



Derby City Council

**COUNCIL CABINET
13 MARCH 2012**

ITEM 13

Joint Report of the Strategic Director of Children and Young People and the Strategic Director of Resources

SCHOOL FUNDING 2012-13

SUMMARY

- 1.1 The Council has to consult with schools over proposed changes to the formula and scheme for funding schools.
- 1.2 A full consultation exercise was carried out between 20 December 2011 and 30 January 2012 and thirty seven responses were received and are summarised in Appendix 2
- 1.3 In addition the School Forum were consulted at its meeting on 2 February 2012 and they accepted the proposals.
- 1.4 This report gives details of the consultation exercise and the responses received and sets out the proposed changes to the formula to take effect from April 2012

RECOMMENDATION

- 2.1 To note the results of the consultation exercise.
- 2.2 To approve the changes to the formula for funding schools set out in Section 5 of the report.
- 2.3 To approve the use of Dedicated Schools Grant reserves should the protection to schools through the Minimum Funding Guarantee exceed the budgetary provision.

REASONS FOR RECOMMENDATION

- 3.1 Changes to the formula need to be agreed in time to be implemented within school budgets for the 2012-13 financial year.
- 3.2 Former Standards Funds allocations have been mainstreamed into general schools funding nationally and the local formula needs to be adjusted to take account of this.
- 3.3 Simplification of the local formula is required in the context of the national review of schools funding.

SUPPORTING INFORMATION

- 4.1 Consultation on the formula with schools closed on 30 January 2012. A summary of the responses is attached at Appendix 2.
- 4.2 Changes to Derby City's formula for funding schools has been driven by various needs; the ability to react to local needs and priorities, to prepare schools funding for national changes and to deal with the local distribution of £27 million of former standards funds (specific funding streams predominately to deal with ministerial priorities at that time).
- 4.3 In terms of the national context there is a very clear message that there is a drive to a perceived clearer and transparent system for schools funding and that is likely to limit the different elements local authorities can allocate funding to schools. Within the current Schools Financing Regulations local authorities can use around fifteen different criteria to allocate money to schools, the Department for Education have committed to a rationalisation of those criteria and their latest consultation indicated that this list of criteria would be slimmed down to five. This would require a simplification of elements of the local formula.
- 4.4 The formula review has considered changes and simplifications to catering, premises factors and teachers threshold funding within the local scheme with the intent to simply to meet those impending national changes.
- 4.5 A further significant area of review was in relation to the mainstreaming of the former standards funds. This funding was previously ring-fenced funding allocated to schools outside of the formula funding. From the financial year 2011-12 this funding was mainstreamed into general Dedicated Schools Grant - DSG - and it was left to local discretion as to how this funding was to be allocated. The local authority made a commitment to reviewing and mainstreaming this funding for 2012-13.
- 4.6 As with any formula changes there will inevitably be winners and losers. To protect schools from formula changes and turbulent budgets schools funding is subject to a protection called the Minimum Funding Guarantee - MFG. The levels of the MFG are nationally prescribed and the protection for 2012-13 is 98.5% (a MFG of minus 1.5%). This protection does not protect schools from falling pupil numbers.
- 4.7 Reviewing funding formulas and redistributing allocations between schools within an environment of protection limits the amount of change that is affordable. This is because we are operating in a framework of no growth. In times when overall growth is available it is easier to implement changes because that growth in itself funds the protection. Early modelling of the likely impact of the changes indicated that there would be around £2 million of protection requiring funding. Schools Forum considered this at their November budget meeting and provision has been made within the 2012-13 budget proposals. This is the maximum that can be funded and any redistribution beyond that is not affordable.

- 4.8 Provisional budgets have already been issued to schools; the statutory deadline for final budgets is 31 March. The MFG is currently well within the provision made and the proposals are affordable (subject to any data corrections before the final deadline). In the event of the proposals becoming unaffordable it is proposed that DSG reserves are used. The current balance of DSG reserves are £898,000. These are ring-fenced for schools funding and are not available for other uses. Schools Forum considered this at their meeting of 2 February 2012 and agreed to use DSG reserves to fund any shortfall.

5. **Proposed Changes**

- 5.1 The School Development Grant is reallocated to schools on a mixture of factors; the non deprivation elements through a base amount.

Nursery £35,000 base allocation plus an amount per pupil
Primary £15,000 base allocation plus an amount per pupil deprivation factor
Secondary £200,000 base allocation plus an amount per pupil deprivation factor
Special £45,000 base allocation plus an amount per pupil
Pupil Referral Unit £45,000 base allocation
Kingsmead Special School base £286,000.

- 5.2 School Standards Grant

The School Standards Grant was originally allocated to schools (following a national methodology) using a per pupil amount and a base allocation to schools. The recommendation is to continue with this methodology.

