

LONDON BOROUGH OF BRENT

EXECUTIVE – 9 FEBRUARY 2004

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REPORT TITLE: SCHOOL FUNDING FORMULA REVIEW 2004/05

FP Ref: EAL-03/04-0025

1.0 SUMMARY

- 1.1 This report informs Members of the responses to the 2004/05 school funding formula review consultation process and asks Members to approve changes to the funding formula in the light of those and other considerations.

2.0 RECOMMENDATIONS

- 2.1 Members are recommended to agree to the following amendments to the funding formula for 2004/05:
- 2.1.1 To amend the social deprivation factor to reflect the percentage of pupils on roll entitled to Free Schools meals from the 200 most deprived wards in London and to agree to increase the allocation to £500,000 (by transfer from the weighted pupil factor), with a £1,000 cut-off floor (paragraph 6.7.4)
- 2.1.2 No change to the needs-led factor (paragraph 6.8)
- 2.1.3 Agree to there being a nursery school place factor with a value of £596 per place; to 2003/04 funding being treated as though it is within the fair funding regime and that the nursery schools can carry forward any unspent balance of budget at 31st March 2004 (paragraph 6.9).
- 2.1.4 Agree to the creation of a minimum guaranteed funding factor in accordance with the requirements of the DfES and that the cost of this “floor” be spread across the ISB with no ceiling (paragraphs 6.10 and 6.17.2).
- 2.1.5 Agree to the creation of a split site factor for the Convent/Cardinal Hinsley federation, this factor to last for three years only, from 2004/05 to 2006/07 (paragraph 6.13).
- 2.1.6 Agree to the creation of a new unit factor for the English as an Additional Language unit attached to the John Kelly Schools, with a 2004/05 value of £150,000 (paragraph 6.11).

- 2.1.7 Agree to the amendment to the factor relating to pupils with non-statemented Special Educational Needs as set out in paragraph 6.19.6, subject to consideration of the views of the Schools Forum on 28th January 2004.
- 2.1.8 Decide whether to agree to creating a contingency for funding schools with reducing standard numbers (paragraph 6.12)
- 2.1.9 Make any other amendments to the formula that Members consider appropriate following any significant changes in the school budget outlook or issues that arise from the Schools Forum on 28th January 2004.

3.0 FINANCIAL IMPLICATIONS

- 3.1 The Executive on 8th December 2003 agreed a provisional Schools Block budget for 2004/05 that met the passporting requirement of the Secretary of State and resulted in an Individual Schools Budget for 2004/05 of **£131.518m**, of which £1.318m will be retained for distribution to schools during the year in accordance with the scheme of delegation (e.g. for in-year rising rolls), leaving **£130.200m** to be distributed between schools at the start of the year by the funding formula. £75k of this is earmarked for recommendations from the SEN Best Value Review. All of the proposals within this report can be met from within this budget provision.

4.0 STAFFING IMPLICATIONS

- 4.1 There are no specific implications for non school LEA staff, although the individual budget decisions of each school, driven by their funding allocations, will have potential staff implications for that school.

5.0 LEGAL IMPLICATIONS

- 5.1 There is a legal requirement for LEAs to consult schools annually on changes to the schools funding formulae. There is also a legal requirement to consult with the Authority's Schools Forum and this has also been done. The Forum met on 3rd December 2003 and the minutes of that meeting are attached as Appendix D to this report. The minutes of a further meeting of the Forum on 28th January 2004 will be circulated to Members as soon as they are available. School funding formulae must conform to the requirements of DfES regulations and the changes proposed in this report fall within the types of factor permitted by the regulations. The regulations have been amended to require formulae to have a factor that delivers a minimum level of funding as set out in paragraph 6.17.2 below. Making this change will therefore comply with DfES requirements. The regulations have also been amended to allow place funding for nursery schools as proposed in this report.
- 5.2 There is a legal requirement to include nursery schools within the funding formula from 1st April 2004 and the proposals in this report allow for that change.

6.0 DETAIL

- 6.1 The LEA is required to consult schools annually on possible changes to its funding formula. This is carried out for the Brent formula during the autumn term when schools are invited to comment on any proposed changes and to suggest changes of

their own. The results of the consultation are reported to Members early in the new calendar year when the Executive is asked to approve the funding formula for the following financial year.

