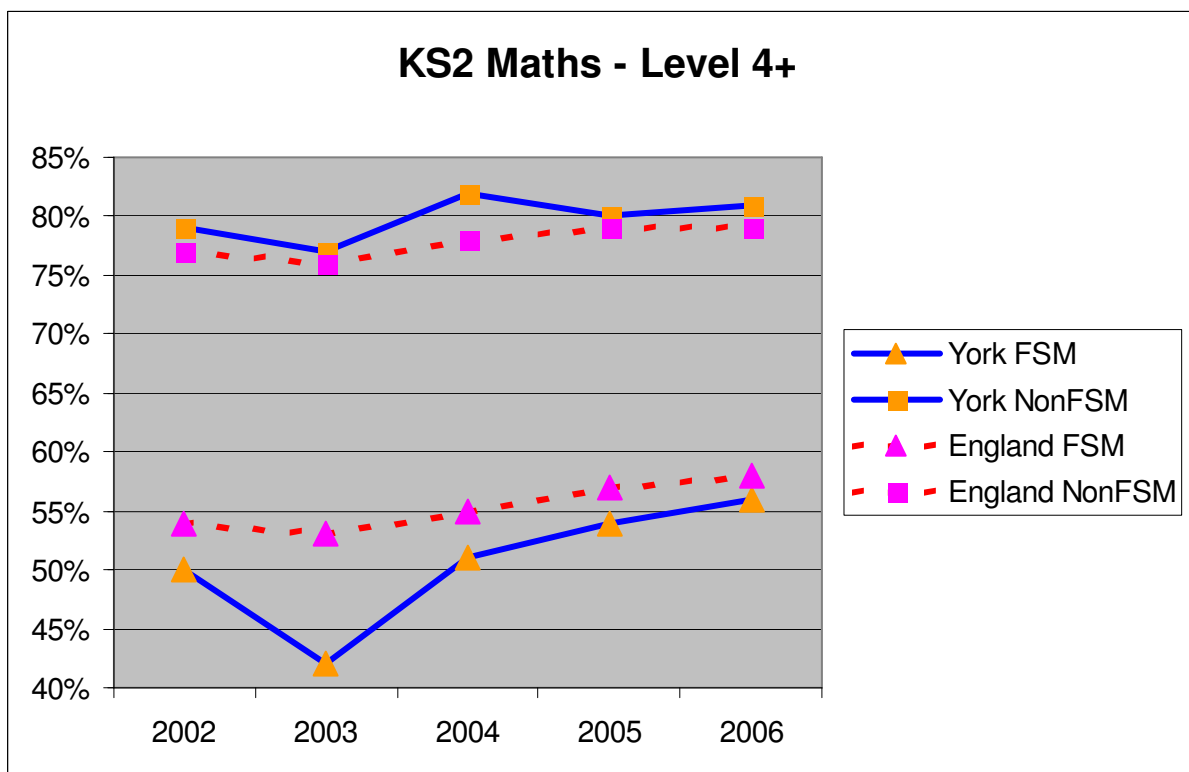
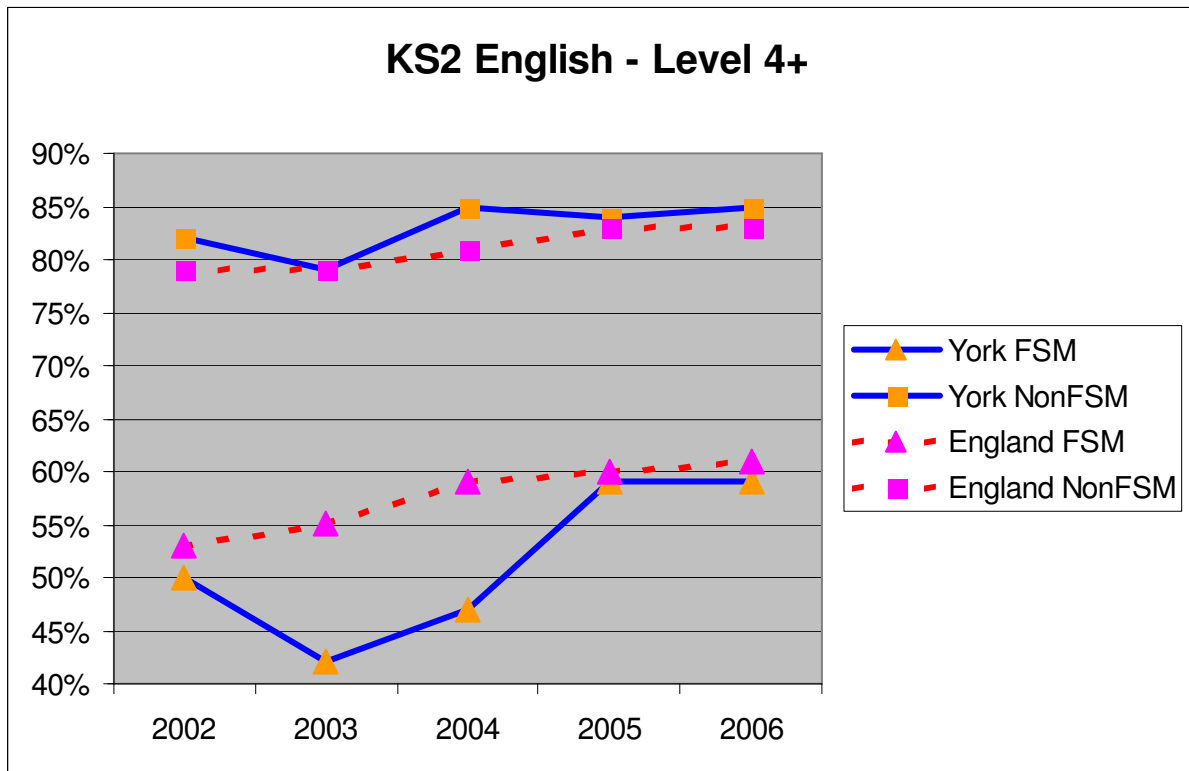
TIMETABLE FOR IMPLEMENTATION OF PROPOSED FORMULA CHANGES

Consultation Document Published	w/c 3 September 2007
Consultation Responses to be Returned by	9 November 2007
School Forum meets	mid December 2007
Report to Executive Member for Children's Services	January 2008 EMAP
Provisional Resource Allocation Statements Issued to Schools:	Mid February 2008
Final Confirmed Resource Allocation Statements Issued to Schools:	By end of March 2008
Funding Under Revised Formula Factors Distributed to Schools	April 2008 onwards

