



Executive
16th February 2009

**Report from the Director of
Children and Families**

Wards Affected:
None

**The Schools Budget and Review of School Funding
Formula 2009/10 and 2010/11**

Forward Plan Ref: C&F-08/09-018

1.0 Summary

- 1.1 This report requests the Executive to approve the Schools Budget (SB) and to agree to proposed changes to the Fair Funding Formula for Brent schools in respect of factors relating to Lump Sum Formula Allocation and the funding for Special Schools and Special Units in certain mainstream schools.
- 1.2 Some proposals in respect of the SB were discussed by the Schools Forum at its meeting on 9 December 2008 and the remaining proposals will be subject to a fuller discussion on the 10 Feb 2009 meeting. The recommendations from this meeting will be subject of an oral report
- 1.3 The Lump Sum Formula Allocation proposals have been the subject of extensive consultation process over a period of 18 months involving a Headteacher/Governor Formula Working Group set up by the Schools Forum, a wider consultation process with all schools during October and November 2008 and finally with the Schools Forum itself (the statutory consultative body for such proposals).
- 1.4 The proposal in respect of changing the funding for Special Schools and Special Units within mainstream schools has also been the subject of detailed analysis by a group consisting of Headteachers from all the Special Schools, and representatives of the Special Units in mainstream schools.

- 1.5 The primary aim of the Lump Sum Review has been to achieve a fixed sum for each sector. The existing formula has too many thresholds for Group sizes within each sector and this has led to a situation, in some cases, where one extra pupil has generated significant additional funding. There is also a major anomaly in respect of the funding of three large primary schools which means that these schools get an additional £100k compared to only marginally smaller primary schools and higher funding than an equivalent sized secondary school.
- 1.6 The proposal to change the funding for Special schools has been developed to rationalise and make more transparent the special schools formula. The new formula contains five main factors, compared to eight in the existing formula. More resources have been directed to a new banded Place Weighted factor where the resources allocated are determined in relation to the assessed characteristics of each pupil. The Lump Sum factor has also been increased to more closely match that in mainstream schools.

2.0 Recommendations

- 2.1 The Executive is recommended to approve:

The Schools Budget:

- a) the schools Budget for 2009/10 and provisional budget for 2010/11 as detailed in Appendix 1.
- b) that any variation in the DSG that may arise when actual January 2009 pupil numbers are taken account of, is accommodated by an adjustment to the amount allocated to the ISB and /or the contingency provision for pupil numbers growth.

Schools Formula:

- c) the proposed change the Lump Sum factor so that there is a fixed sum for each sector i.e. deleting the thresholds for Group size in the existing formula factors.
- d) the change to formula factors in respect of Special Schools, Units and outreach with effect from 2009/10 as detailed in (paragraphs 3.29 to 3.52) with the additional funding required to be met from within the agreed ISB.

3.0 Detail

Schools Budget 2009/10 & 2010/11

- 3.1 The 2009/10 financial year is the second year of the three multi year cycle of the 2008/09 to 2010/11 schools budgets. Schools were given three year budgets last year to correspond with the Comprehensive Spending Review (CSR) based on our own assessment conservative estimate of pupil numbers.
- 3.2 The Department for Children, Schools and Families (DCSF) have estimated the pupil numbers to be much higher for both 2009/10 and 2010/11, which would

result in a much higher grant allocation. However, DCSF estimates in the past have not proved to be reliable in the past, often overstating pupil numbers and thus overstating their provisional DSG figures.

