

CABINET – 25 JANUARY 2011

AMENDMENTS REQUIRED IN FAIR FUNDING FORMULA FOR SCHOOLS FROM APRIL 2011

Report by Director for Children, Young People & Families

Introduction

1. Oxfordshire's Fair Funding Formula for schools has not been fundamentally reviewed or changed in the 20 years since it was introduced. The last significant formula change was the delegation of the Statementing budget introduced in 2006-07. Cabinet previously agreed in May 2009¹ that a strategic review should be undertaken. This review commenced in April 2010 and has been fully supported by Schools Forum with representatives of Schools Forum on both the Project Board and the Project Working Group. Membership of the Strategic Review Project Board and Working Group is detailed in Annex 4.
2. As a result of the Coalition Government financial changes and recent announcements on School funding and the Pupil Premium, it has been necessary to revise the original plan to introduce changes in our local funding formula for April 2011..The main changes are now expected to be introduced from April 2012, and will need to take account of further anticipated national developments.
3. The Government is conducting a further review on the distribution of the Dedicated Schools Grant (DSG) to Local Authorities and a possible national funding formula for schools. Further changes are expected from April 2012, and a consultation on proposals is expected in Spring 2011.
4. The Government reiterated the statutory requirement that an Early Years Single Funding Formula (EYSFF) for both maintained and Private, Voluntary and Independent (PVI) settings must be introduced in April 2011 if Local Authorities (LAs) have not already done so. Oxfordshire will introduce the EYSFF from April 2011. This is the most significant formula change for 2011-12.
5. The Schools Funding settlement for 2011-12 was published on 13 December 2010², including confirmation of a number of previously separate specific grants which will be merged into the Dedicated Schools Grant (DSG). LAs will be allowed to include a factor in their local funding formulae for 2011-12, based on prior year grant allocation methodology, to allow time to consult and change the formula distribution methodology for future years. For most schools this is the main formula funding change anticipated for 2011-12.
6. The work that has been completed to date on our Formula Funding Review is work that will be needed and will support us to assess the potential impact of

any national changes proposed and will support us in modelling and implementing changes locally.

School Funding Settlement 2011-12

7. On 13 December 2010 the Secretary of State for Education announced local authority allocations for their Dedicated Schools Grant (DSG) and capital for 2011-12 and for the Early Intervention Grant in 2011-12 and 2012-13. As part of this announcement it was confirmed that the funding system is to be simplified by mainstreaming relevant grants into the DSG on the same per-pupil distribution as this year 2010-11.
8. For 2011-12 the grants shown in Annex 2 have been merged in to DSG. This has been done by calculating a Guaranteed Unit of Funding (GUF) for 2010-11, and adding this to the previous GUF of DSG funding for 2010-11 to give a combined 2011-12 DSG GUF.
9. The Grants GUF for 2010-11 is calculated as £575.38 and is added to the GUF for DSG of £4,182.34 for 2010-11, to give a new combined GUF for 2011-12 of £4,757.72. This will be multiplied by the number of pupils counted in the pupil census in January 2011 to give the total DSG for the Local Authority for 2011-12.
10. No allowance has been included in the settlement for 2011-12 for inflation and other cost pressures, however growth in pupil numbers will be funded.
11. The funding for the increased free entitlement for 3 and 4 year olds (15 hours per week instead of 12.5 hours per week previously) will be funded by counting eligible pupils as 0.6 FTE instead of 0.5 FTE. The flexibility element of the previous Standards Fund for extension of the free entitlement has disappeared.
12. The introduction of the Pupil Premium in 2011-12 for pupils eligible for Free School Meals (FSM) is being funded from outside the DSG.

Early Years Single Funding Formula (EYSFF)

13. The Government announced in June 2007 that all LAs would be required to introduce a single funding formula for Early Years provision across both the maintained and Private, Voluntary and Independent (PVI) sectors. The aim is to improve fairness and transparency in the way that funding is allocated to providers who deliver the free entitlement, and therefore support the extension of the free entitlement to 15 hours per week, to be delivered more flexibly, from September 2010.
14. LA officers have been working with the Early Years Working Group (EYWG - a sub committee of the Schools Forum) to design a single funding formula for introduction from April 2011. Practice guidance issued by the Department for Children, Schools and Families (DCSF) in July 2009 was followed³, including

carrying out cost surveys to try and establish a good understanding of costs across both sectors.