- 6.2 Proposals for funding formula changes for the consultation process usually come from four sources: DfES regulations, schools' comments since the previous consultation, the Schools Forum and officers' suggestions. There is one change required by the DfES: requiring a minimum level of increased funding per pupil from the previous year (see section 6.17.2 below).
- 6.3 Both schools and the Schools Forum have raised several items. The Forum met on 2nd July 2003 and took a view on a number of issues as well as raising some proposals of its own. The Forum met again on 3rd December 2003, when it further considered those and other issues together with the responses to the consultation process and its proposals are referred to under the appropriate paragraphs below. The responses to the consultation process have also been sent out separately to Members. The Schools Forum does not replace the consultation process with schools; it is an important addition to it. Comments on the issues raised in the consultation paper (or any other formula related issues) were invited to be submitted by Friday 14th November 2003.

Issues

- 6.4 The issues on which schools were consulted are listed in paragraph 6.6 below. More details appear in the sections that follow, including the views of the Schools Forum.
- 6.5 The description of the current funding formula is included within the Section 52 Statement. The relevant section of the Statement is included as Appendix A to this report for Members' reference.
- 6.6 The issues identified in the consultation paper were:
- Social Deprivation (Paragraph 6.7)
 - Needs-led (Paragraph 6.8)
 - Nursery School Funding (Paragraph 6.9)
 - Floors and Ceilings within the main formula (Paragraph 6.10)
 - The John Kelly English as an Additional Language Project (Paragraph 6.11)
 - Funding for Schools with Reducing Standard Numbers (Paragraph 6.12)
 - Extending the Split Site Factor to Federations (Paragraph 6.13)
 - Reducing the Number of Formula Factors (Paragraph 6.14)
 - The impact of Possible Cessation of Some Standards Fund Projects (Paragraph 6.15)

In addition, a separate consultation was carried out in respect of the non-statemented special educational needs (SEN) factor (see paragraph 6.19 below).

6.7 Social Deprivation Factor

- 6.7.1 The DfES has a requirement that all LEA school funding formulae must have a factor related to social deprivation. Brent have met this requirement for 2003/04 by having a factor based on the number of pupils from the seven most deprived wards in the

borough who are entitled to free school meals in each school expressed as a percentage of the total roll of the school. The value of the factor (£100,000 in 2003/04) was then allocated between schools pro rata to these percentages.

- 6.7.2 The DfES are keen for LEAs and schools to explore the development of the social deprivation factor and this issue was discussed at the Schools Forum meeting in July. The Forum agreed that the best method of distribution would be based on the percentage of children on the roll of each school who are entitled to free school meals and who come from the 200 most deprived wards in London (which includes the 7 most deprived wards in Brent – the 2003/04 basis for the allocation). In this way schools would not be disadvantaged if a significant number of their deprived pupils came from outside the borough.
- 6.7.3 The Forum was concerned that if only £100,000 were to be distributed through the factor in future years it would not help those schools in greatest need. It was therefore suggested that there should be a minimum level below which schools would not benefit. The models for the factor provided at Appendix C1A show how this might work and its impact. Model 1 distributes £100,000 to all schools based on the statistics outlined in paragraph 6.7.2 above. Model 2 excludes funding for those schools receiving less than £1,000 and redistributes the balance across the remaining schools. Model 3 does the same at a cut-off of £2,000 and Model 4 for £5,000. These models were discussed at the December meeting of the Schools Forum and after some debate Model 3 was recommended (by 5 votes to 3). The Forum considered, on balance, that without a minimum floor the social deprivation factor would not have a significant impact on the schools that most needed it. A further model has also been added to the appendix (in bold) in the final columns showing the effect of an allocation based on free school meal entitlement alone as a percentage of roll (i.e. irrespective of the area where the pupil resides).
- 6.7.4 One way of increasing the impact of the factor would be simply to increase its cash value. All the models shown in the appendix are based on allocating £100,000 so that the models are comparing like with like and the impact for each school of changing the basis of the formula can be assessed. Since the sum allocated is £100,000, it is relatively easy to see the impact of increasing the factor value. The main issue if the factor were to be increased would be whether this should be through new money or by transferring the funding from another factor (in practice this would be the weighted pupil factor). A decision as to whether to add additional new money to the factor would be a separate issue in the budget process. Increasing the size of the factor to (say) £500,000 would also mean the floor could be lowered from £2,000 to (say) £1,000 and still meet the concerns of the Schools Forum about impact on the schools in most need. Appendix C1B shows the effect of this model on the Social Deprivation allocation to each school. The overall impact of increasing the social deprivation factor to £500,000 by a transfer of £400,000 from the weighted pupil factor with a cut-off floor of £1,000 would be move about £100,000 from the secondary sector to the primary and special schools.
- 6.7.5 The proposal in paragraph 6.7.4 would partially meet a further concern expressed by the primary heads at the Forum meeting in December that the level of funding to Brent primary schools was low relative to secondary school funding. This was expressed as the difference between primary funding per pupil as a percentage of secondary funding per pupil compared to a similar comparison in relation to the