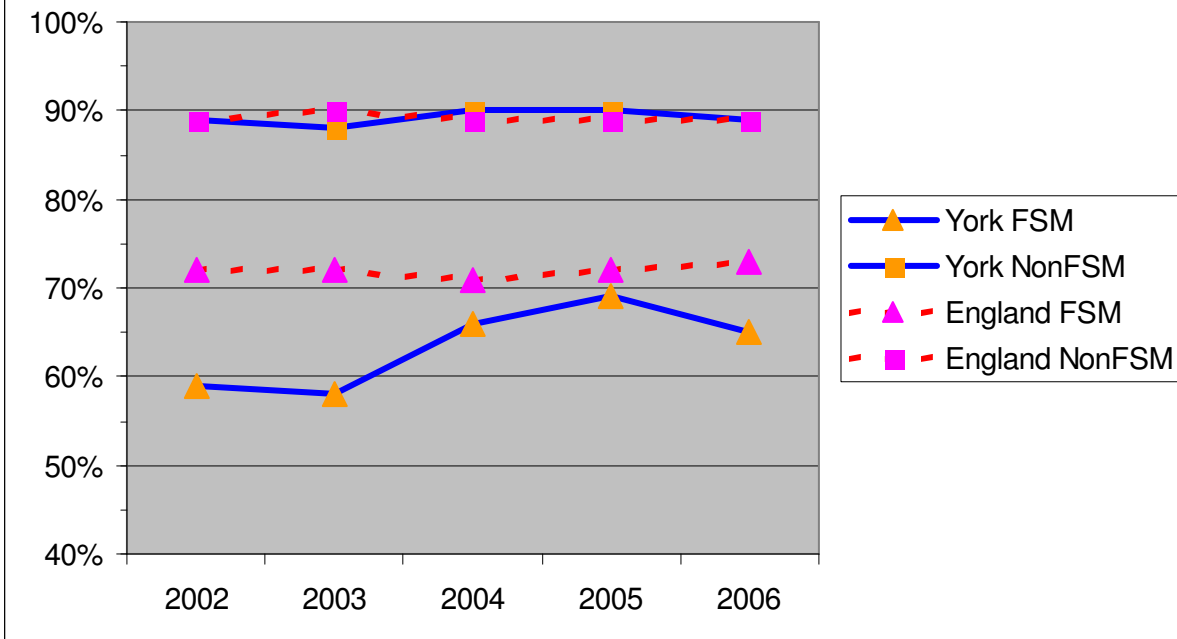




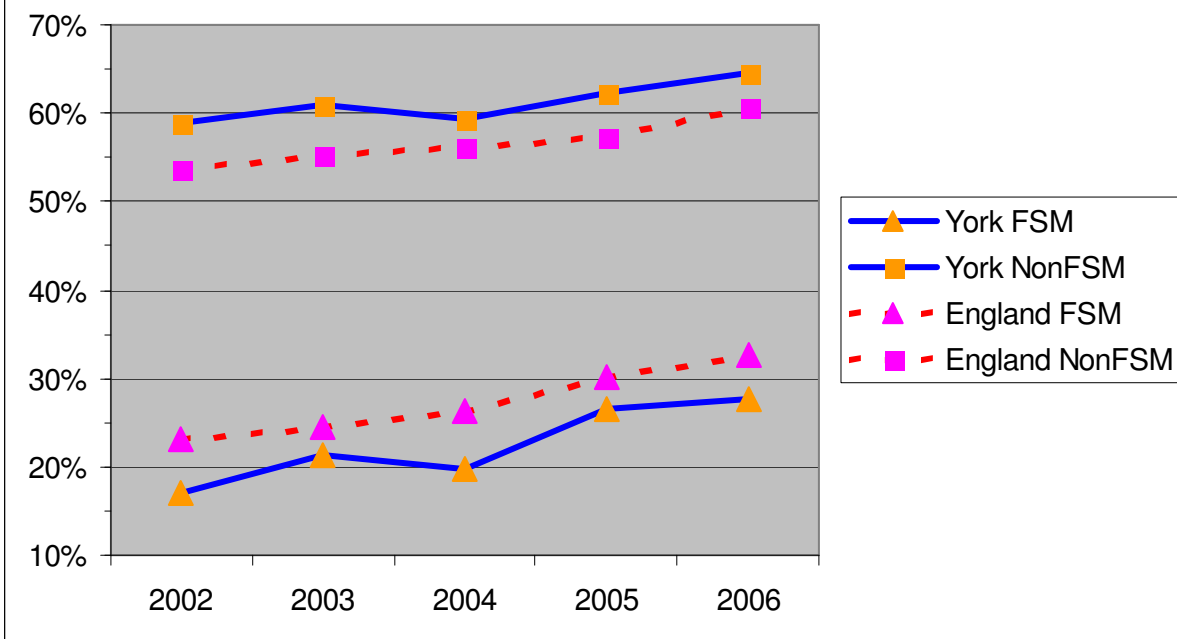
The 'Attainment Gap' 2002 to 2006

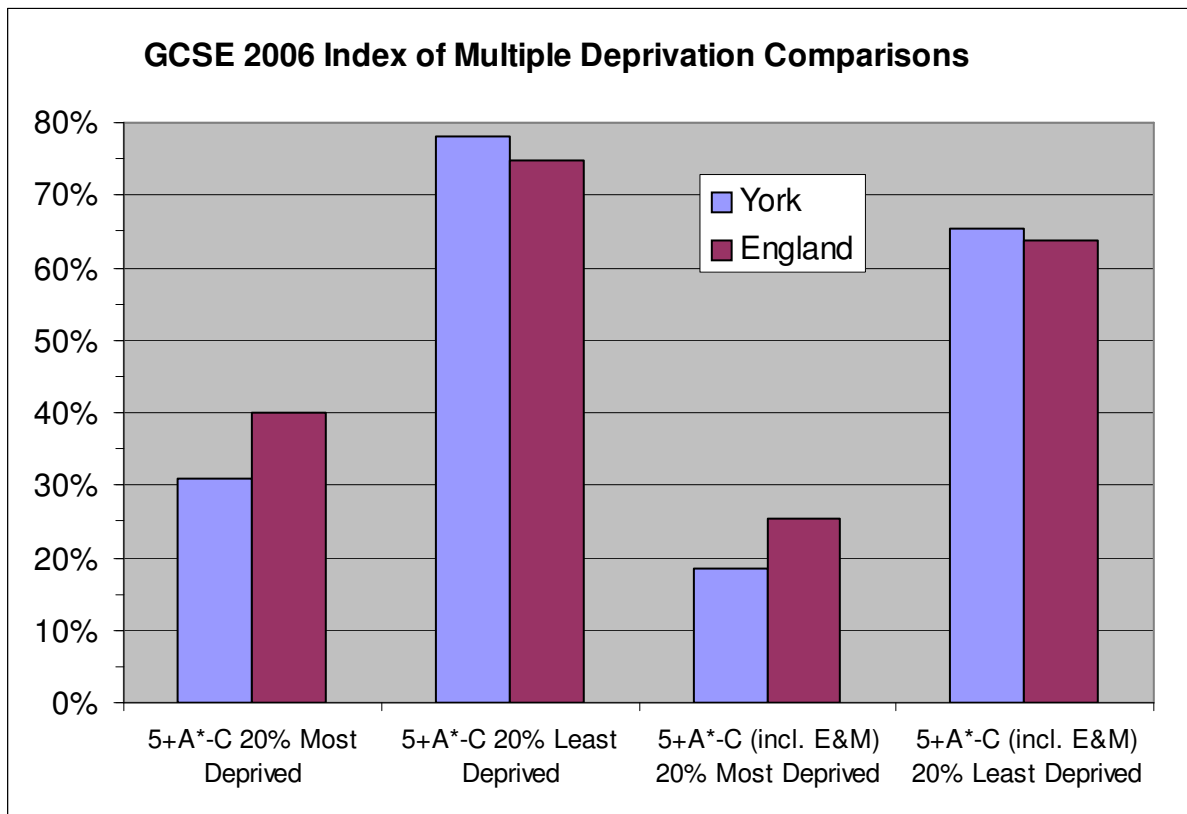


