

Report to Forum 14 October 2013

A Guide to Hammersmith and Fulham's Funding Formula and Final DSG 2013/14

By A Rennison 3BM

1. Background

The chair requested that a summary paper was prepared for Forum to help explain the funding formula to all members and schools within the Borough.

2. Introduction

- 2.1 School Funding has evolved and developed over a number of years, dating back to the introduction of Local Management of Schools via the Education Reform Act 1988. The global funding for education was previously managed at a national Level through the Revenue Support Grant to Local Authorities, and is now achieved through the current day 'Dedicated Schools Grant'. Historically Governments have influenced their own modicum of control, to ensure funding was being directed to Education and Schools and specifically enabling a clear link back to their own priorities through targeted means such as the Standards Fund, School Standards Grant, Passporting, Pupil Premium etc.
- 2.2 Notwithstanding the fact that national funding direction that has been set centrally, the majority of distribution of the funding for schools and education has been controlled locally. Each individual Local Authority developed its own unique formula to deliver funding in a way that responded to its own unique local challenges and priorities.
- 2.3 The debate nationally has been on-going between a centralised national formula that has a modicum of adjustment for local cost drivers (such as area costs / sparsity) and a devolved formula that reflects at a macro level the local cost drivers, but the micro detail of the formula is left to individual Local Authorities (as was the position until the last two years).
- 2.4 Historically the complexity of creating a national formula has outweighed the benefits, although more recently with the continuation at an accelerated rate of the Academies programme¹ and the introduction of the Free School programme², the pressure has intensified on the Government to introduce a more transparent approach to funding. Historically, attempts to create a National Funding Formula have failed after the initial stages, although this time with the very different landscape of Academies and Free Schools, it looks certain that the national approach will continue to its full conclusion.

Other papers on the agenda update on the continuing transition to a national approach.

¹As at 1st September 3304 schools have converted to Academies (DfE) as at 1st September

²As at 3rd September 174 Free Schools had been approved

3. The Historic Funding Formula (previously under LBHF)

3.1 The LBHF formula had evolved over the years and reflects decisions taken by Forum. The sums established as part of the funding formula reflect the intention of Forum and the Council to ensure an equitable apportionment of funding across the phases and different school types. The categorisation of the different funding elements is set out below, the approach, with the exception of decoupled funding, which was part of our innovation, is consistent nationally. The strategy to funding adopted by different boroughs will result in some of these elements being funded at varying levels reflecting the respective bias required. Consistently over the years the boroughs funding levels and approach has usually been reasonably close to the expectations of national standards e.g. AWPU, Deprivation etc. We also drove forward, with some innovation, a reflection of our local priorities such as decoupled funding, to address the issue of a more consistent funding approach to help schools develop on-going provision for moderate learning needs.

3.2 The key areas are listed below and explained in detail.

- AWPU – Age Weighted Pupil Unit
- SEN funding
- Decoupled funding
- Social Deprivation funding
- Site funding and
- School Specific funding

4. AWPU – Age Weighted Pupil Units

4.1 This is the unit value paid to each school per child. It is weighted to reflect the different cost levels of educating all students at their respective ages. When the AWPU levels for LBHF were originally set, they reflected the fact that much of the formula was driven by a more fixed factor to provide protection for the significant proportion of the boroughs schools that were small. It also drove funding to support a more generic approach that children are uniform in their needs and therefore helped to ensure that enough funding was delivered per school to meet the basic adult / child ratios.

4.2 To demonstrate this: In the Secondary School sector the unit value paid for pupils in Year groups 7 - 10 is £3,631.19 per pupil and £3,667.53 for Year 11 pupils (linked to the external exam fees in KS4). The levels of AWPU for Primary schools pupil is £2,306.53 for reception to year 2 and £2,343.06 for Years 3 - 6 (interestingly nationally over half have this balance and the other half weighted slightly to Key Stage 1). The total funding driven through AWPU is £25.08m for Primary Pupils and £10.86m for Secondary. This funding stream is contained within the basic per pupil funding in the new EFA funding formula.