primary and secondary Formula Spending Shares (FSS) for Brent. Based on projections of the 2004/05 ISB at the passporting level, and adjusting the primary FSS for under fives, the variation is not as great as was suggested at the Forum, but it could be argued that there is a variation of around £1.3m. Increasing the Social deprivation factor to £500,000 would go some way towards addressing that variation.

6.7.6 Members are asked to consider the above issues and are recommended to move resources into the social deprivation factor (with a floor of £1,000 as shown in Appendix C1B). An alternative would be to agree the proposal for Model 3 proposed by the Schools Forum. The Forum is being consulted on the impact of moving resources at its meeting in January and its view will be reported to your meeting.

6.8 Needs-led Factor

6.8.1 The current formula includes a needs-led factor that is intended to direct some resources in relation to pupils' educational needs. The basis of the current factor is set out below.

6.8.2 £522,675 is allocated through the factor in 2003/04. For primary schools, it is based on Free School Meals (FSM) and for Secondary Schools the Cognitive Assessment Test (CAT) results for year 7. The FSM numbers are increased by the percentage of part time nursery pupils that equates to the percentage of FSM pupils to the rest of the roll. The primary school measure is the percentage of FSM entitlement to total roll and the secondary measure the percentage of year 7 pupils achieving an average score of 90% or less in their CATs tests compared to the year 7 roll. The allocation is then made pro rata to these percentages.

6.8.3 Some schools have expressed concern that FSM is being used as a measure of potential lack of attainment (although there has been a recent university study which proved a statistical correlation). A related concern is that at present, the primary and secondary percentages are combined to allocate the total factor value. This means both that the two separate statistics are being given equal weight and that there is a question as to whether by merging them we are not comparing like with like.

6.8.4 One of the difficulties of this factor is that it is intended to capture pupils' needs at the point of entry into a school. However, it is difficult to assess this in the primary sector without having some sort of assessment of ability at nursery/reception age (the accuracy and relevance of which could in itself be challenged). Although the current formula factor is not without its critics, it does provide an objective and easily measurable statistical base on which to allocate resources. Any alternative would also have to meet those criteria.

6.8.5 There were mixed views at the Schools Forum in July 2003 on this issue and they deferred consideration of it until their next meeting. At the meeting in December, it was agreed to recommend no change to this factor.

Both of the factors covered in the preceding two sections (the Social Deprivation Factor and the Needs-led Factor) are broadly covering the same issues and it could therefore be argued that the Council is allocating £622k to address social deprivation, rather than only £100k. Indeed, for 2002/03 the LEA

took the view that the Needs-led Factor met the DfES requirement to address social deprivation. The DfES disagreed because they did not accept that a measure related directly to achievement (the CAT tests) should be assumed to be directly relevant to measuring social deprivation. Although the DfES accepted Brent's 2002/03 formula, they required a more specific Social Deprivation Factor to be introduced for 2003/04. It is still the Council's view however that there is a correlation between the two factors in addressing social deprivation issues and that they should be viewed in that context.

6.9 Nursery School Funding

6.9.1 With effect from 1st April 2004, the budgets of the four nursery schools will be subsumed within the Individual Schools Budget and the budget allocations for the four schools will be determined through the main schools funding formula. This will require some changes to the formula in order to ensure that the schools are not disadvantaged by the new arrangements, although their funding is already allocated by means of a discretionary formula which replicates as closely as possible the main school funding formula in order to try to achieve as seamless a change as possible. The DfES issued a letter in June consulting on potential changes to the devolved funding regulations to accommodate nursery schools. Nursery Schools and the Schools Forum were consulted on the response and it was agreed that there should be a place-led factor for Nursery Schools (similar to that used for Special School funding) in order to reflect their small size and comparatively low numbers. It was also agreed that the nursery schools should be able to treat their 2003/04 funding as though it was already within the Fair Funding Regime, thereby enabling them to carry forward any unspent balance of resources at 31st March 2004 and for their 2003/04 budget to count if necessary for 3% maximum loss protection. The main aim of the transfer will be to ensure that nursery schools are neither significantly worse off nor better off purely as a result of the transfer to the Fair Funding Formula. A place value of £596 would protect the nursery schools from any adverse effect of their transfer into the Fair Funding regime.