- 5.3 School Standards Grant – Personalisation

Allocated through a mixture of pupil numbers, base allocations, free school meals pupils, deprivation and prior attainment. Again, this was a national methodology and the recommendation is to continue with this.

- 5.4 School Lunch Grant

The School Lunch Grant allocation will be split so that 30% of the funding is to be allocated to free school meals pupil numbers and the balance allocated to the number of paid meals.

- 5.5 Ethnic Minority Achievement Grant - EMAG

The proposal is to remove the threshold of 10 pupils. The local authority accepts that this will cause most turbulence to those schools that previously attracted the larger amounts of this former grant but also acknowledges that need exists across the City and a threshold causes a barrier to schools receiving additional support with lower incidents.

A threshold mechanism also provides an environment for huge turbulence from one year to the next in schools at the margins where they either qualify or don't. The local authority is content in that the Minimum Funding Guarantee will provide protection to those schools losing from this proposal.

- 5.6 Extended Schools Subsidy

The continued principle in the allocation of this former grant i.e. splitting the allocation of this grant equally between the free school meals pupil factor and the deprivation factors.

- 5.7 1-2-1 Tuition
To allocate through a combination of prior attainment for secondary schools, deprivation for primary schools and a base allocation for special schools and pupil referral units.
- 5.8 Primary National Strategy
The proposal is to continue with a base allowance and the balance of funding allocated on primary pupil numbers.
- 5.9 Secondary National Strategy
The proposal is to continue with a base allowance and the balance of funding allocated on pupil numbers.
- 5.10 Specialist Schools Funding
The proposal is to adopt a per pupil allocation to secondaries and the continuation of a base allowance for special schools.
- 5.11 High Performing Specialist Schools - HPSS
The proposal is not to mainstream HPSS and to allow the MFG to protect those schools that received a former allocation. This is the favoured approach because too few schools receive this funding to justify the allocation to all; this would create a huge affordability problem and would limit the ability to make changes within other areas such as the School Development Grant.
- 5.12 Diploma Funding
The proposal is to retain this centrally until the final cohort finalise and then release the funding back into the per pupil allocation.
- 5.13 Advanced Skills Teacher Funding - AST
Removal of the additional AST formula factor phased over two years as a transitional protection. Also exemplification from the Minimum Funding Guarantee will be applied (no protection provided after two year transitional). This exemplification has been granted within the Schools Financing Regulations.
- 5.14 Catering Factors
Specific catering factors are to be removed and the funding is allocated on a combination of free meal entitlement and pupil numbers.
- 5.15 Premises Factors (infant, junior, primary and secondary schools)
Specific premises factors are to be removed (floor area and condition factors) and the basis of allocation will be pupil numbers with different amounts for Primary and Secondary phase pupils and a base amount per school recognising the non pupil driven element of premises costs.
- 5.16 Teachers Pay Grant
Removal of the specific pay grant factor and allocation through pupil numbers.
- 5.17 Special School Weightings
Equalisation of high cost band 5 placements between primary and secondary ages over a two year period, 2012-13 and 2013-14.

OTHER OPTIONS CONSIDERED

- 5.1 Extensive modelling has been undertaken to ensure that the proposals are affordable and are in line with the strategic priorities of the Council.
- 5.2 No change is not an option as the former Standards Funds methodology was based on historic national allocations and did not reflect local need.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Service Director(s) Other(s)	Stuart Leslie Alison Parkin, Head of Finance Children and Young People Liz Moore Roger Kershaw, Strategic Director of Resources
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For more information contact: Background papers: List of appendices:	Alison Parkin 01332 642674 e-mail Alison.parkin@derby.gov.uk None Appendix 1 – Implications Appendix 2 – Consultation Responses
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IMPLICATIONS

Financial and Value for Money

- 1.1 As detailed in the report.

Legal

- 2.1 Changes to the funding formula for schools do not have to be approved by the Department for Education, but must be the subject of consultation with schools and the Schools Forum. Applications for exemption from the Minimum Funding Guarantee do have to be approved by the Department for Education.

Personnel

- 3.1 Changes in budgets for individual schools may result in variations to staffing numbers, though often formula changes are much less significant than the impact of increases or reductions in pupil numbers. Should variations to staffing numbers be required, schools where the Council is the employer will be advised to follow relevant legislation and best practice.

Equalities Impact

- 4.1 The formula for funding schools recognises inequalities in educational opportunities and attainment within the pupil population and seeks to address these by factors for Additional Educational Needs. The proposed changes for special school places and ethnic minority funding all seek to target funding at schools with particular pupil needs.

Health and Safety

- 5.1 None for consideration.

Environmental Sustainability

- 6.1 None for consideration.

Asset Management

- 7.1 Funding for the running costs of schools remains within the delegated funding although premises factors have been simplified.