- 3.3 Brent's Dedicated Schools Grant (DSG) increase of 4.3% per pupil for 09/10 compares favourably with the national average increase of 3.7% per pupil. The size of the increase is principally due to the government allocating additional money in all three years of the multi year cycle to authorities, such as Brent, which had historically spent below the Schools' Formula Spending Share.
- 3.4 Similarly, Brent's DSG increase of 4.7% for 2010/11 also compares favourably with the national average increase of 4.3% per pupil.
- 3.5 Whilst the January 2009 PLASC data is still being analysed and checked an initial analysis confirms that the assumptions made in the calculation of DSG for 2009/10 in the Indicative Budget allocations are correct. Assuming only 154 more pupils in Jan 2009 compared with January 2008 gives a DSG of £193.9 for 2009/10. This compares with the DCSF estimated allocation of £196.8m.
- 3.6 A schedule at Appendix 1 sets out the detailed breakdown of the proposed Schools Budget for the years 2009/10 & 2010/11, assuming the annual increase in DSG per pupil of 4.3% and 4.7% as above. The excess DSG is included as a contingency. A decision last year to delegate the provision for Threshold and Performance pay to the ISB on a phased basis has been reflected in the reduced budget shown for Threshold and a commensurate increase in the ISB.
- 3.7 All budget headings have been increased for inflation by 2.5% in each year. The ISB, Early Years and PRUs have been allocated growth of 1.8% in 2009/10 and 2.2% in 2010/11.
- 3.8 However, for 2010/11 provision needs to be set aside for the potential implications of implementing the governments Early Years proposals i.e. a common funding formula for maintained and private, voluntary and independent early year's providers. The Schools Forum agreed in Dec 2007 that provision of £1m in 2010/11 should be set aside leaving net growth of £2.628m for the ISB for 2010/11.
- 3.9 Additional Central Budget Pressures totalling, £ 943k in 2009/10 is required to be approved by the Schools Forum in the February 2009 meeting. Details of these items are provided in the schedule at Appendix 2. Main pressures emanate from:
- a) Payments to Private, Voluntary and Independent nurseries. This results from an increase in the hourly rate in Sept 2008. This amounts to £443k.
 - b) Pressures from newly arrived pupils to the UK with little schools experience £100k
 - c) Extended Schools funding is now tapering off from Sure Start and the growth in Area Based Grant for extended schools is insufficient to fill the gap. An additional £400k would fill this gap. This is in

relation to the Every Child Matters agenda and where that work is of direct benefit to pupils and schools.

- 3.10 The proposed increases in central expenditure can be met within the CEL limit

The Lump Sum Formula Allocation Factor

- 3.11 The Schools Forum had agreed that there should be a review of the Lump Sum factor during 2008 with a view to implementation of any changes for 2009/10. The Formula Review Working Group, consisting of head teachers and governors, were involved in considering the changes to the lump sum formula factor.
- 3.12 The need for the review was identified as part of the review of AEN factors in 2007 in the context of relative losses in funding faced by the smaller Infants and Junior schools but a number of schools had also questioned the make up of the Lump Sum allocations - in particular the inclusion of allocations for deputies.

The Need for a Lump Sum factor

- 3.13 The major costs of running a school are directly related to the number of pupils on roll with classroom teachers and teaching support staff constituting the greater part of those costs.
- 3.14 Certain costs faced by schools are the result of the existence of the school rather than the number of pupils it has on roll. For instance each school has to have a head teacher, a school secretary /bursar, a SENCO and a site supervisor.
- 3.15 Consequently these costs, or at least part of the costs needs to be reflected in a lump sum factor. Without such an allocation the smallest school would not have sufficient funds to operate. (Other non pupil led costs are addressed by the Premises related factors in the formula).

Deficiencies with the Existing Lump Sum factor

- 3.16 The existing factor has a number of thresholds related to the Group size of the school. In some cases these thresholds involve significant increases in funding - for instance the threshold between Group 7 and Group 8 where one pupil would generate an additional £86k in funding.
- 3.17 There is also an anomaly whereby a Group 5 Primary school receives significant additional funding (£43k) as compared with a Group 5 Secondary and more significantly £106k more than a Group 4 Primary school. This position has arisen due to a decision taken in February 2006 to create a new 4 FE Group 5 Primary allocation to address the assessed funding needs of the new Wembley Primary school following the amalgamation of the Wembley Manor Infants and Junior schools. Two other large primary schools have also been funded as Group 5 since 2006/07 despite the fact that neither is a Group 5 school.