6.10 Floors and Ceilings within the Main Funding Formula

6.10.1 The main central government distribution formula for Revenue Support Grant has elements to it called floors and ceilings that ameliorate the impact of year on year formula changes. In effect, allocations of grant to local authorities cannot fall below a certain level (the floor) and in order to fund this protection, the highest gaining authorities have their allocations capped (the ceiling). There was some interest in the DfES and other agencies as to whether this should be replicated at a local level in LEAs' school funding formulae on the basis that if the national funding is distributed on this basis it would possibly be fairer to reflect it at the local level.

6.10.3 Some work was done in Brent to model the impact of such protection. However, this was overtaken by subsequent events. The Secretary of State issued a statement in July 2003 in which he said that schools would be guaranteed a minimum level of increase in funding per pupil for 2004/05. The details were announced in October, are set out in paragraph 6.17.2 below, and effectively set the minimum level of the "floor". LEAs can agree a higher minimum increase for the floor than that set by the DfES but not a lower. However, it is assumed that Members will wish to set the floor

at the DfES figure. The main issue then is whether to fund the floor by way of a capped ceiling or whether to keep it open-ended. Very few schools in Brent will be at the minimum floor and the cost of the floor is likely to be less than £150,000 (the exact figure will not be known until after the PLASC data is available in January 2004). In view of this, it is suggested that the floor be funded from within the overall funding available without a ceiling on the biggest gaining schools since the impact on all schools of funding the floor will be minimal.

6.11 The John Kelly English as an Additional Language Project

6.11.1 The John Kelly Schools are currently running an attached project to provide language and social classes for refugee and other pupils who have little or no English. The project costs around £150,000 p.a. and is currently funded on an ad hoc termly basis, partly by the LEA and partly through other agencies such as the LSC. The project has been very successful and is very highly regarded and it is intended to regularise its funding by creating the project as an English as an additional language unit attached to John Kelly Girls School. The funding for the project would then come automatically to the school via the funding formula. The Schools Forum supports this proposal and so do your officers.

6.12 Funding for Schools with Reducing Standard Numbers

6.12.1 At least two schools are proposing to reduce their standard numbers during 2004/05. Where there are currently pupils in year groups above the new standard number, they will be allowed to continue to go through the school and that could cause the school funding problems. One of the schools concerned had requested that we build a new factor into the devolved funding contingency to provide for some additional in-year funding to help support schools in this situation. The purpose of such a factor would be to ensure that the school was able to meet its obligations to those pupils in the additional form whilst the reduction was taking place. It would acknowledge that there would be some funding being generated automatically through the funding formula for the pupils themselves but that by restricting the class to taking no more pupils there would be cost implications for the school. Broadly speaking, each pupil attracts around £1,600. The view of the Forum in July 2003 was that this should be agreed.

6.12.2 The exact mechanism for calculating the funding was left undecided by the Forum. On the basis that the weighted pupil funding generated by a class of 16 pupils should roughly cover their teacher's salary, it is proposed that where schools are reducing their standard number in this way they should receive the appropriate age weighted funding reflecting the difference between the number of pupils in each age group above the standard number and 16. Classes above 16 would receive no funding. For example, a school reducing to 2 forms of entry with a year group of 69 pupils would receive funding for 7 extra pupils (9 pupils above the standard number; 16 minus 9 equals 7). If the pupils left in September, this would be amended proportionately.

6.12.3 However, the Primary Heads Group in its response to the consultation process was puzzled by the rationale behind the request for this factor and the Forum at its meeting on 3rd December declined to take a view. Members may feel that in view of this, no further action should be taken with regard to this proposal.