KS2 Science - Level 4+



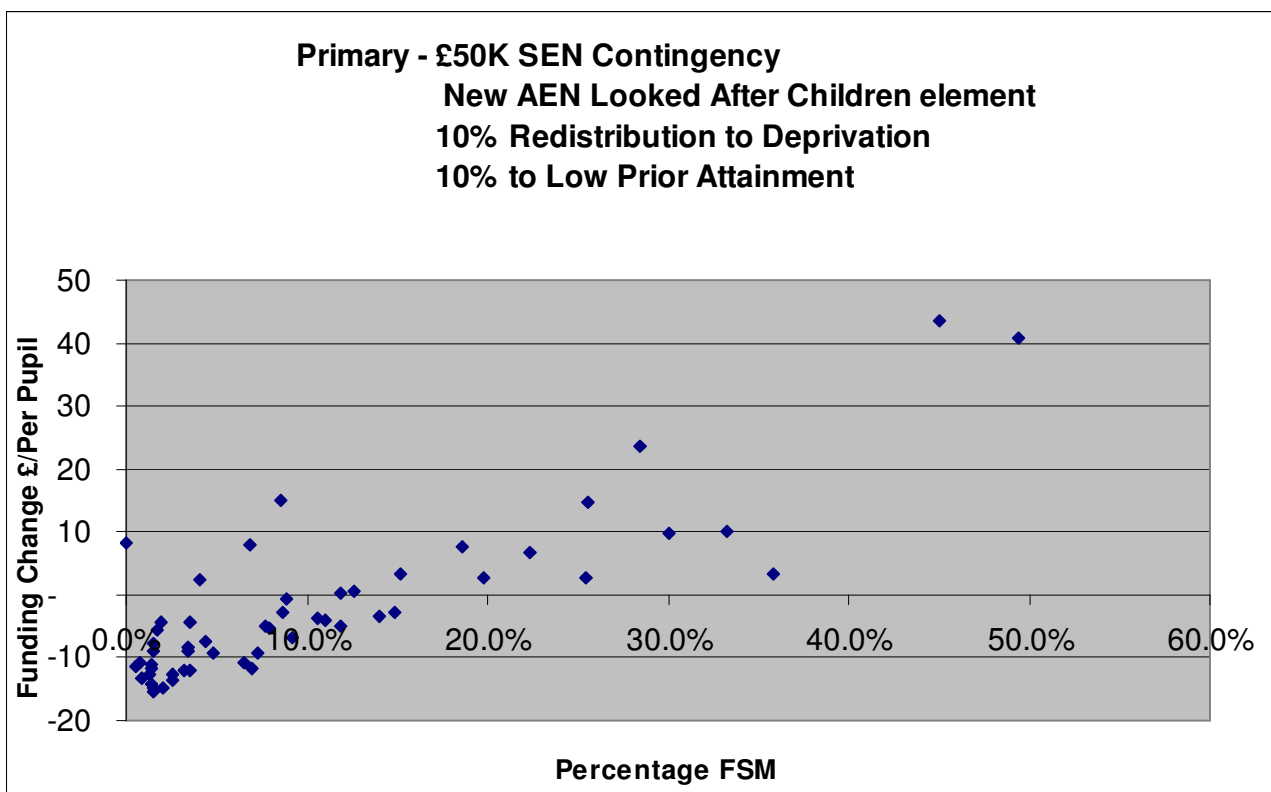
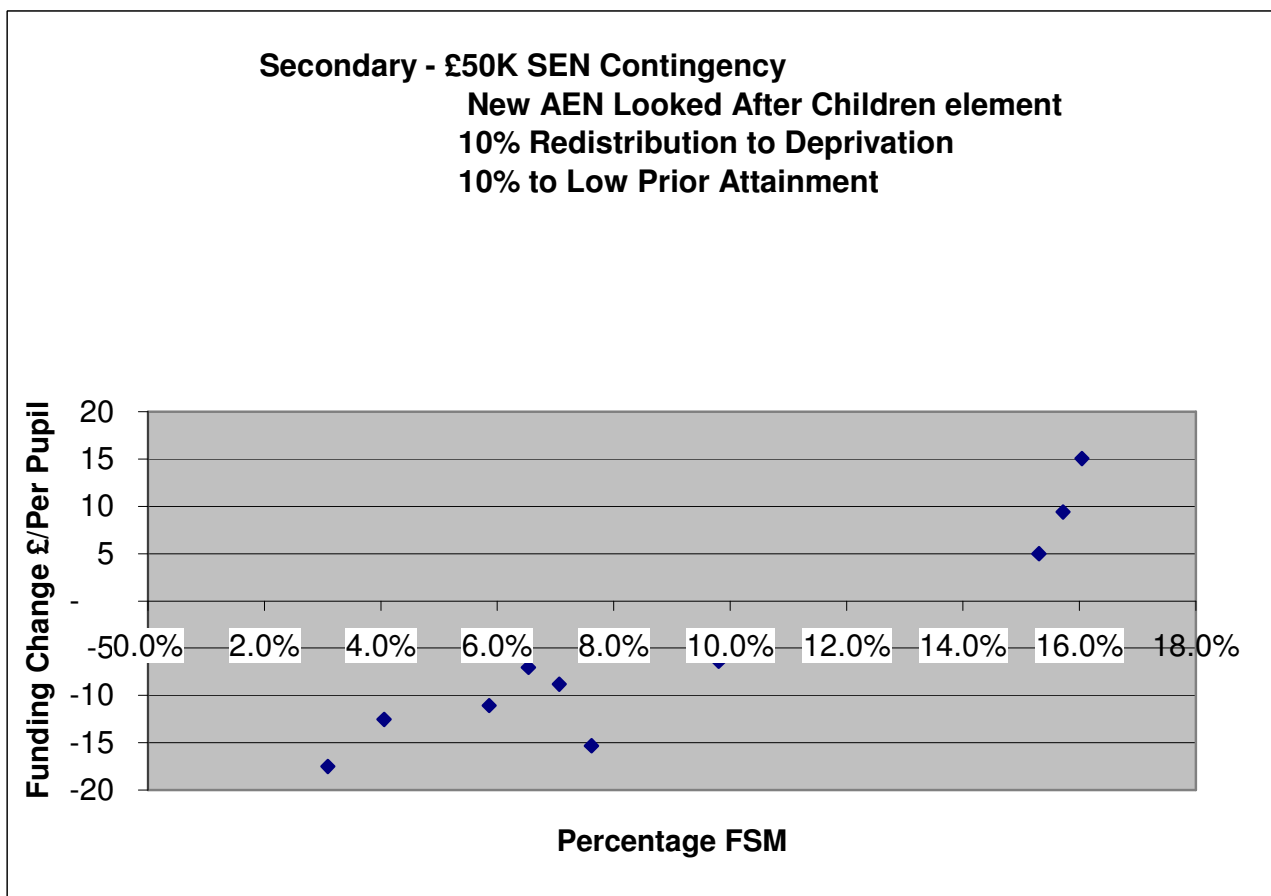
GCSE 5+A*-C