15. A consultation was held between 11th October and 14th November 2010 on the final principles of the proposed formula⁴. The response rate was low – 30 settings from over 400. However the recommendations were largely agreed with in the consultation. Concerns raised on certain aspects have been noted and the impact on settings will be reviewed in 2011-12, when considering if future changes are required. The EYWG has spent considerable time discussing what was possible with the EYSFF, given the limited resources available, and the need to avoid increasing administrative complexity, and the final proposals reflect the compromises which have had to be made.
16. Schools Forum agreed the principles recommended for the EYSFF at the meeting of 5 January 2011, following the formal consultation with stakeholders described in paragraph 15 above. The main principles are summarised in Annex 1. Cabinet is asked to approve these principles for introduction from April 2011. The base rates and deprivation factor to be paid for 2011-12 will be finalised at the Schools Forum meeting on 2 February 2011, and included in the Council Budget papers to be considered in February 2011.
17. As intended by the Government, there will be a redistribution of existing funding between early years settings. Funding must be on the basis of participation therefore some of the maintained nursery schools which were previously funded on a place basis may lose funding if they are not full. Transitional protection measures are being developed to mitigate the effects in the first year.

Mainstreaming Grants in to Dedicated Schools Grant (DSG)

18. The grants identified in Annex 2 have been mainstreamed in to the DSG for 2011-12. To allow LAs more time to decide on a revised distribution methodology for this funding and to minimise turbulence in funding for schools a factor based on the prior grants will be allowed for 2011-12.
19. Suggested options for allocating this funding in the formula for schools were brought to Schools Forum on 5 January 2011, and guidance was sought on the preferred options. Modelling of the preferred options, and final recommendations, will be taken to the 2 February 2011 Schools Forum meeting.
20. The main principle has been to try and follow previous allocation methodology so far as possible, to minimise turbulence in school funding for 2011-12, but to address some specific anomalies in the previous allocations where possible.
21. The main recommendations of Schools Forum which are being modelled are set out in Annex 3.

22. Minimum Funding Guarantee (MFG) will provide some protection for schools. The rate is -1.5% which means that a school's funding, including the previous merged grants, should not reduce by more than 1.5%. The detailed regulations have still to be published.

Strategic Review of School Funding

23. The initial focus of the review has been on Special Educational Needs (SEN), Additional Educational Needs (AEN) and Deprivation funding, as these have been identified as particular areas of concern by schools and other stakeholders.
24. The aim of the Pupil Premium is to narrow the attainment gap for pupils from deprived backgrounds and there is an overlap with the deprivation elements of our existing funding formula. Work will continue on separating the SEN and AEN/ Deprivation aspects of our formula, and agreeing with Schools Forum what revisions are required to complement the Pupil Premium, but avoid duplication of funding. Schools can decide how to use any Pupil Premium and will need to be clear with parents how they are using the resources in their School.
25. The Pupil Premium will be allocated for 2011-12 based on the number of pupils registered as eligible for free school meals (FSM) in the School Census count in January 2011, and also for any children of Service Families provided they too are registered as Service children on the School Census count. All Schools have been reminded about the importance of ensuring eligible pupils are counted as part of the School Census (20th January 2011).
26. Schools have been consulted as part of the initial work of the Strategic Review, and will be formally consulted on final proposals before introduction in April 2012. A full report will be brought to Cabinet in due course.
27. **Equal Opportunities Implications and Impact on Equality Groups**
There were a number of reasons for the initiation of the Strategic Review of School Funding including in particular the need to link the distribution of funding with the County Council priorities of raising achievement and narrowing the gap between advantaged and disadvantaged pupils.

Financial Implications

28. The introduction of the EYSFF will involve a redistribution of resources but transitional protection measures will be put in place for 2010-11 to mitigate the effects of this.
29. The introduction of a funding formula factor to replace the previous Standards Fund grants is planned to minimise so far as possible the changes in funding for individual schools, but there will be some changes. This will be mitigated by the Minimum Funding Guarantee which should ensure that no school's

combined budget for 2011-12 reduces by more than 1.5% compared with 2010-11.