6.13 Extending the Split Site Factor to Federations

6.13.1 The current formula has a split site factor whereby schools with separate sites that are more than half a mile apart by road receive additional funding to reflect the higher costs of managing a school on two sites (an extra deputy, caretaker and bursar and extra teaching staff to allow for time lost in moving between the sites). A Federation has been created between Cardinal Hinsley and the Convent Language College which results in there being one head teacher and a single governing body (although the schools will remain separate entities). In view of the similarities between this scenario and a split site school, it is proposed that the split site factor be extended to apply to Federations where there is one head and governing body. This proposal has the support of the Schools Forum and Members are recommended to agree it.

6.14 Reducing the Number and Complexity of Formula Factors

6.14.1 One head teacher had proposed a considerable simplification of the funding formula, basically reducing the factors to weighted pupils, additional educational needs and SEN. Although this could be achieved without a major shift in resources between the sectors, it would cause a considerable shift between schools (it could be argued that that would be fair and appropriate). This proposal would largely mirror the Common Funding Formula that used to be used to fund Grant Maintained Schools. Apart from the shifting of resources, the main disadvantage of this approach would be that it takes away a lot of the flexibility for directing funds to schools that is available through the present arrangements. The advantage is its simplicity and the fact that it could be made to substantially (although not totally) mirror the distribution of Revenue Support Grant (RSG). Whether it is appropriate to mirror a national formula at a local level and lose the flexibility of meeting local needs is a matter for debate. The Schools Forum did not support the proposal and Members are not recommended to consider it for 2004/05.

6.15 The possible Cessation of Some Standards Fund Projects

The DfES originally announced that they would be ceasing further Standards Fund projects from 2004/05. However, in the light of the debate over school funding earlier in the year and the extent to which ceasing 2003/04 Standards Fund grants impacted on the problem, the DfES has now reconsidered their position with regard to 2004/05 and the Secretary of State announced in July 2003 that Standards Fund grants would continue at 2003/4 levels plus inflation into 2004/05.

6.16 Summary

6.16.1 In summary, comments were invited on the following issues:

Issue	Section	Question
Social Deprivation Factor	6.7	<p>Should the distribution of this factor be on the basis set out in paragraph 6.7.2?</p> <p>Should there be a cut-off point as suggested in paragraph 6.7.3 and if so, which of the Models (if any) should be used?</p> <p>Should the social deprivation factor value be increased even if new money is not available and if so by how much?</p>
Needs-led	6.8	<p>Should the distribution of the factor continue to mix Free School Meals and CAT scores?</p> <p>If not, what would be a more appropriate basis for distribution?</p>
Nursery School Funding	6.9	Do you support the proposal to have a place factor for nursery schools?
Floors and Ceilings within the main formula	6.10	<p>There will be a requirement for formulae to have a minimum floor level based on a year-on-year percentage increase per pupil.</p> <p>If there is to be a floor and an adjustment is also required to limit to overall increase in ISB, should that adjustment be based on a reduction across the board for all schools above the floor, or should there be a ceiling that would cap those schools getting the highest increases?</p>
The John Kelly English as an Additional Language Project	6.11	Should the John Kelly project become an attached unit and be funded though the formula?
Funding for Schools with Reducing Standard Numbers	6.12	Do you support the proposals at section 6.12 and the proposed allocation method?
Extending the Split Site Factor to Federations	6.13	Do you agree with the proposal to treat a Federation with single head and governing body as a split site school
Reducing the Number of Formula Factors	6.14	Do you support the proposal for a simplification of the funding formula as set out in section 6.14?