5. SEN FUNDING

- 5.1 This funding stream is targeted at named individuals with Statements of Special Education Needs and levels of support generally falling within bands 1 to 3. This includes any funding for out of borough pupils. The funding required by each school is provided by the Individual Progress unit and is needs based. It is based on the extra support required by each pupil.
- 5.2 Funding for bands 1, 2, and 3 for a year is £13,953, £11,073 and £9,230 respectively. The support provided for bands 1,2 and 3 is 25, 20 and 16 hours of SSA and 9.3, 7.4 and 6.1 hours of individual support teacher respectively. These bands were reduced in 2013/14 by the £6,000 "Notional" SEN that schools received under a targeted system. In effect we recycled the £6,000 back to individual schools but for future years we have to adopt a more 'Formulaic approach' that decouples the £6,000 from individual children clearer. This is subject to a separate paper discussing strategy around SEN.
- 5.3 This funding stream is moved into the High Needs Block under the new regime and from 2014/15 schools are expected to already be providing the first £6k in kind from their internal school budgets that they should be receiving from the remodelled SEN approach.

6. Decoupled Funding

This funding is used for pupils that would fall within the lower SEN bands (4 – 6). This policy and approach was developed to help schools manage the turbulence of small fluctuations in 'statemented' pupils causing financial instability, but as importantly, the branding of a statement allows a means to extra funding. It reduced the demand for statements and freed up time at both a school level and borough level to focus on faster processing for the services for children with more extreme needs. As proxies for moderate learning needs the formula was modelled with a variety of options, until forum settled on the current methodology that uses a combination of the number of pupils on roll, IDACI (Index of Deprivation affecting Children Indices) and low prior attainment. Decoupled funding is calculated by multiplying the number on roll by the number of pupils in the most deprived areas as defined by IDACI over 3 years. The average for each school is taken over the 3 year period and this gives each school a percentage of the total available resources. This is repeated with the prior attainment data for English, Maths and Science over a rolling 3 year period and this gives each school a share of the available resources. This ensures a smoothed out funding approach so changes are small and gradual, reflecting the usual aspects of most schools. The system for higher incidence pupils was kept as the banding system because the costs and specific need for extra specialist support for children with more extreme difficulties was felt necessary by all parties.

7. Social Deprivation Funding

Social deprivation funding has two elements: AEN and Personalisation funding.

- The AEN pot is distributed using the following factors: IDACI, Stages of Fluency, pupils in care, pupils in bed and breakfast, mobility, asylum seekers, SEN school action and school action plus.
- The personalisation pot is distributed as follows: 15% on rolls, 35% IDACI, 50% low prior attainment. Primary schools children achieving below level 2 KS1 and secondary school children below level 3 at any entry and performance at KS3.

8. Site Costs

Funding factors in this category includes grounds maintenance , cleaning and rates. Grounds maintenance and cleaning are funded at rate per square meter while rates are funded at actual cost for the year.

9. School Specific Factors

This includes a management package, funding for pupils in receipt of FSM, paid meal supplements, threshold payments MFG and falling rolls protection.

10. The New Funding Formula Factors 2013/14

10.1 A new funding regime was put into place, with the creation of 3 funding blocks, the Notional Schools Block, the High Needs Block and the Early Years Block. In order to allocate the Notional School Block Budgets in 2013/14 all local authorities were required to submit a pro-forma confirming the factors t they would utilise in the allocation of their schools budgets from a set of factors prescribed by the Education Funding Agency. The factors relevant to Hammersmith and Fulham included:

- Basic Entitlement per Pupil - for Primary and Secondary School Pupils
- Deprivation Funding using FSM / FSM6 or IDACI Bandings
- Looked After Children
- Low Attainment High Incidence SEN
- Mobility
- Lump Sum
- Split Sites
- Rates
- Historic Sixth Form Funding.