30. These changes will be funded within the DSG.

RECOMMENDATION

31. **The Cabinet is RECOMMENDED to:**

- (a) agree the proposals for introduction of the Early Years Single Funding Formula (EYSFF) from 1 April 2011;**
- (b) endorse the proposed principles for a formula funding factor for 2011-12 for merged standards fund grants; and**
- (c) note the revised target date of April 2012 for completion of the Strategic Review of School Funding and introduction of a revised funding formula for schools.**

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Main Principles of Early Years Single Funding Formula (EYSFF)

The main principles of the EYSFF agreed by the Schools Forum at the 5 January 2011 meeting are as follows:

1. The formula should be in the form of base hourly rates, differentiated by type of setting, with relatively few supplements
2. The formula will include a factor for Deprivation, as required by legislation. The amount to be top sliced from the budget for this factor is initially proposed as £300,000. The Finance & Deprivation Sub committee have recommended that the decision on the quantum of the top slice for this factor should be made at the February meeting of Schools Forum, at the same time as decisions on the overall budget and base rates.
3. The methodology used for the deprivation allocation will mirror the arrangements in the main Primary and Secondary formulae, and target settings with the highest proportion of pupils from deprived backgrounds. This will need to be reviewed in 2011 once more information is available about the impact of the new pupil premium, and any necessary changes are made to the Deprivation factor in the main school funding formula. The announcement about the Pupil Premium made by the Government on 13 December does not include any mention of a premium for nursery age children.
4. The Finance & Deprivation Sub committee also said feedback should be obtained from all settings detailing how the Deprivation allocation is used, in order to identify what strategies are most effective and share best practice.
5. Premises allocations are included in the base rates for free standing nursery schools and PVI settings. To avoid double funding of nursery classes in Primary schools, no premises element will be included in their base rate, and the premises costs of the whole school site will continue to be funded via the Primary formula, with no adjustment to remove the Nursery class element. The operation of this will be reviewed for future years.
6. No quality supplement is to be included in the EYSFF to ensure maximum funding for the base rates. Settings will be expected to undertake necessary training and development activities with the resources available.
7. No flexibility supplement is to be included in the EYSFF to ensure maximum funding for the base rates. The DFE has expressed the view that “a good deal of flexibility can be achieved at relatively little cost” when confirming the 2010/11 grant allocations for extension of the free entitlement. Individual settings will therefore need to put in place appropriate plans, within the resources available, to meet the needs of their community.
8. Sustainability/ Sufficiency funding will be available to ensure a minimum of 8 funded places in settings where there is no alternative provision within 2 miles.

Specific Grants in 2010-11 Mainstreamed in to Dedicated Schools Grant (DSG) for 2011-12

Oxfordshire - Mainstreamed Grants 2010-11	2010-11 LA Grant Allocations	2010-11 YPLA Grant Allocations to Academies	Total 2010-11 Grant Allocations
School Standards Grant	14,774,786	249,003	15,023,789
Schools Standards Grant (Personalisation)	3,456,370	100,315	3,556,685
School Development Grant (Main, Post-LIG Deprivation and Transition, City Learning Centres minus amount moved to Area Based Grant)	11,917,217	454,110	12,371,327
Specialist Schools	4,395,542	129,656	4,525,198
High Performing Specialist Schools	679,480	0	679,480
School Lunch Grant	873,027	15,757	888,784
Ethnic Minority Achievement (EMAG)	640,219	0	640,219
1-2-1 Tuition	2,749,616	26,180	2,775,796
Extended School Sustainability	1,981,406	0	1,981,406
Extended School Subsidy	1,287,583	0	1,287,583
National Strategies (Primary)	1,896,576	0	1,896,576
National Strategies (Secondary)	878,852	16,589	895,441
Diploma Formula Grant	286,304	0	286,304
London Pay Addition	0	0	0
Total	45,816,979	991,610	46,808,589

Principles for Mainstreaming Grants in 2011-12

1. School Development Grant (SDG)

Schools Forum agreed the proposals for the SDG element of the allocation:

- Use per pupil baseline figure from 2010-11
- 0% inflation applied to this per pupil figure
- Per pupil baseline figure multiplied by PLASC 2011 pupil numbers
- Where schools have grant funding for Advanced Skills Teachers (ASTs) included in their baseline figure, this will be reduced by 50% in 2011-12 and 100% for 2012-13. Use of the £0.15m released in 2010-11 will be considered by Schools Forum at the 2 February meeting.