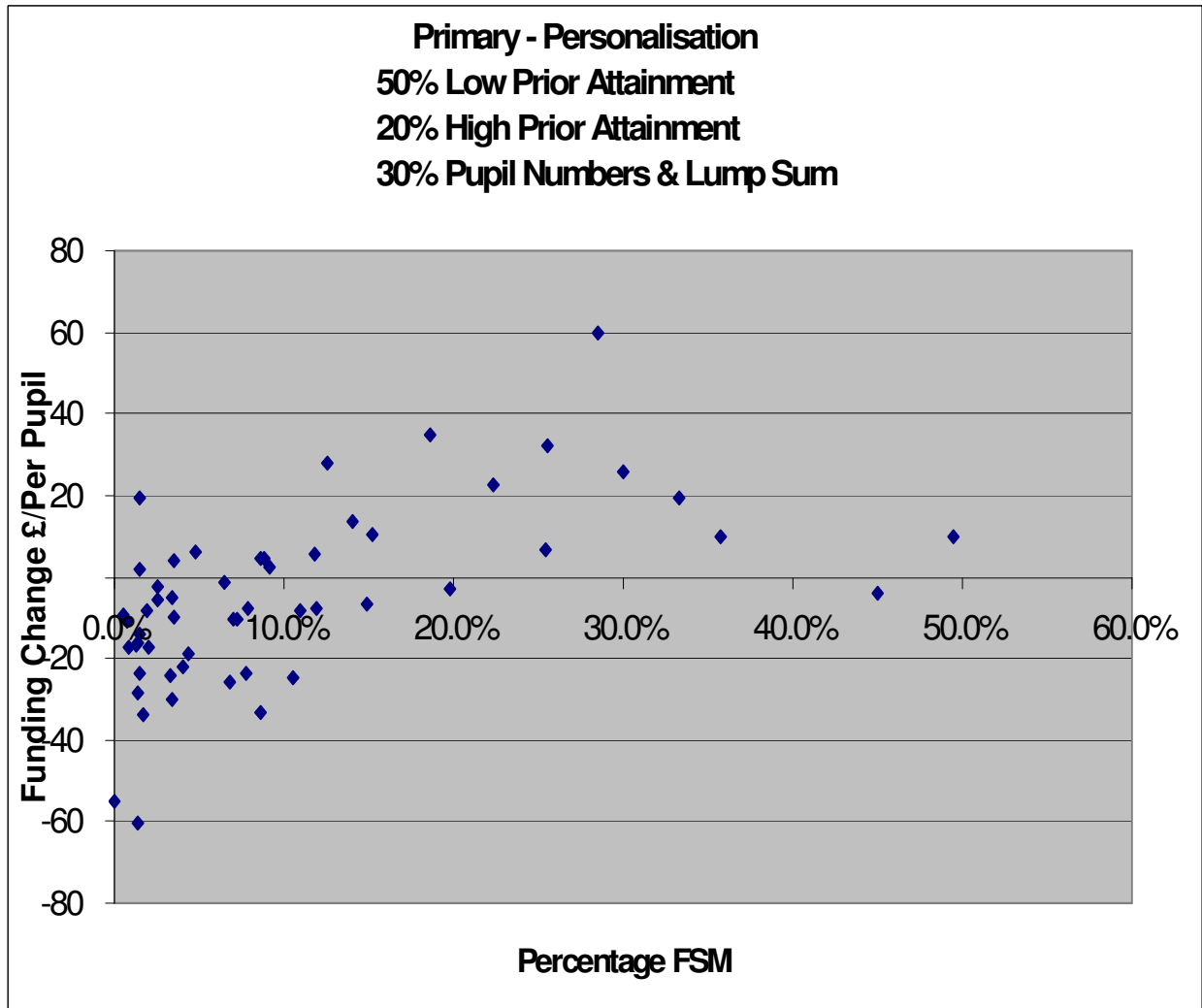




20% Least/Most Deprived = those pupils who reside in an area classified as within the 20% least/most deprived areas (Super Output Areas) of the country based on the Index of Multiple Deprivation.

**Impact of the Proposals to Redirect Per Pupil and Lump sum Funding
Within the AEN, Non-statemented and Statemented SEN Factors**





