

## Bath & North East Somerset Council

MEETING:	<b>Cabinet</b>	
MEETING DATE:	<b>10<sup>Th</sup> October 2012</b>	EXECUTIVE FORWARD PLAN REFERENCE:
		<b>E 2457</b>
TITLE:	<b>School Funding Reform</b>	
WARD:	All	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b>		
Appendix A– New formula methodology for submission to DFE		
Appendix B - School Funding Reform Consultation Document		
Appendix C - School Funding Reform- consultation responses		
Appendix D – The impact of changing the formula to reflect the options set out in this paper		

### 1 THE ISSUE

In order to prepare for a national funding formula, direction has been given to Local Authorities to review their formula of school funding to ensure that it fits with the government's intentions for the future. The LA has developed its proposal and consulted schools on the proposal in order to allow the cabinet to decide on a formal methodology to submit to the Education Funding Agency (EFA).

### 2 RECOMMENDATION

The Cabinet agrees that either:

2.1 The proposal attached as appendix A (1) is submitted as the methodology to be adopted by Bath and North East Somerset Council from April 2013. This reflects the Original Proposal that the consultation was modelled on.

or

2.2 The proposal attached as appendix A (2) is submitted as the methodology to be adopted by Bath and North East Somerset Council from April 2013. This reflects an amendment to the proposal for the funding of Deprivation changing the split of resources between the ADACI index and free schools meals to 50:50 split. (Compared with the 75:25 split in the consultation proposal)

or

- 2.3 The proposal attached as appendix A (3) is submitted as the methodology to be adopted by Bath and North East Somerset Council from April 2013. This reflects reduction in resources allocated to deprivation from 7% of overall resources to 6% and using a split of 50:50 of IDACI and Free School Meals to allocate the funds.

### **3 FINANCIAL IMPLICATIONS**

- 3.1 There are no direct financial implications to the Local Authority from the introduction of the a new formula to fund schools as the change in methodology redistributes the resources of the Dedicated Schools Grant (DSG) rather than incurring additional costs for the Local Authority.
- 3.2 The impact of the changes to the distribution methodology will inevitably reallocate resources between schools. As some schools will be allocated less resource than currently then there may be circumstances where schools may need to reorganise their school structures to meet the reducing resources. This may result in additional redundancy costs in schools which are borne by the Local Authority.
- 3.3 The extent of the additional redundancy costs can only be assessed when specific actions are taken by schools.
- 3.4 In order to limit the redistribution of funding between schools some pragmatic decisions have been made to develop the proposal, e.g. ensuring that the resource allocation between primary and secondary schools remains the same as present.
- 3.5 The regulations require further delegation of resources from retained elements of the Dedicated Schools Grant. This will result in either schools purchasing additional services from the LA, or schools deciding to purchase services elsewhere. From the responses received to the consultation the schools are keen for services to be available for purchase.

### **4 CORPORATE OBJECTIVES**

- 4.1 The changes to the funding methodology will give greater freedoms to schools to decide on how services to schools are provided. This will promote independence in schools to provide targeted services to the pupils.
- 4.2 The proposal also changes the funding methodology and resources for deprivation giving schools with pupils from deprived backgrounds increased resources to target at their pupils to improve their opportunities

### **5 THE REPORT**

- 5.1 The DFE are embarking on a programme of change in relation to the funding of schools. Their intention is to create a national funding formula in the future, but not until the next parliament.
- 5.2 The current system of funding schools is considered to be opaque, inconsistent and unfair with huge differences between areas and between schools. Local formulae used to fund schools are complicated and have no impact on pupil attainment. The added complexity to the current funding mechanism means it is virtually impossible to understand why each school receives its funding.
- 5.3 In order to prepare for a national funding formula, direction has been given to Local Authorities to review their formula of school funding to ensure that it fits with the government's intentions for the future.

- 5.4 The requirements of the DFE directions are such that the new formula will be significantly different to the current funding methodology. In particular, the DFE are limiting the number of factors that are allowed and reducing the data sets that can drive those factors.
- 5.5 The DFE recognise that there will be schools that gain resources and others that will see reductions, and have agreed that the Minimum Funding Guarantee will continue to be operational for 2013-14 and 2014-15 at -1.5%. This will protect in the short term, those schools who will observe a reduction in resources.
- 5.6 For Special Schools, Special Units and Alternative Provision the DFE are creating a completely different funding model, with the Local Authority becoming a commissioner and the schools becoming the providers. This process is radically different to the current model and will create some uncertainty in its initial few years of operation. The resources allocated to the Special Schools and Special Units will be very similar to current allocations.
- 5.7 The DFE directions also require that on a national scale, schools will have the same responsibilities and budgets delegated to them. The LA will therefore be required to further delegate resources for several areas of work to schools including school meals, behaviour support and staff cover.
- 5.8 The consultation document (Appendix B) has been created by officers with the help of a working group made up of school Head teachers and Business Managers.
- 5.9 The proposal was created to try and implement the DFE plans with as limited impact on individual schools as possible. However, it is inevitable that there will be redistribution when a new formula is introduced.
- 5.10 The consultation asked schools to comment on the proposal, the responses to the consultation (Appendix C) show that there are many areas of where schools have responded favourably to the proposal.