6.17 Further Developments

- 6.17.1 The Secretary of State for Education and Skills made a statement in the House of Commons in July 2003 that contained a number of announcements in relation to school funding in 2004/05. These were subsequently confirmed by further announcements in October and November:
- 6.17.2 The main announcement was that school budgets would increase by a minimum of 4% per pupil between 2003/04 and 2004/05. Although this is the headline figure and broadly states the position, the actual calculation of a schools' minimum guaranteed increase is slightly more complex. Schools with the same pupil numbers at January 2004 as at January 2003 will receive the minimum 4% increase. Schools with rising rolls receive additional protection based on the 2003/04 funding per pupil plus 4% but reduced to reflect the fact that only part of a school's budget is pupil driven. The reduction is 20% for primary schools and 12.5% for secondary (these figures are based on the national average in each case). Schools with falling rolls have a reduction to the base position on the same basis. Because of the reduction to reflect the pupil driven element only, schools with very significant increases in roll could have an overall per pupil increase of less than 4% and this is protected further in that no school can have an overall increase per pupil of less than 3.4%. It is likely that less than five schools in Brent will be in this category in 2004/05. The protection does not apply to either special schools (because their place weighting drives most of their funding and that will increase by at least 4%) or nursery schools (because they are officially formula funded for the first time from 1st April 2004 and there is therefore no 2003/04 base position to work from). Statements of special educational need, 6th form funding and National Non Domestic Rates are excluded from the calculation of the protection (in each case this is reasonable and the appropriate funding for 2004/05 will be added to the protected level where appropriate). Following further consideration, the DfES have extended the protection requirements to include those elements of special school budgets that are not place-driven.
- 6.17.3 The teachers pay award has been announced for two years. It will be 2.5% for 2004/05, effective from 1st April 2004 and a slightly higher figure (2.95%) for 2005/06. This will give schools some surety of projection of their funding requirements. Teacher unions have, however, stated that they are unhappy with an increase of only 2.5%, particularly in view of the overall minimum 4% increase promised for schools by the DfES.
- 6.17.4 The DfES reiterated that the non-devolved element of the Schools Block Budget cannot rise by a higher percentage than the devolved element. Again, there is a complex calculation and some exclusions. The budget areas covered by the restriction in non-devolved funding increases are mainly SEN related (e.g. out borough placements) and LEAs can apply to the DfES for special dispensation where they feel that their SEN provision needs to be increased beyond this restricted level. It was thought at first that this would not apply to Brent, but there have been significantly increased out borough SEN placement costs in 2003/04 that came to light during 2003/04 and these will continue into 2004/05. The additional provision required is likely to be at least £1.7m. This is in addition to some growth items that had already been identified in relation to Home Tuition, the Pupil Referral Units,

Teachers attached to Children's Centres and the Portage scheme. The Executive at its meeting in December 2003 instructed officers to seek the necessary dispensation from the DfES. Although applications can be received up to 13th February 2004 (providing the LEA is intending to passport the SFSS increase – see below), the Council applied for this dispensation in December 2003, seeking a decision by mid-January 2004 at the latest in order to have certainty when setting the overall budget and Council Tax. Members will be updated as to the latest position at the meeting.

6.17.5 If the dispensation were not to be approved then there would be a potential further allocation of resources to be made to the Individual Schools Budget. It could be argued, in view of the primary heads' comments at the Schools Forum in December (referred to in paragraph 6.7.5 above), that the bulk of any extra funding should be allocated to the primary sector. This could most easily be accomplished by an adjustment to the pupil weightings (increasing the primary weightings against the secondary) and adding the extra resources into that factor. It should be noted that the comparison with FSS is not the only way of assessing the "under funding" of primary schools compared to secondary. Another method would be to compare the 2003/04 Brent primary funding per pupil with the London average. This produces a variation of £88 that, if applied to the number of primary pupils would suggest a figure of just under £2m. (Secondary funding per pupil is almost exactly at the London average). Alternatively, if the outer London primary average is used, Brent schools' funding is above that figure and so it could be argued that no extra funding is required to redress the primary/secondary balance. The Schools Forum on 28th January will be asked to take a view on this issue and the result of those discussions will be reported to your meeting.

6.17.6 The DfES has announced LEAs' Standards Fund allocations for 2004/05. As promised by the Secretary of State in July, these allocations have been maintained at 2003/04 levels plus inflation.

6.17.7 The final main element in the equation that determines the basis for school funding in 2004/05 is the passporting figure. This is based on the increase in the Schools Block Formula Spending Share (SFSS) between 2003/04 and 2004/05. LEAs are expected, as a minimum, to increase their schools block budget by at least that amount. The FSS figures were announced on 19th November. Brent's SFSS increase is £8.257m, which means that the Schools Block must increase from £124.258m (net of LSC 6th Form funding) to £132.515m. Brent started from a slightly higher base position in 2003/04 as the final Schools' budget for that year exceeded the passporting requirement and the Executive at its meeting on 8th December agreed to fund the Schools Block Budget at the passporting level for 2004/05.

Comments from the Consultation Process

6.18 A full set of the responses from the consultation process has been circulated to Members of the Executive separately. A summary is included as Appendix B to this report.

6.18.1 There were twenty responses, twelve from the primary sector, four from the secondary sector, one from a special school, one from a governing body clerk and one from the nursery schools. This includes responses from the primary heads as a

group and from the nursery heads as a group. Comments were also received from the Lifelong Learning Scrutiny Panel. One further late response was also received.