Comparison of FSM & IMD as an Indicator for Formula Funding of Schools

Free School Meals

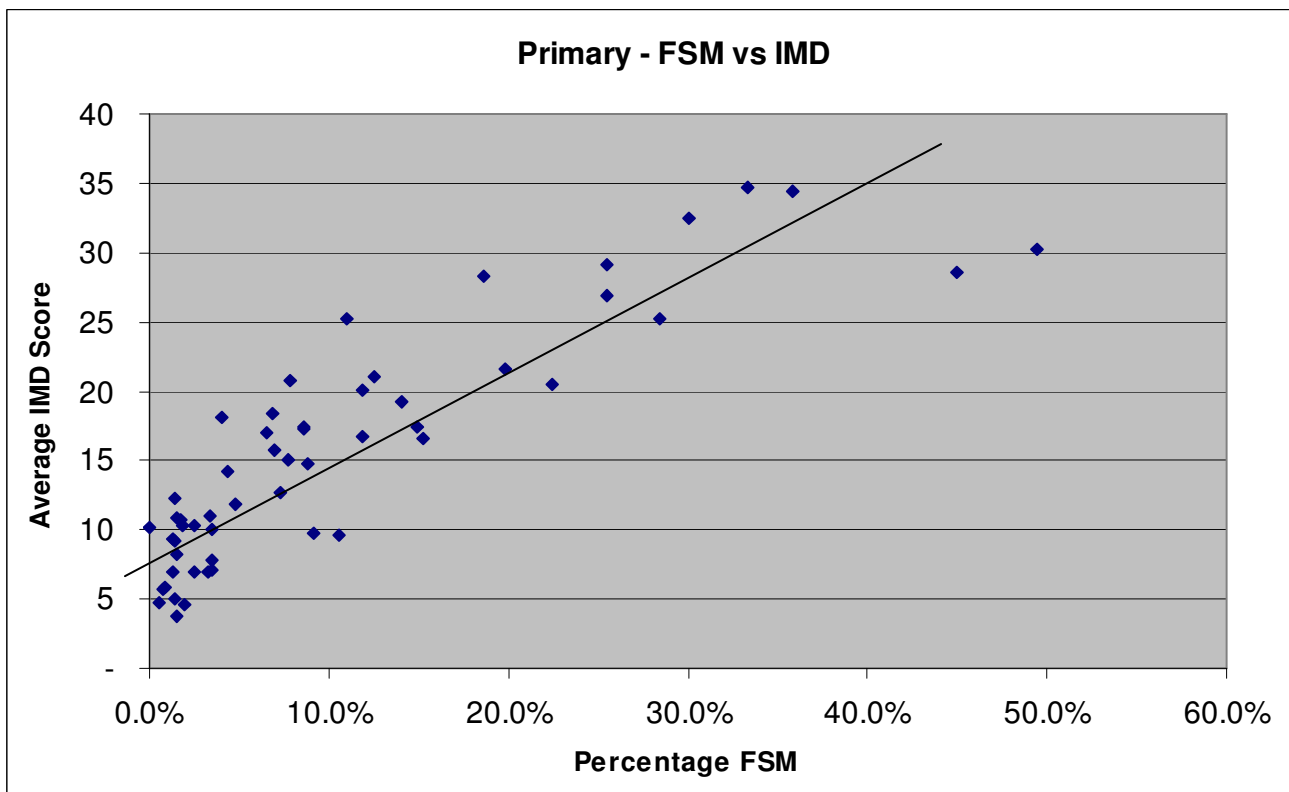
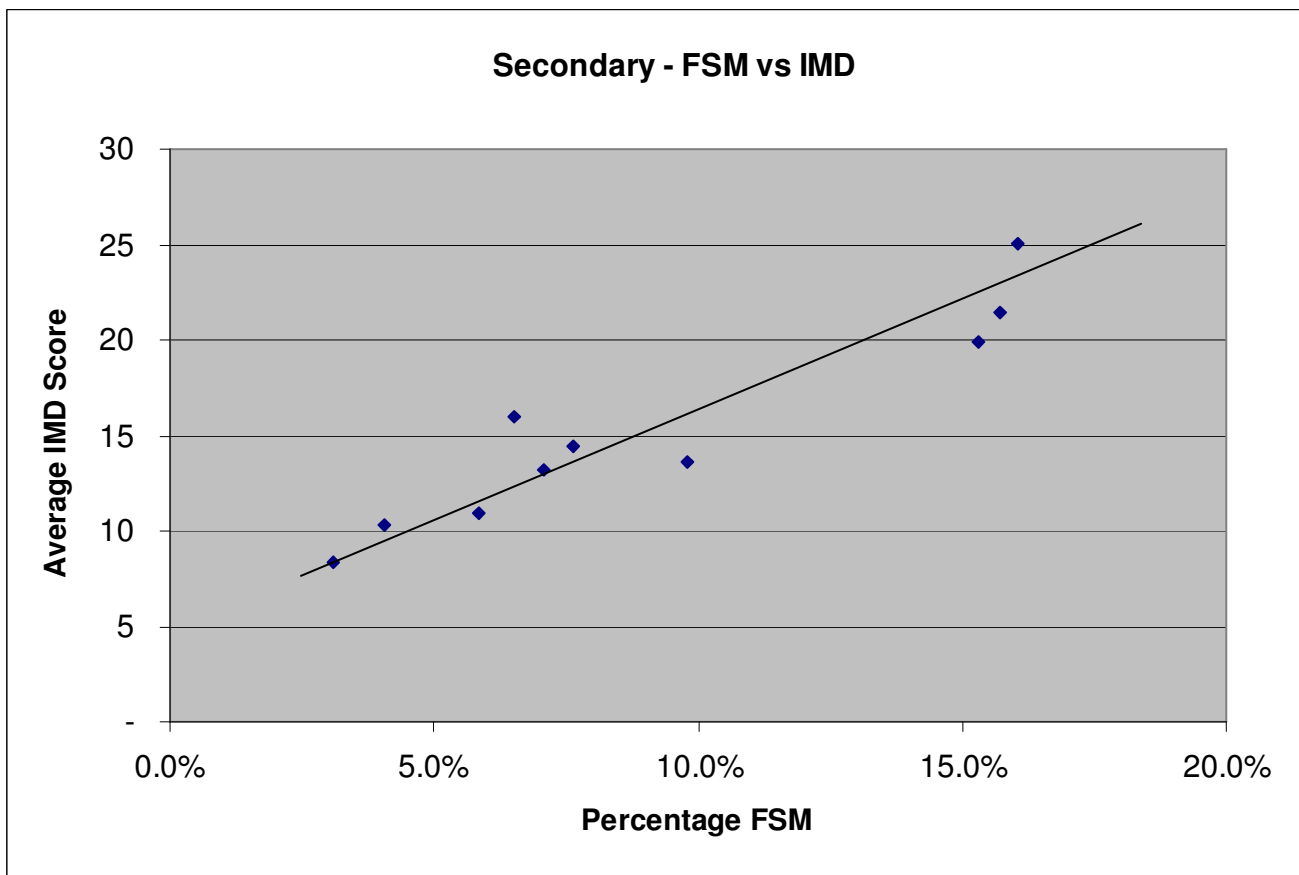
Advantages	Disadvantages
<p>Readily understood.</p> <p>Readily available.</p> <p>Linked to actual children in school.</p> <p>Updated yearly.</p> <p>Income based, so good indicator of economic deprivation.</p> <p>Many research studies have shown high inverse correlation of pupil performance with FSM; also some correlation with distribution of SEN pupils; studies eg PWC (2001) found FSM best available proxy at that time.</p> <p>DCSF, OFSTED and other researchers have frequently used FSM as proxy for deprivation in published analyses and school comparisons, both as a measure of pupil deprivation and deprived schools.</p>	<p>Many who are entitled to FSM may not claim - because of stigma, because do not want a meal, because of complexity of claims process, lack of awareness of entitlement etc.</p> <p>May be systematic bias - parents will not register if not claiming a school meal; registration may be linked to nature/quality of school meals in each area/school (eg whether there is a hot meals service in a rural area) as well as social/cultural factors. Schools can influence by encouraging/helping parents to register entitlement.</p> <p>Changes in claiming methods linked to benefit changes may have reduced claimant rates.</p> <p>May be less reliable in high turnover schools because of time taken to register claim.</p> <p>Only picks up those with income below threshold, not low incomes just above the benefits threshold.</p> <p>If used as main proxy for both social deprivation and AEN/SEN can determine large element of funding and risk producing volatility in funding if FSM% changes significantly for an individual school; particularly true for "cliff edge" factors where schools lose significant funding when change bands.</p> <p>Not available for nursery age children; lower take up for some age groups.</p>