- 3.18 In respect of Special schools it is not clear why there is no allocation for a head teacher in the Lump Sum allocation.
- 3.19 It is the funding for Deputies that accounts for the greater part of the increased allocations as between Group sizes. The justification for the inclusion of deputies in the Lump Sum factor is unclear. There is no legal requirement to have a deputy or indeed any particular management structure. The management structure is a matter for the Governing Body to determine. Whilst it may be argued that the larger the school the greater is the need for senior management staff it does not follow that this should be funded as part of the Lump Sum factor. More appropriately the increased costs should be included as part of the AWPU funding so that each extra pupil brings an additional resource rather than having large jumps at particular arbitrary thresholds.
- 3.20 Equally whilst the Pay and Conditions Document specifies the maximum and minimum points for the salary range for a head teacher group the Governing Body determines the scale points applicable within that range. The ranges for each group size overlap. There is therefore no reason why there should be an increase in Lump sum by Group size. The AWPU would be a more appropriate vehicle for dealing with the head teachers' pay relative to the size of the school.
- 3.21 Similar arguments can be advanced for the treatment of the increased costs of Site Supervisors, Bursars and Welfare staff.
- 3.22 A trawl of the web sites of London Boroughs within the same Cipfa family group as Brent shows that those authorities that have posted information as to their formula factors all have lump sum factors significantly lower than the allocations in Brent and none of these authorities has a threshold system reflecting group size.
- 3.23 As a general commentary it could be said that the existing Lump Sum factor is unduly complicated, significantly inequitable and in need of being streamlined.

Proposals for Change

- 3.24 It is proposed to change the Lump Sum allocation to a fixed amount for all schools within each sector with the funding adjustment redistributed through the AWPU factor. In the case of Nursery and Primary this funding adjustment has been made within a combined Nursery and Primary sector in order to retain a standard unit of resource for AWPU for under-5s across all settings. Whilst still retaining an element for deputies for each sector the model removes the thresholds within the existing factor within each sector.
- 3.25 It was agreed by the working group that no change should be proposed in respect of the Lump Sum allocations for Special schools at this stage pending the outcome of the wider review of the formula for special schools being undertaken by a separate working group (see proposal below for amending the Special Schools formula).
- 3.26 Three large primary schools Oakington Manor, Sudbury and Wembley face significant reductions under the models illustrated as a consequence of the

correction of the present anomalous position of being funded as a Group 5 school. With the Exception of these three schools all other schools' losses under the Lump Sum proposals are more than covered by gains yet to be received in 2009/10 and 2010/11 as a consequence of the additional funding included in Indicative allocations for those years. In the case of the three schools mentioned above whilst the gains in 2009/10 and 2010/11 are not sufficient to fully cover the reduction in Lump Sum there is a significant offset. If one takes the gains in funding over the three years 2008/09 to 2010/11 under the AEN/ Threshold formula changes the Lump Sum losses are fully covered. In extremis the Minimum Funding Guarantee will ensure that each school receives a minimum 2.1% increase in its Budget share per pupil.

- 3.27 Schools were advised when issued with their formula allocations in March 2008 to regard the figures for 2009/10 and 2010/11 as indicative only pending this review of the Lump sum factor.

The Schools Forum Recommendations

- 3.28 Following consultation with all schools the Schools Forum resolved to recommend the Executive to agree the proposed change to the Lump Sum factor and to adopt Model 4 of the 4 models that were issued to consultation. It was further decided that no special transitional arrangements were necessary as the existing protection mechanisms such as the minimum funding guarantee would ensure that no schools would receive less than a 2.1% increase in its Budget share. Appendix 3 compares the existing formula with the proposed formula.

Review of Special Schools and Units Funding Formula

- 3.29 Schools Forum had asked for a review of the formula that is applied to special schools, special units within mainstream schools and outreach services.
- 3.30 It was stated at the outset of the review, that a formal consultation process would not be needed with all schools. The head teachers of all the special schools and some head teachers of special units within mainstream schools would form a working party and that working party would recommend changes to Schools Forum for consideration.

Special Schools

- 3.31 The Working Group had agreed that the existing formula should be revised to consist of five main factors as detailed in the table below in relation to the 2008/09 Budget. The existing factors for AWPU, Statements of SEN, LSC and Threshold and Performance Pay would be deleted and the resources reallocated to the new Place Weighted factor and to increase the Lump Sum factor to more closely align this with that of mainstream schools.