These include

- (1) Maintaining the split of resources between the primary and secondary sectors
- (2) The allocation of resources for Looked After Children
- (3) The allocation of resources for English as an Additional Language
- (4) The allocation of resources for Lump Sums
- (5) The allocation of resources for Split Sites
- (6) The proposal to introduce a cap on gains

5.11 The main areas of concern were

- (1) The methodology of providing resources for Deprivation. As this element is one of the main contributors towards gains or losses in individual schools it has observed the greatest scrutiny of any of the factors. The responses to the consultation have suggested 2 main issues.

- a) The split of resources between the IDACI index (75%) and Free School Meals (25%). There is concern that the IDACI index does not reflect the deprivation that may exist in rural and wealth diverse areas, as the index looks at groups of properties that can in some areas contain a split of wealthy and deprived households therefore hiding the deprivation that exists.

There are therefore a large number of suggestions that the split of resources should be 50:50 between the IDACI index and Free School Meals. The impact of making this change is shown in appendix D.

- b) Additionally, schools were concerned that moving from the current 5% of resources allocated to Deprivation to the proposed 7% created too much instability as resources would be diverted from all schools towards the schools where pupils from deprived backgrounds were being educated.

Schools recognised that the DFE intentions to create a national funding formula would be likely to direct resources towards deprivation in such a way but some concerns existed as to the speed of change.

Suggestions were received to move to 6% of resources allocated towards deprivation and the impact of this along with a 50:50 split of the resources through the IDACI and Free School Meals data is shown in Appendix D

- 2) Schools are concerned that the new rules around the funding of pupils with SEN will impact on schools with high numbers of pupils with additional needs. Whilst the responses showed some concern of the new arrangement, the majority of comments were concentrating on the reasons for changing from a system schools feel is working. Unfortunately, the changes being imposed by the DFE are non-negotiable and are being replicated across the country not only for schools but also for colleges and independent special schools.

There is inevitably concern amongst schools that the resources allocated to them to support the pupils in their care will not be sufficient. Our proposed methodology of allocating resources to schools through a formula and holding some resource to allocate to schools with greater than average numbers of pupils with SEN, will attempt to ensure that as close a match to the current system will exist into the future.

Some schools are concerned that the impact of a new pupil arriving in a school with significant needs will impact on the rest of the school. Officers are working with schools to reassure them that support will still be provided wherever possible, within the confines of the new DFE regulations.

- 5.12 There were many other issues raised by small numbers of schools that were specific to them. Some of the issues cannot be resolved as the regulations from the DFE do not allow such amendments to the formula; examples include swimming lessons at key stage 2, tree maintenance on school sites, differential maintenance costs due to size of site and buildings.

- 5.13 Some responses concerned areas where amendments to our formula would be allowed but it is officers opinion that the issue is not significant and

therefore no amendment to the proposed formula has been made. An example of such an occurrence is the request from one school to include a pupil mobility factor. In some LA's a factor has been developed to support schools where the mobility of pupils is significant. In B&NES the pupil mobility as defined by the DFE is not significant and the variations between schools are also limited. Officers therefore feel that a factor should not be introduced for 2013-14, but further research could be carried out with the ability to introduce such a factor in future years.

## **6.0 RISK MANAGEMENT**

6.1 The report author and Lead Cabinet member have fully reviewed the risk assessment related to the issue and recommendations, in compliance with the Council's decision making risk management guidance.

## **7.0 EQUALITIES**

7.1 An EqIA has not been completed as the DFE carried out an extensive EqIA as part of its direction of local authorities to change their formulae.

## **8.0 RATIONALE**

8.1 The consultation document was created by a working group of officers and school staff who developed the proposal after extensive modelling of various options that were available.

8.2 Having consulted all schools on the proposal and considered the responses, see Appendix C, three options are being considered in this report.

## **9.0 OTHER OPTIONS CONSIDERED**

9.1 In developing a formula for the distribution of resources between schools there are inevitably numerous possibilities that could have been chosen. There could have been any number of changes to the levels of funding and the use of indices to distribute the funding.

9.2 It is not possible to list the multitude of options that could have been utilised

## **10.0 CONSULTATION**

10.1 Ward Councillor; Cabinet members; Trades Unions; Staff; Other B&NES Services; Stakeholders/Partners; Other Public Sector Bodies; Section 151 Finance Officer; Chief Executive; Monitoring Officer

10.2 Consultation has occurred with all schools (including Academies) by issuing a consultation paper with specific questions. Three briefing sessions have been held for Heads, Governors and school staff to ask questions and to further understand the issues and impacts of the proposal.

10.3 Primary Council and BASCL (secondary Heads) have been briefed on the proposals.

## 11.0 ISSUES TO CONSIDER IN REACHING THE DECISION

11.1 *Social Inclusion; Customer Focus; Human Resources; Young People; Impact on Staff; Other Legal Considerations*

## 12.0 ADVICE SOUGHT

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12.1 The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

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<b>Background papers</b>	<i>DFE guidance to Local Authorities on the new regulations on school funding</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	