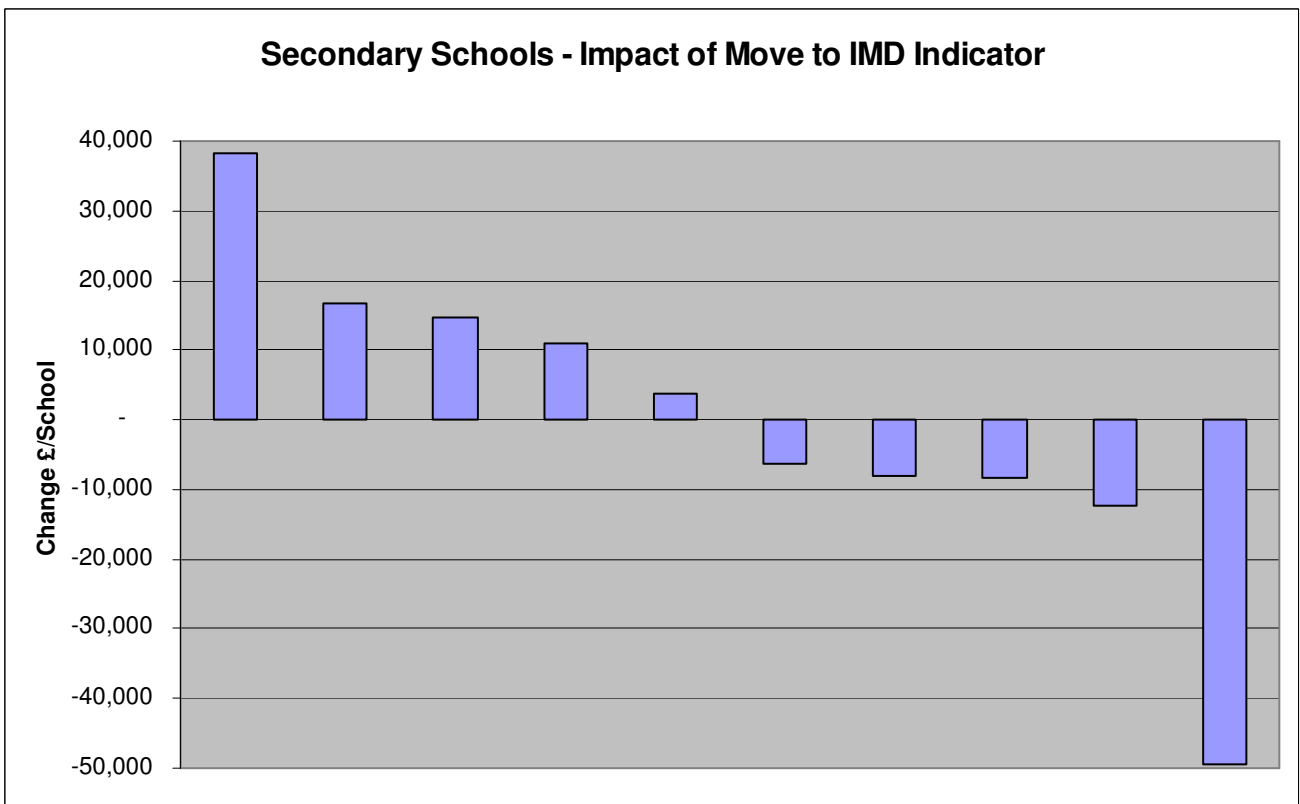
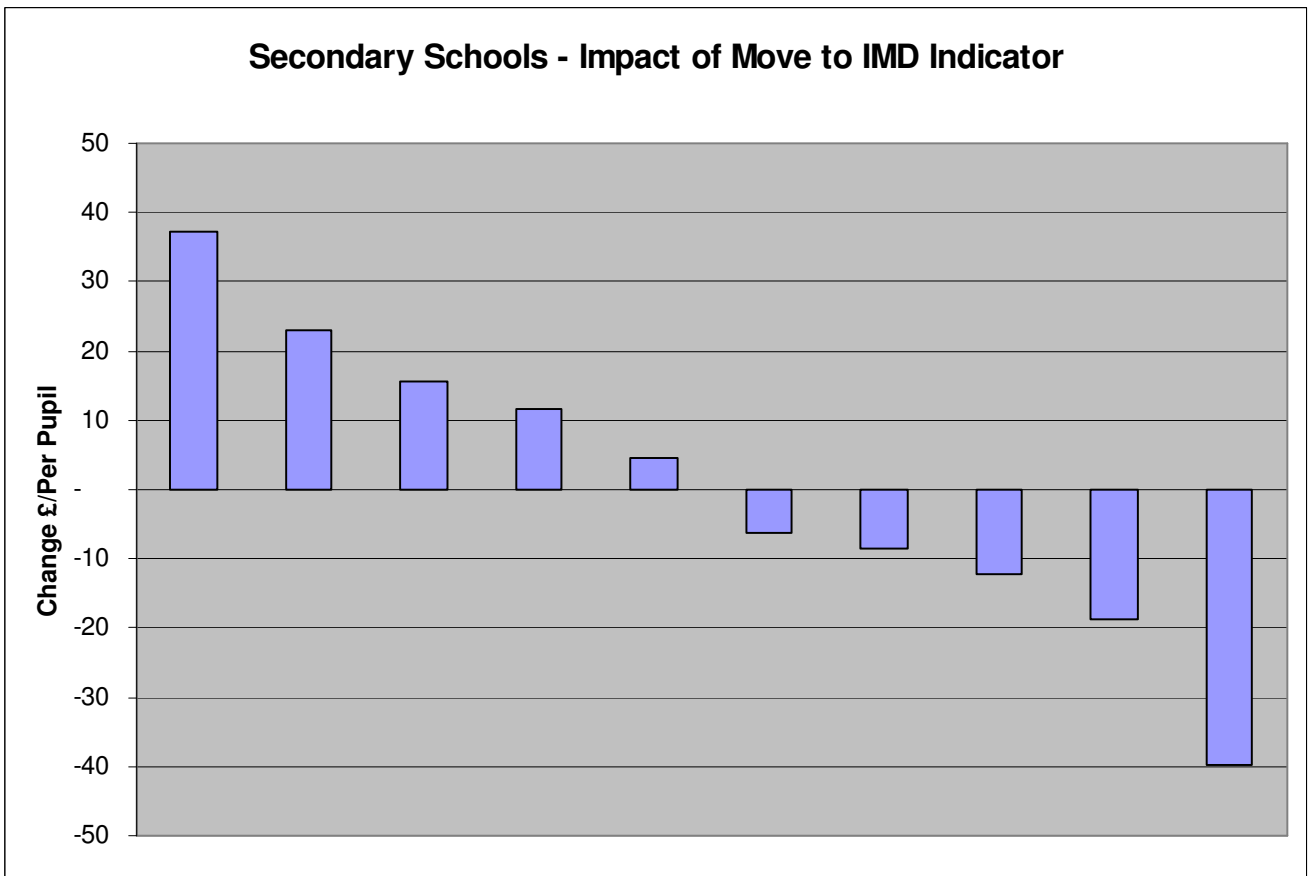
Source: DCSF Guidance for Authorities September 2006