Factor	Existing	Proposed
	£	£
Age Weighted Pupil Unit (AWPU)	1,189,256	0
Place Weighted	6,597,418	8,862,557
Statements of SEN	528,322	0
Premises	256,331	256,331
Lump sum	426,703	820,965
School Meals	56,320	56,320
Learning and Skills Council (LSC)	652,279	0
Minimum Funding Guarantee (MFG)	130,601	130,601
	9,837,230	
Threshold & Performance Pay	289,544	0
	10,126,774	10,126,774

- 3.32 It has been agreed that it is not appropriate to have funding allocated according to age in Special Schools but that funding should more appropriately be allocated according to the assessed special educational needs of each pupil.
- 3.33 Statements of SEN in the existing formula represent funding that has been allocated to named pupils for 1:1 support. The demand for such funding is largely a consequence of the deficiencies of the existing funding formula - the Place Weighted funding is not based on an assessment of individual pupils needs and there is a general lack of transparency as to what the formula is trying to fund.
- 3.34 Similarly, the Learning and Skills Council (LSC) allocations are made only to two of the three schools having 6th form pupils. 6th form pupils in the other school are funded through an adjustment to the Place weighted factor. It is proposed to treat the LSC funding as part of the global sum available to all schools with sixth form pupils and to fund all schools consistently under the new funding formula.
- 3.35 As referred to above, it is proposed to amend the Lump Sum factor. Appendix 4 sets out an analysis of the existing and proposed the Lump Sum factor with a comparison to the funding of mainstream Primary schools. In addition to bringing the factor into line with the mainstream factor it is proposed that the additional costs of two special schools in running and maintaining swimming pools is recognised by a lump sum addition of £15,000 per school.

- 3.36 In relation to the Place Weighted factor the Working Group have agreed descriptors for six Bands of Special Educational Need with associated staffing ratios for teaching and non teaching staff. Details of the six Bands are provided at Appendix 5.
- 3.37 Each school has allocated each of its pupils to one of the Bands and these proposed bandings are being moderated to ensure as far as is possible that there is consistency as between schools.
- 3.38 Financial modelling has been undertaken with multiple iterations having been considered by the Working Group at various meetings. The model at Appendix 6 has been agreed by all Special schools as being the best fit. The model provides details of the numbers of pupils in each Band as proposed by each school and the staffing ratios relative to each Band for teaching and non teaching staff translated from the schedule at Appendix 5.
- 3.39 Each school has allocated each of its pupils to one of the Bands and these proposed bandings are being moderated to ensure as far as is possible that there is consistency as between schools.
- 3.40 One Special school, Grove Park, gains significant resources under the new formula. However, this reflects the fact that Grove Park admissions have changed over recent years with more severe end spectrum pupils being admitted. The school has struggled to balance its budget in recent times.
- 3.41 On the other hand, Hay Lane is a loser under the new formula but the minimum funding guarantee will ensure that it's given 2.1% funding over its existing budget.
- 3.42 Given the additional funding needs of Grove Park and the need to provide for the MFG protection for Hay Lane an additional £549,000 funding has needed to be included in the Formula Model at Appendix 6.

SEN Units in Mainstream Schools

- 3.43 Work on the development of formula proposals for Units is less well advanced than the proposals above for Special Schools. The same approach has been adopted for funding Units as that for Special schools i.e. that the funding should be based on an assessment of individual pupils against Banded criteria to determine staffing resources with supplements equivalent to the Overhead in the Special Schools model for other costs. The aim is to have consistent and transparent funding as between the two types of setting in so far as this is possible.
- 3.44 Appendix 7 out the existing Budget allocations per Unit, the Banding proposals made by each school and the financial allocations for staffing that would result by applying the average teaching and TA staffing costs as used in the Special Schools Model under the new formula approach. Details of the additional costs, over and above these staff costs, that need to be met by Units are still being collected and analysed.

- 3.45 Whilst the information presented is incomplete it will be evident from that which is provided that there are a number of issues. In relation to the Bandings proposed by the schools there is a mismatch between the three schools with Speech and Language Units.
- 3.46 The most significant issue though is that certain Units are presently being funded for pupils that they do not have. Discussions are taking place with the schools as to the future of their Units and what the transition arrangements should be.
- 3.47 In relation to the formula factor(s) to be used for Units the approach has been to explore using an equivalent funding methodology to that proposed for Special Schools. On the basis of information so far gathered there appear to be a number of difficulties with adopting the Special Schools funding methodology in an unadulterated form. The pupils in Units spend only part of their time in the Unit setting with the balance in mainstream classes with support. A model that generates staffing on the basis of class size may therefore not be the most appropriate
- 3.48 The present funding factor has a number of weighting elements which do not provide transparency in terms of what the factor is intended to cover. Having said that the result is an amount per place for each category of Unit which it is proposed should remain the basis of funding under the new formula. The difference would be that the supporting data to generate the amount per place would be different and based on a reassessment of the Units needs relative to Special schools and also those of pupils with equivalent special educational needs in mainstream schools that do not have Units. This latter category of pupils has not been part of this review and this assessment will need to be undertaken during 2009.