6.18.2 Most of the responses dealt specifically with the issues raised within the consultation paper. However, other issues of concern were also raised. In particular, there are concerns about the overall level of school funding (especially in relation to workforce reform), funding levels for primary schools and single form entry primary schools, the special school lump sum, capital and covering for various types of absence.

6.18.3 There was general support for the extension of the social deprivation factor to the 200 most deprived wards in London. There was also some support for having a minimum cut off point although the level at which that should be set was the subject of some variation of opinion. Some respondents felt that the amount to be allocated should be significantly increased. There was general agreement to retain a separate needs-led factor, although some felt that Free School Meals should be used for secondary as well as primary schools. The use of a place factor for nursery schools was supported. The floors and ceilings issue has been partly superseded by the guaranteed funding level introduced by the DfES. There was a mixture of views as to whether this should be funded by a reduction from all schools' allocations or just the largest gainers. The majority supported the John Kelly Project (provided it was funded by real growth) although some felt that it should be outside the formula. The proposal for funding reducing standard numbers had a mixed response; some agreed with the methodology if the factor were to be added, but not the principle of adding it. The split site factor for the Federation was supported by most of the individual respondents but the primary heads group did not support it. A few respondents supported the reduction in the number of factors, some if it resulted from consolidation and others if it made the formula simpler.

Commentary on Responses

6.18.4 As can be seen from the above, there was a general trend of support for some of the issues but many had at least one or two contrary views. Any fundamental change to the formula or a change that would result in a significant shift in resources between schools will be affected by the DfES requirement that every school should receive a minimum increase in funding per pupil between 2003/04 and 2004/05. A significant shift is likely to mean that this requirement will result in a realignment of funding from the "gaining" schools to the "losing" schools.

6.18.5 The change to the 200 most deprived wards in London for the Social Deprivation factor seems to have general support, as does the proposal for the cut off (although the level of cut off is open to debate). The primary heads group, however, are suggesting that the factor should use Free School Meals for all pupils, not just for pupils from the most deprived wards.

6.18.6 Officers would suggest retaining the current methodology for the needs-led funding and that there should be a place factor for nursery schools. In relation to setting a floor and a ceiling for the minimum funding level, the floor is set by the DfES and it is suggested that there be no set ceiling – the cost of the floor being spread across all schools. It is probable that most schools will be above the floor and so a capped ceiling will not be a major issue.

6.18.7 It is suggested that the John Kelly English as an Additional Language project be supported with growth from within the passporting figure. There is an argument for this being outside the ISB and the main reason for proposing its inclusion in the ISB is the restriction on increases in the non-devolved element of the Schools Block. The funding for reducing numbers had more support than not from the individual respondents, but the primary heads group expressed some doubt as to the need for such a factor.

6.18.8 Although there is some justification for the view of the primary heads that there would be an element of double funding in giving the Federation a split site factor, the Council is committed to giving additional funding to the Federation as a condition of the DfES support for the proposal (and significant funding from them). The Federation is for three years only, and it is your officers' view that this funding should be supported for that three year period only.

6.18.9 The proposal for fewer factors needs to be considered in the light of the minimum per pupil issue set out in paragraph 6.18.4 above. It is therefore proposed that this and the other suggestions for major change be the subject of a more detailed consultation in 2004/05 with a view to changes being implemented for 2005/06 if felt appropriate.

6.19 Funding for Pupils with Non-statemented Special Educational Needs

6.19.1 As a separate exercise to the main formula consultation, schools were consulted on changes to the funding for children without statements requiring additional support (the SEN "Audit" allocation).

6.19.2 Non-statemented SEN funding has historically been allocated on the basis of an annual SEN audit. The audit identifies numbers of pupils at School Action and School Action Plus respectively. The value of the allocation for 2003/04 was £289.14 per pupil at School Action and £433.71 per pupil at School Action Plus. The LEA believes that there is a case for change in the light of the following factors:

- Approaches to identifying pupils at school Action and School Action Plus vary considerably across schools
- Moderation procedures through the audit are time-consuming and bureaucratic to administer
- Relevant data is now easily available through the Pupil Level Annual School Census (PLASC) system.

6.19.3 A consultation exercise was carried out with schools on three options as follows:

Option 1 Allocation based on the total numbers of pupils at School Action and School Action Plus, as ascertained through the PLASC return. No differentiation to be made in funding terms between School Action and schools Action Plus.