Index of Multiple Deprivation

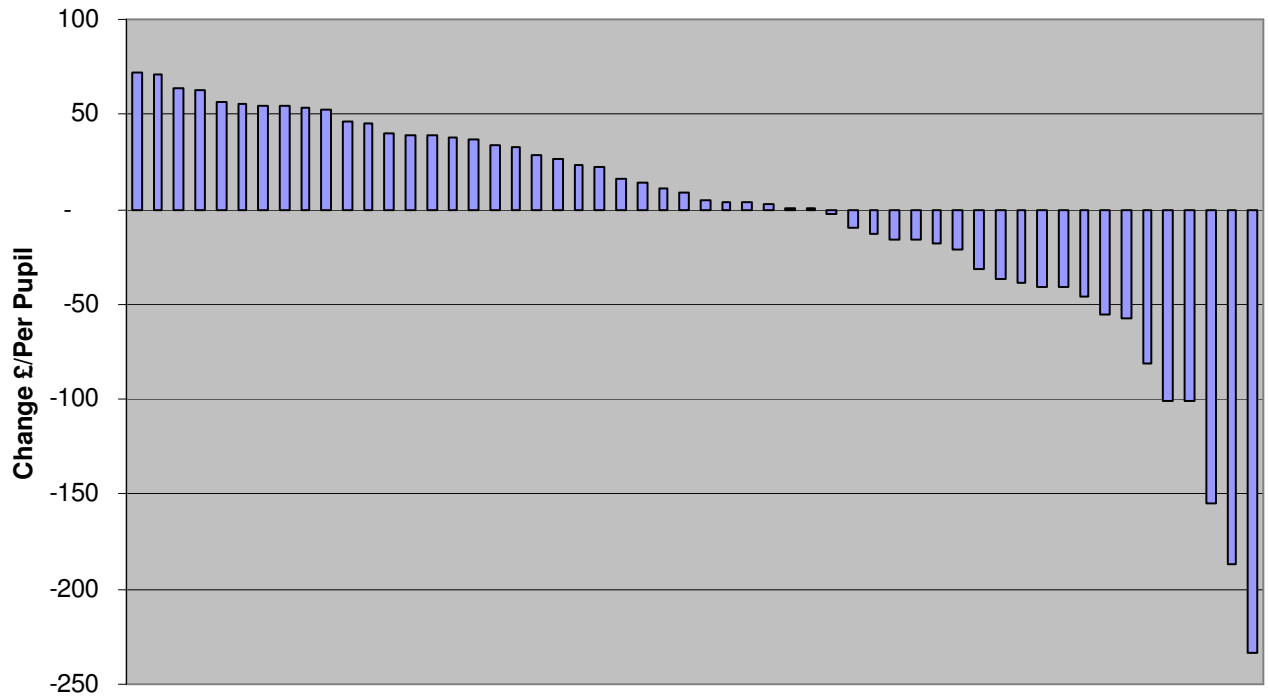
Advantages	Disadvantages
<p>Based on considerable amount of research and extensive consultation in development of the index as a measure of multiple deprivation at small area level, building on earlier work (eg Index of Deprivation 2000 which measured deprivation at ward level).</p> <p>Wide range of deprivation measures included within the index - takes account of deprivation across a range of different factors, not just poverty.</p> <p>Widely known and recognised; available nationally for all SOAs in England, standard across LA boundaries.</p> <p>Used in other national and local government contexts including some resourcing, eg used to inform allocations of the Neighbourhood Renewal Fund.</p> <p>Available at LSOA level, so better than ward level information (previous Index of Deprivation).</p>	<p>Some deprivation measures across the seven domains are not very relevant to education. The focus is on adults/households so some deprivation may reflect eg pensioner poverty and may not be relevant to children.</p> <p>Overall index includes some education measures (average points scores at KS2, KS3, KS4; proportions not staying at school beyond 16 or entering HE; secondary school absence rate). Risk of double counting if used alongside direct prior attainment measures.</p> <p>Most components relate to 2001-2. No current plans to update the index.</p> <p>Index is either a value or a rank for each area from which pupils are drawn; needs to be converted or weighted in some way for use in funding formula.</p> <p>LSOA level may still not be fine enough to identify small pockets of discrimination eg in rural areas or authorities where there is significant variation at street/postcode level.</p>