Risk Management

- 8.1 The Minimum Funding Guarantee provides protection to schools losing out from formula changes. The MFG protection is nationally set at 98.5% of the previous year per pupil allocation.

Corporate objectives and priorities for change

- 9.1 All people in Derby will enjoy achieving their learning potential.

Consultation Responses

A full consultation exercise has been carried out on the proposed changes. 37 responses were received in total, 10 secondary from 9 schools, 20 primary 2 special, 2 nursery. 1 Derby City elected member, 1 Nottinghamshire Catholic Diocese and 1 union response.

Question 1

Should the School Development Grant be allocated on a mixture of factors creating less turbulence in school budgets or should the allocation move to a straight per pupil allocation over time?

Results

26 Yes

9 No, per pupil allocation should be considered

The mainstreaming of the SDG is the mostly costly grant to mainstream in terms of the MFG affordability issues, this is because of the per pupil funding differentials between schools. The local authority is of the same view as the majority of the respondents in that its preferred option is that the SDG is reallocated to schools on a mixture of factors; the non deprivation elements through a base amount.

Nursery £35,000 base allocation plus an amount per pupil

Primary £15,000 base allocation plus an amount per pupil deprivation factor

Secondary £200,000 base allocation plus an amount per pupil deprivation factor

Special £45,000 base allocation plus an amount per pupil

Pupil Referral Unit £45,000 base allocation

Kingsmead Special School base £286,000

School Standards Grant

The School Standards Grant was originally allocated to schools (following a national methodology) using a per pupil amount and a base allocation to schools. Changes to the original methodology will require consideration of protection affordability.

Question 2

Do you agree with using a per pupil amount and the same base allocation for this grant?

Results

Yes 33

No 2

No answer 2

The proposal is to adopt the previous national methodology and allocate a base amount to schools and an amount per pupil.

School Standards Grant - Personalisation

The School Standards Grant – Personalisation was originally allocated through a mixture of pupil numbers, base allocations, free school meals pupils, deprivation and prior attainment. Again, this was a national methodology.

Question 3

Do you agree with replicating this national methodology through the local formula, at the same rates, as the basis for the allocation of this grant?

Results

Yes 33

No 2

No answer 2

The proposal is to adopt the previous national methodology.

School Lunch Grant

The School Lunch Grant allocation was split so that 30% of the funding was allocated to free school meals pupil numbers and the balance was allocated to the number of paid meals.

Do you agree with using the same proportion for each factor as the basis for the allocation of this grant?

Results

Yes 31

No 3

The proposal is to continue with the same proportions for each factor and the basis of the allocation of this former grant.

Ethnic Minorities Achievement Grant

Question 5

Do you agree with the removal of the minimum number of children threshold and continuing the use of the same percentages and pupil factors for the allocation of this grant, or would you prefer that a minimum threshold remained?

Results

Remove the threshold 24

Keep the threshold 11

The proposal is to remove the threshold. The local authority accepts that this will cause most turbulence to those schools that previously attracted the larger amounts of this former grant but also acknowledges that need exists across the City and a threshold causes a barrier to schools receiving additional support with lower incidents.

A threshold mechanism also provides an environment for huge turbulence from one

year to the next as schools at the margins either qualify or don't. The local authority is content in that the MFG will provide protection to those schools losing from this proposal.

Extended Schools Subsidy

Question 6

Do you agree with the continued principle in the allocation of this former grant i.e. splitting the allocation of this grant equally between the free school meals pupil factor and the deprivation factor?

Results

Yes 34

No 3

Proposal is to continue with the former grant allocation methodology.

1-2-1 Tuition

Question 7

Do you agree with using these factors for the allocation of the former grant?

Results

Yes 30

No 3

Question 7a

Do you agree with the continuation of the former allocation between phases?

Results

Yes 28

No 3

The proposal is to continue with the use of the former factors and continuation of the former allocations between phases.

Primary National Strategy

Question 8

Do you agree with using these factors as the basis for the allocation of this grant?

Results

Yes 29

No 1

The proposal is continue with a base allowance and the balance of funding allocated on primary pupil numbers.

Secondary National Strategy

The modelling for SNS has been based on the continuation of the base allowance and the balance of funding would be allocated based on secondary school pupil numbers.

Question 9

Do you agree with using these factors as the basis for the allocation of this grant?

Results

Yes 18

No 3

The proposal is to continue with a base allowance and the balance of funding allocated on pupil numbers.

Specialist Schools

Question 10

Do you agree with the retention of the base allowance for the special school and the use of secondary pupil numbers for the allocation of the balance of this grant?

Results

Yes 16

No 2

The proposal is to adopt the per pupil allocation to secondaries and the continuation of a base allowance for special. This does share the funding amongst all secondary schools but the local authority is of the view that this is the best way forward considering that majority of the secondary schools received this funding. To continue with the specialist school allocation would ultimately mean that a new specialist school factor would have to be created in the local formula, this is not sustainable whether in terms of robustness of the continuation of the data or in terms of a likely permissible factor within the national context.