Option 2 Allocation based on the same indicators as currently used for the needs-led factor within the formula. For primary schools, this is free school meals and for secondary schools the Cognitive Assessment Test results for Year 7.

Option 3 Allocation based on equal weighting of the following indicators:

- Numbers on roll
- Free school meal entitlement
- Mobility

6.19.4 Out of 55 responses received, 19 preferred Option 1, 14 preferred Option 2 and 13 preferred Option 3. 9 respondents did not favour any of the options. The consultation responses were discussed at the Headteachers' Devolved Funding Formula Group and at the Schools Forum. It was agreed to model a revised version of Option 1 with a protection factor of 3.5% minimum loss compared to 2003/04 and retention of the differential funding levels for pupils at School Action and School Action Plus.

6.19.5 This model (at Appendix C2A) provides funding stability, although it largely replicates the status quo with the protection factor applying to 59 out of 77 schools (the final three columns show the allocation and variance). The differentiation of funding at School Action and School Action Plus does not address the issue of the significant variations across schools about placement of pupils at School Action and School Action Plus respectively. Also, under this model, nursery schools receive a low level of funding and this is not in accordance with the LEA policy of promoting early intervention.

6.19.6 In the light of the above, it is proposed that the funding allocation is based on the percentage of pupils at School Action and School Action Plus, as ascertained through PLASC returns, with 3.5% maximum loss protection (Appendix C2B). There will be a verification process for PLASC returns and any school with an unexpectedly high proportion of pupils identified at School Action and School Action Plus will be subject to a moderation visit, leading to adjustments being made where appropriate.

Overall Summary

6.20 Major changes could impact significantly on the allocations to individual schools and might then result in an increase in the funding required to meet the minimum per pupil increase. Consequently, officers are not recommending any major changes to the Funding Formula in 2004/05. It is expected that any shifts in funding from minor changes will be contained within the headroom between the 4% protection and the actual increase in the ISB agreed by the Executive on 8th December 2003

6.21 The pupil numbers that drive the funding for schools for 2004/05 come from the January 2004 PLASC (Pupil Level Annual School Census). This is not undertaken until the third Thursday in January and it is often February before all the data is in from schools. Current projections as to the impact of the budget and the formula are based on pupil data collected from schools in September 2003. If there are significant changes in pupil numbers between September 2003 and January 2004, it would have an impact on some of the conclusions drawn within this report, but these are not expected to be significant.

- 6.22 In the light of the above and the overall size of the ISB agreed by the Executive at your meeting on 8th December 2003 to meet the Secretary of State's passporting requirements, it is recommended that changes to the funding formula for 2004/05 be kept to a minimum but that the changes set out in the recommendations at Section 2.0 above should be made.
- 6.23 For Members' information and guidance, Appendix E sets out the allocation formula on a school-by-school basis incorporating the recommendations for formula change set out in this report. The data used is still subject to change – in particular the pupil numbers are those at September 2003 not January 2004 and other allocations will also change when the January 2004 PLASC data is available in early February. However, the Appendix does give some indication of the impact of the proposals on each school's funding for 2004/05. The total allocation is based on the passporting budget agreed by the Executive in December 2003.

7.0 DIVERSITY ISSUES

- 7.1 The proposals in this report have been subject to screening and officers believe that there are no diversity implications. The object of several of the formula factors is to acknowledge that it is essential to reflect diversity of need within the mechanism for allocating resources between schools. However, apart from funding for Special Educational Needs, it is not possible to earmark any of the formula factors' funding to that particular issue and schools are free to spend the total resources how they see fit.

8.0 BACKGROUND INFORMATION

The following papers were used in the compilation of this report:-

- i) DfES School Funding 2004/05 and 2005/06 letter 29th October 2003 and attachments
- ii) DfES Letter 19th November 2003: School Funding 2004/05: Passporting and the Reserve Power
- iii) LEA Circular 0834: Consultation on changes to the Devolved Funding Formula 2004/05

Any person wishing to inspect the above papers should contact Martin Stratford, 4th Floor, Chesterfield House, 9 Park Lane, Wembley, Middlesex, HA9 7RW. (Telephone: 020 8937 3070, Fax: 020 8937 3073 and E-mail: martin.stratford@brent.gov.uk).

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