Source: DCSF Guidance for Authorities September 2006

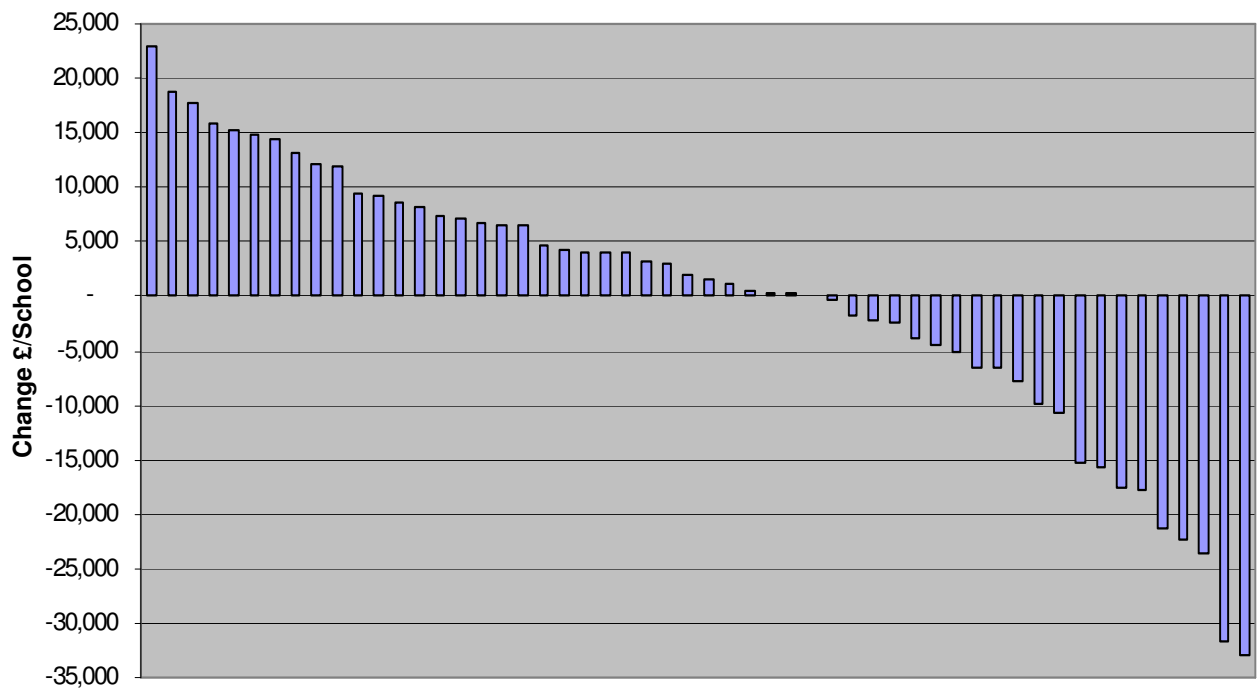


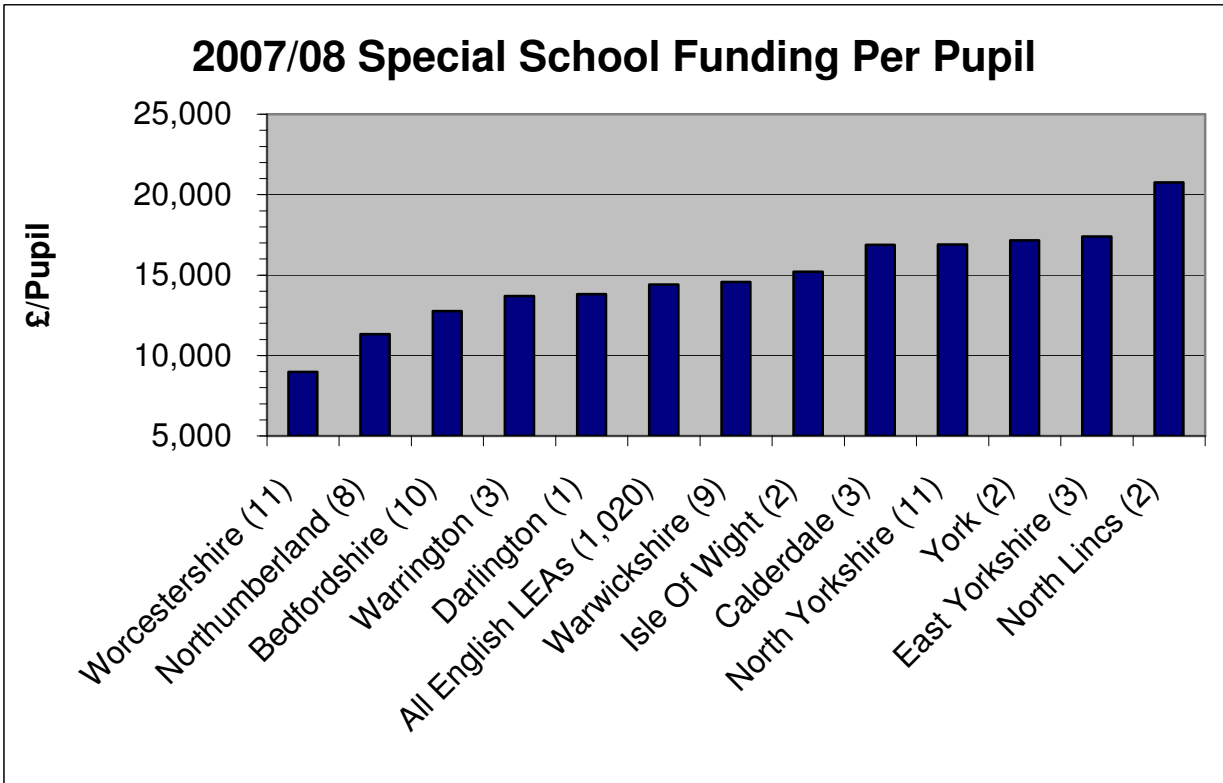


Primary Schools - Impact of Move to IMD Indicator

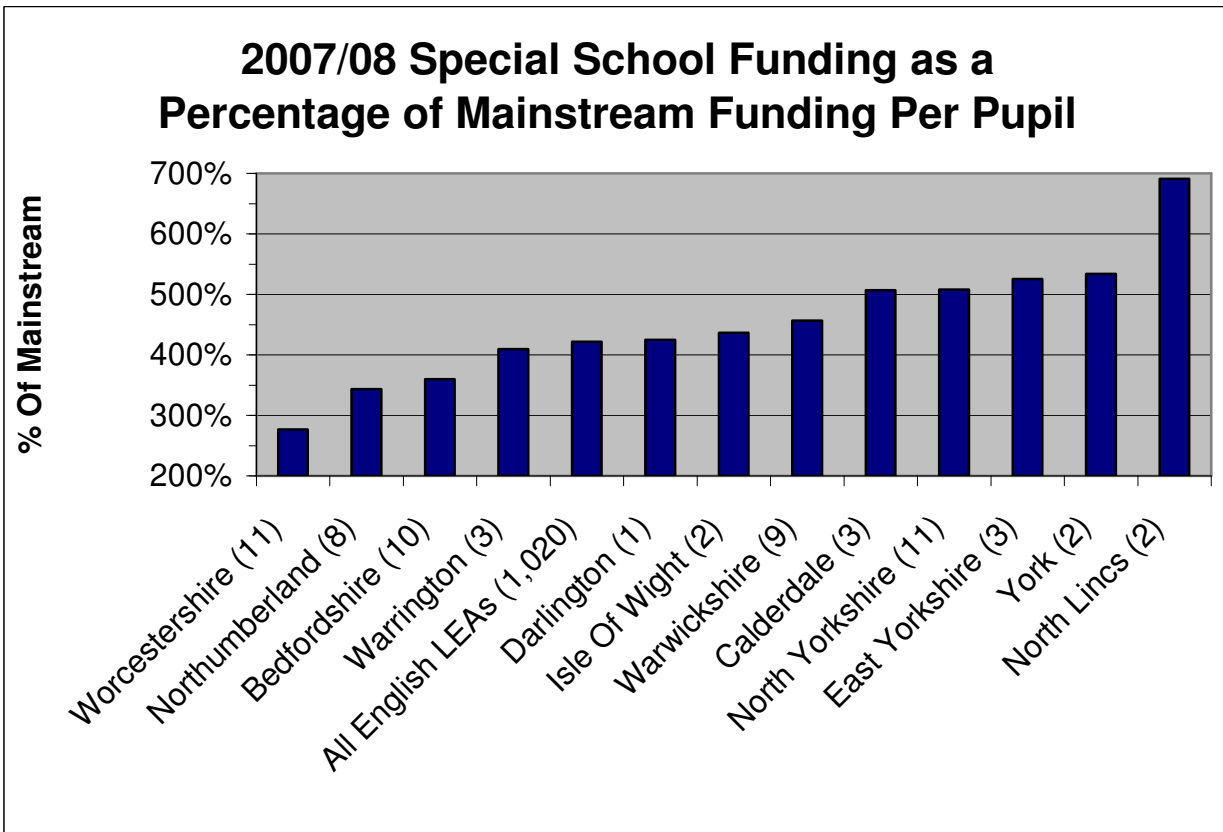


Primary Schools - Impact of Move to IMD Indicator



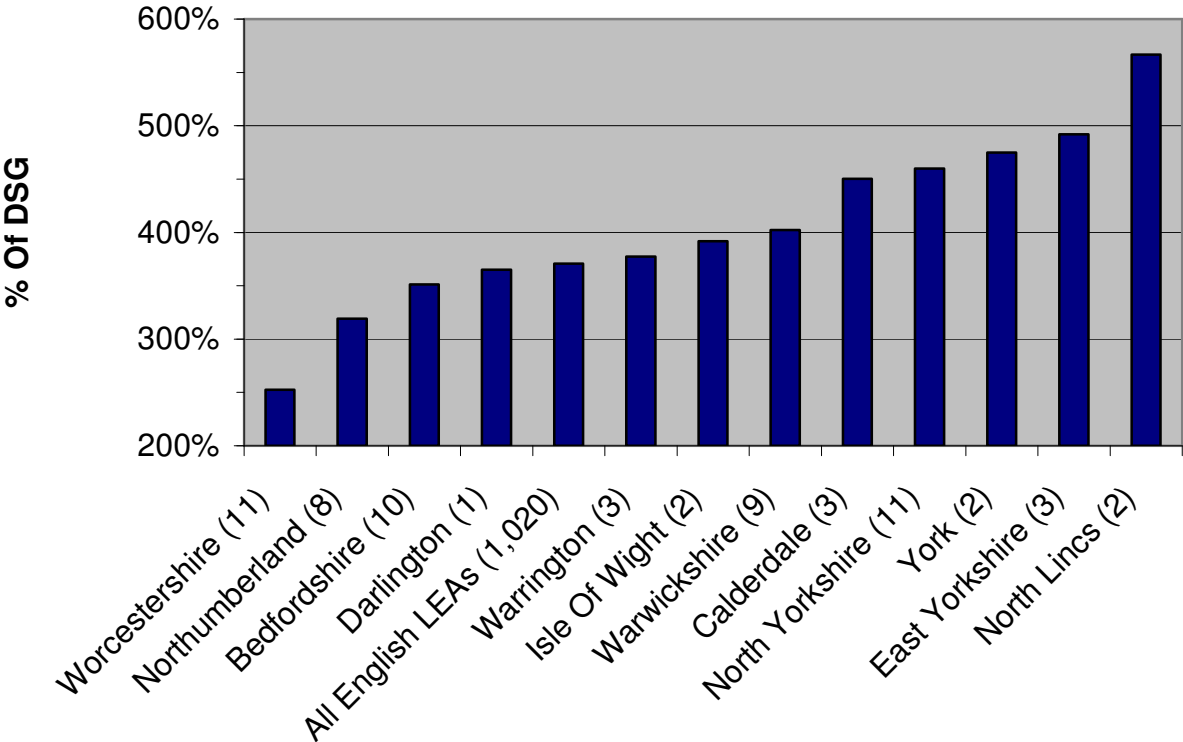


Number of Schools in Brackets



Number of Schools in Brackets

2007/08 Special School Funding as a Percentage of DSG Funding Per Pupil



Number of Schools in Brackets