2. School Standards Grant (SSG)

Schools Forum agreed to replicate the 2010-11 methodology for 2011-12

- Fixed element of £12,000 for Nursery, Primary, Secondary and PRUs, and £29,000 for Special Schools
- Per Pupil allocation of £120 for Nursery, Primary, Special schools and PRUs, and £130 for Secondary Schools
- Pupil numbers used are full time equivalent (FTE) numbers as at the January 2011 PLASC count
- No inflation increase for protection element of alternative formula B

3. School Standards Grant (Personalisation) (SSG(P))

Schools Forum agreed to replicate the 2010-11 methodology for 2011-12 with the following exceptions

- The free school meals (FSM) element of the allocation (total £0.8m) should be retained and its use in 2011-12 be decided by Schools Forum at the 2 February meeting. This element overlaps with the new Pupil Premium which is allocated on the basis of FSM eligibility. Concern was expressed that this element of funding was intended to support pupils from disadvantaged backgrounds, and that this should be considered when Schools Forum decide how to use the funds released.
- The low prior attainment (LPA) element (total £1.97m) is currently allocated using significantly out of date information. It was agreed that this information should be updated and an alternative methodology for allocating this money should be investigated incorporating a sliding scale targeting more funds towards those pupils who have significantly lower levels of prior attainment.
- The per pupil element (total £0.67m) should be allocated on the same per pupil amounts for 2011-12 as in 2010-11
- The same levels of grant should be allocated to Special Schools and the Pupil Referral Unit as in 2010-11

4. Specialist Schools

Schools Forum agreed to replicate the grant methodology for 2010-11 with the following exceptions

- To remove the lump sum allocation of £30,000 for Language colleges (main specialism)
- To ensure that the 3 Special schools each receive a full year allocation of £60K.

5. High Performing Specialist Schools

Schools Forum requested that alternative models be presented to the 2 February meeting for decision.

- Model replicating grants as allocated in 2010-11
- Model allocating 50% of the 2010-11 grant allocation, releasing approximately £0.34m to be used for priorities agreed at the 2 February Schools Forum meeting.

6. Other Standards Fund Grants

Other Standards Fund grants were allocated in 2010-11 by the cost centre managers responsible, according to specific criteria for each grant. These included:

- Ethnic Minority Achievement
- 1-2-1 tuition
- Extended School Sustainability
- Extended School Subsidy
- National Strategies Primary
- National Strategies Secondary
- Diploma Formula Grant

Schools Forum requested that these grants be allocated according to the same methodology in 2011-12 as in 2010-11.

Membership of Strategic Review Project Board

Meera Spillett, Director for Children, Young People & Families – **Project Sponsor**
Councillor Michael Waine, Cabinet Member for Schools Improvement – **Chair**
Councillor Charles Shouler
Lorna Baxter, Assistant Head of Finance (Corporate Finance)
Simon Pickard, Finance Business Partner CYP&F
Creighton Muirhead, Joint Interim Head of Service Raising Achievement Service (RAS)
Roy Leach, Strategic Lead School Organisation & Planning
Ben Threadgold, Senior Policy Officer
Bob Wintringham, Secondary Governor and Vice Chair of Schools Forum
Gillian McKee, CYP&F Technical Accountant – **Project Manager**
Catharine Darnton, Headteacher, Gillotts School (Secondary representative)
Maureen Thompson, Headteacher, Windale Primary School (Primary representative)

Membership of Strategic Review Project Working Group

Bob Wintringham – Chair
Gillian McKee – Project Manager
Simon Pickard
Mike Curtis, Headteacher, Carterton Primary School (Primary)
Andrew Hamilton, Headteacher, Bartholomew School (Secondary)
Barbara Harker, Headteacher, Fitzwaryn School (Special)
Jill Meyer, Headteacher, Witney Community Primary School (Primary)
Carol Thomson, Secondary Governor
Robin Gill, Primary Governor
Michael Carr, Primary Governor
David Foxcroft, Special Governor
Sam Warner – Communications Officer
Brenda Williams – COTO representative
Janet Johnson, Strategic Lead Learning Difficulties & Disabilities (LDD)

References & Background papers

¹ Cabinet paper item CA5 - 26 May 2009

<http://mycouncil.oxfordshire.gov.uk/Data/Cabinet/20090526/Agenda/CA260509-05.htm>

² Link to Schools Funding Announcement 2011-12

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrvenuefunding/settlement2012pupilpremium/a0070252/school-funding-announcement-2011-12>

³ Link to Practice Guidance re implementation of the Early Years Single Funding Formula

<http://media.education.gov.uk/assets/files/pdf/implementing%20an%20early%20years%20single%20funding%20formula%20%20%20practice%20guidance.pdf>

⁴ Early Years Single Funding Formula - Consultation Autumn 2010 (Background paper)

⁵ Business Strategy and Service and Resource Planning 2011/12 – 2015/16 (Cabinet paper 25 January 2011)

Copies of background Papers 1 to 4 can be provided on request to Gillian McKee (Tel: 01865 797139). Paper 5 is on the agenda for the 25 January 2011 meeting