High Performing Specialist Schools

Question 11

Do you agree with the principle of not mainstreaming HPSS funding?

Results

Yes 19

No 3

The proposal is not to mainstream HPSS and to allow the MFG to protect those schools that received a former allocation. This is the favoured approach because too few schools receive this funding to justify the allocation to all; this would create a

huge affordability problem and would limit the ability to make changes within other areas such as the School Development Grant.

Diploma Funding

Question 12

Do you agree with the central retention of the diploma place funding to be targeted to the future delivery of diplomas and continuing to allocate the small amount of funding through actual pupil numbers?

Results

Yes 16

No 4

The proposal is to retain this centrally until the final cohort finalise and then release the funding back into the per pupil allocation.

Advanced Skills Teacher Funding

Question 13

Do you agree with the principle of not delegating additional funding for Advanced Skills Teachers as a means of funding the increase in the Minimum Funding Guarantee as part of the mainstreaming for the former Standards Funds?

Results

Yes 25

No 9

The local authority acknowledges that by not mainstreaming this funding and exemplifying from the MFG calculations that there will be some real losses to some schools in this area. However, the affordability of all of the proposals is a real issue and the proposals need to be financed. The proposal is to continue to remove the funding, however, subject to affordability a protection could be offered at 50% for one year only with the full amounts being removed for 2013/14. It needs to be recognised though that this only feasible if all the proposals are affordable.

Question 14

Do you agree that specific catering factors should be removed from the local formula?

Results

Yes 27

No 7

Question 15

Which is your preferred option to distribute funding for the provision of providing school meals?

- a) **Option 1 – free and paid meal take up**
- b) **Option 2 – free and paid meal take up plus a base amount**
- c) **Option 3 – free meal entitlement and pupil numbers**
- d) **Other - please provide details**

Results

Option 1	6
Option 2	8
Option 3	19
Other	1

Option 2 is the least turbulent and has the least impact on the MFG because that option offers a base amount to cushion the impact on the varying factors; pupil numbers. However the local authority is proposing to implement option 3 and considers this to be affordable. The reason for favouring option 3 is that the numbers of pupils is the clear driver in the costs of a meal service and considers this option to be a clear rebalance of some the inequities in the previous allocation.

PREMISES FACTORS (for Infant, Junior, Primary & Secondary Schools)

Question 16

Do you agree with the simplification of the premises factors within the formula?

Question 17

Which option do you prefer?

- a) **Option 1 – Pupil numbers**
- b) **Option 2 – Pupil numbers with different amounts for Primary and Secondary phase pupils**
- c) **Option 3 – Pupil numbers and a base amount**
- d) **Option 4 - Pupil numbers with different amounts for Primary and Secondary phase pupils and a base amount**
- e) **Other – please provide details**

Results

Option 1 12
Option 2 3
Option 3 3
Option 4 16
Other 1

The local authority's preference is also for option 4 as a base amount can be clearly justified (not all costs are linked to pupil numbers) and a differential in phasing is necessary to prevent too much transferring from the primary to the secondary phases.

TEACHERS PAY GRANT FUNDING

Question 18

Do you agree with moving away from pay grant funding based on actual progression to delegating the funding through the general pupil funding in schools i.e. an amount per pupil (AWPU)?

Results

Yes 18
No 17

The proposal is to delegate the funding through per pupil allocations. The local authority acknowledges concerns in the area but is satisfied that the operation of the MFG will give schools time to adjust. The current method of distribution is not sustainable in the longer term as there will be no ability in a new national funding framework to fund this way so change is the better option whilst the MFG can offer protection. Exemplification from the MFG has been discounted on that basis.

SPECIAL SCHOOL WEIGHTINGS

Question 20

Do you agree to a move towards equalisation of funding for high cost pupils within the primary and secondary phases?

Results

Yes 29
No 4

The proposal is to equalise the funding for high cost special school places.

EXCLUDED AND ALTERNATIVE EDUCATION PROVISION

Question 21

As funding is delegated, do you agree that funding should remain within phases, i.e. funding for central primary provision should be delegated to primary schools, and funding for central secondary provision should be delegated to secondary schools?

Results

Yes 30

No 4

The local authority supports the majority view although this will not take immediate effect.

Question 22

What factors should funding be delegated through within the local funding formula? It is very clear that there is a correlation to pupil numbers but should some other factor be considered also, for example deprivation? The assumption is that those schools with high levels of need require additional funding for inclusion.

Yes 28

No 6

The general comments here were extremely valid around schools being encouraged to share pupil behaviour difficulties. This is an ongoing area of work and there will be no financial decisions made for 2012/13.