Outreach Services

- 3.49 Certain schools with Units also operate outreach services to other schools. The funding of these outreach services is being reviewed in the context of drawing up Service Level Agreements with each school detailing the service to be provided and the basis of the funding that the schools will receive for the delivery of such services. A lump sum factor would appear to be the best way of funding these services. No change in the value of the Outreach budget factor is proposed.

Minimum Funding Guarantee

- 3.50 There is a problem that the new formula proposed defines a place in a different way to the existing formula. There is no equivalent place in 2008/09 to a place in the proposed formula. Consequently it will be necessary to make changes to the operation of the MFG for 2009/10. . It is proposed that the number of places proposed in 2009/10 is also used as the base year for 2008/09 so that any school with a reduced formula allocation receives full protection at 2.1% on its existing budget.

The Working Group Recommendations to Schools Forum

- 3.51 The Schools Forum will be asked to agree the following recommendations in the Feb 2009 meeting:
- a) the new formula factor for the Lump Sum for Special Schools.
 - b) the new Place Weighted factor for Special schools (Appendix 9).
 - c) The allocation of additional funding, estimated at £549k from within growth funding for the Individual Schools Budget for 2009/10 to meet the additional needs identified for the funding of Grove Park and the MFG as set out in formula model at Appendix 5;
 - d) that the funding for SEN Units in mainstream should be on the basis of an amount per pupil place with the number of places determined using the same methodology as special schools.
 - e) the amendment of the MFG as proposed in paragraph 3.50.
 - f) that the funding of Outreach Services should be on the basis of Lump Sum allocation at existing agreed funding levels with Service Level Agreements being put in place to determine the level of service to be delivered for the amount allocated; and
 - g) to note that there is ongoing work required to further develop the formula for specially resourced Units in mainstream schools and also to extend the review to include the resourcing of statemented pupils in mainstream schools not having Units.

Recommendations of the Schools Forum in Respect of Special Schools and Units Formula

- 3.52 The Schools Forum recommends to the Executive that points **a to f** are agreed in para 3.62 and that point g is noted (subject to Schools Forum Meeting of Feb 2009).

4.0 Financial Implications

- 4.1 The combined effect of implementing the recommendations of the Schools Forum in respect of the new formula factors for Special schools and special units review and the Lump Sum Allocation Review is shown for 2009/10 to 2010/11 in Appendix 1.
- 4.2 Under the recommended new model, the funding for special schools overall will grow by £549k. The special units review is still in progress and it is not possible to give an indication of the likely impact at this stage.
- 4.3 The Lump Sum Review is cost neutral and those few schools that have a net loss will be protected by the minimum funding guarantee. The MFG guarantees that each school has a minimum percentage increase in funding one year to

another of 2.1% after adjustments for changes in pupil roll and certain excluded items such as changes in funding for statements and changes in non domestic rates.

4.4 It should be noted that Extended Schools funding can only be approved by Schools Forum as it is part of Central Items growth and is part of combined services budget. The Local Authority can either appeal against a decision made by Schools Forum (in case of non approval) or find alternative sources funding from elsewhere.

4.5 Almost all proposals in this report are in relation to the allocation of the DSG there is no impact on the council tax, except the item outlined in the above paragraph.

5.0 Legal Implications

5.1 All proposals in this report have been considered by the School Forum as a statutory consultee and in the case of the Lump sum allocation factor changes the proposals have also been the subject of wider consultation (not required in law) with all schools.

6.0 Diversity Implications

6.1 The special schools review will enable resources to be targeted to those schools on the basis of need.

7.0 Staffing/Accommodation Implications

7.1 There are no direct staffing implications as a consequence of proposals in this report. Individual schools will of course make staffing decisions based on the resources they will receive. The MFG will ensure that each school receives an increase in its adjusted budget of 2.1% each year compared with the previous year.

Background Papers

- i) DSG Indicative Allocations 2008/09 to 2010/11 – Teachernet website
- ii) Various Schools Forum papers and working group papers.

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