10.2 At the Schools forum meeting held on July 10 2012, a strategy was agreed to enable the transfer of the old funding formula allocations to the new system. The table below shows the mapping to the new EFA funding formula

New EFA Funding Elements	Mapping of the Old
Basic Entitlement per Pupil for Primary and Secondary School Age Pupils	AWPU, Site Costs excluding Rates and Split site funding, Meals Subsidy Funding, Threshold Funding , Part of the Management Package less Lump sum funding and the AWPU / school specific elements of the mainstreamed Standards Funds Grants.
Deprivation Funding using FSM or FSM6 and IDACI banding rates per pupil	AEN, Social Deprivation Funding, FSM funding and the Social Deprivation and Personalisation elements of the mainstreamed grants.
Looked After Children	Looked After Children’s Element of the AEN
Low Attainment High Incidence SEN	Decoupled Funding
Mobility	Mobility factor of the AEN
Lump Sum	Part of the Management Package
Split Sites	Split Site Element of the Site Funding
Rates	Rates
Historic Six Form Funding	Historic funding to the William Morris Sixth Form

Tables 1 and 2 shows how the 2012/13 Primary and Secondary Schools delegated budgets were transferred from the old into the new funding formula.

The SEN funding for Bands 1 – 3 were transferred to the High Needs Block, **the main change in this block going forward is that schools are expected to contribute the first £6,000 of the cost as part of their Schools Budget. There is no attempt to reduce funding, it is purely an attempt by Government to ensure an extension nationally of the decoupled funding approach already in place in LBHF for moderate learning needs.**

The SEN strategy led by Alison Farmer will present and discuss options to ensure fair accountability and allocations of this in the future to balance the £6k movements from the high needs block into the School Block.

This SEN is now contained within the Schools Block and is called Notional SEN funding. The funding for Nursery Schools and Classes were transferred to the Early Years Block.

The Final Pro-forma approved by the Schools Forum at the January 2013 and was the basis for the distribution of the Schools Budgets in March 2013.

Notional Schools Block Funding Approved by Schools Forum	Funding (£)	Comments
Schools Budgets	82,377,812	92.70%
General Funds, centrally retained Schools Block and De-delegation	5,356,100	6.03%
Recoupment Academies Share of Centrally retained Schools Budgets	473,747	0.51%
Transfer to Early Years Block	539,897	0.62%
Growth Funds for Bulge Classes	123,059	0.14%
Total Schools Block	88,862,616	

The table below shows the analysis of the funding delegated to Schools in 2013/14 using the EFA pro-forma

Funding Elements	Primary	Secondary	Post 16 Historical Funding	Total	Comments
AWPU	33,204,051	24,021,649			
Ever 6 FSM	5,242,208	3,417,496			
IDACI Banding	5,728,595	3,403,385			
High Incid/ Low Attain SEN	1,532,608	656,469			
LAC	28,406	14,769			
Mobility	194,500	62,500			
Lump Sum	3,400,000	700,000			
Split Sites	32,705	0			
Rates	409,823	377,539			
WMSF			706,610		
Sub total 1	49,772,896	32,653,807	706,610		
Sub total 2				83,133,313	
Add MFG				504199	
Total Schools Funding				83,637,512	
This Schools funding is the total before the de-delegated amount of £1.259m is adjusted.					
Less De-delegation				-1259,700	
Total Funds Delegated				82,377,812	Total amount delegated

Forum's Approval of the Final DSG 2013/14

The EFA announced the final DSG allocation in July 2013 and the Schools forum is required to approve the deployment of the final DSG. As shown in the table below.

Table Forum's Approval of the Deployment of the 2013/14 Final DSG

Schools Forum Approved Budget	Funding Approved in March 2013	Adjusted by EFA for Converter Academy Schools	EFA Adjustments	Deployment of the Final DSG June 2013 -for Forums approval
Notional Schools Block	88,866,000	-22,730,000		66,136,000
Early Years High Needs Block	11,502,000		-163,000	11,339,000
High Needs Block	17,082,000	-1,250,000		15,832,000
Post 16 Funding	697,000			697,000
2 Year old CLA	2,845,000		12,000	2,857,000
	120,992,000			96,861,000

Actions

1) Forum to approve the 2013/14 DSG Final

2) Forum to advise on areas where they would recommend changes to the current funding model

3) Forum to approve the movement of funds from the High Needs Block to the School Block of £1.3m which is the £6000 per pupil SEN element now classed as notional and subject to a funding arrangement to target appropriately to be developed.