



DERBY CITY COUNCIL

COUNCIL CABINET 21 FEBRUARY 2006

Cabinet Member for Children's and Education Services

School Funding Formula

SUMMARY

- 1.1 The report sets out proposed changes to the funding formula for schools, and allocation of Standards Funds, for the 2006/07 and 2007/08 financial years.
- 1.2 Subject to any issues raised at the meeting, I support the following recommendations

RECOMMENDATIONS

- 2.1 To make changes to the formula for funding schools, subject to the Council's final budget decisions, as follows:
 - To allocate growth above inflation equally across all phases in 2006/07, but with a weighting of 3:2 in favour of secondaries in 2007/08, and with the allocation in both years directed to Additional Educational Needs factors as well as age-weighted funding
 - To incorporate the funding for post-threshold teachers in the formula, based on actual numbers
 - To distribute 50% of the existing allocation for English as an Additional Language on the basis of numbers of pupils in underachieving groups
 - To increase the residential special school base allowance by £15,000 following a support staff regrading
- 2.2 To update the formula for funding schools in 2007/08 for factors which are pupil-related, but not for premises factors, except for changes which were already planned.
- 2.3 To allocate the Ethnic Minority Achievement Grant (EMAG) in 2006/07 to schools in the same proportions as previous years, but to introduce a formula in 2007/08, using numbers of pupils who are entitled to free meals and also have either English as an additional language or are in a nationally underachieving group, with thresholds of 10 pupils for primary schools, 35 for secondary schools and 5 for special schools, and a flat rate allocation of £14,000 for each nursery school with more than 30 pupils with English as an additional language or nationally underachieving groups.

REASONS FOR RECOMMENDATIONS

- 3.1 In the context of yet another relatively generous increase in the Schools' Budget, there has been an element of volatility in a number of specific grants from Central Government, particularly the Ethnic Minority Achievement Grant (EMAG). The distribution of this grant is now to be targeted on nationally underachieving ethnic groups and bi-lingual pupils, removing some of the previous discretion exercised by the Local Authority. The grant distribution has also been based on increasingly outdated information. The Schools' Forum has supported some dampening of this volatility over a two year period, which itself is linked to the need to provide schools with indicative "multi-year budgets".
- 3.2 Changes to the formula need to be agreed in time to be implemented within school budgets for the 2006/07 financial year. Provisional school budgets and Standards Fund allocations are, however, usually notified in late February to give schools more time to plan their budgets. The allocations will be subject to the Council's final budget decisions. Under the government's new arrangements for schools funding, we are also required to make decisions now for any changes relating to the 2007/08 financial year, so that schools can have as much certainty as possible in their future budget planning.



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Report of the Corporate Director for Children and Young People

School Funding Formula

SUPPORTING INFORMATION

- 1.1 The Council consults with schools each year over proposed changes to the formula and scheme for funding schools. The consultation document, which is available on the Council website, was issued to schools in November 2005. 35 of the 104 schools responded to the consultation. The Schools Forum has also considered the issues.
- 1.2 Consultation closed on 9 January 2006. A summary of the responses is attached at Appendix 2.
- 1.3 There is again substantial overall growth in school budgets after taking into account inflation, effects of pupil number changes and the full-year effect of workforce reform. The government has identified, for each authority, the amount it has allocated for specific initiatives such as personalised learning, though the decisions on allocations to individual schools remain locally determined. We had already consulted on a proposal to distribute growth equally across the phases. It is, however, appropriate to take into account the way national allocations have now been distributed by giving a greater weighting of growth to secondary schools in 2007/08, and to allocate growth in both years across Additional Educational Needs (AEN) factors as well as age-weighted funding. This reflects the distribution of funding for personalised learning largely on the basis of factors for deprivation and low attainment.
- 1.4 The grants previously used to support the pay of teachers who have progressed on to the upper pay scale have now been transferred into the Dedicated Schools Grant (DSG). It is the clear view of schools that they should continue, for the time being, to be distributed on the basis of the number of qualifying teachers, to avoid turbulence in the budgets of individual schools. It is possible to incorporate this as a formula factor at the beginning of the financial year, reducing the bureaucracy of in-year transfers of funding to schools.
- 1.5 There has been a regrading of residential special school support staff consistent with the recent review of teaching assistant gradings. To support this, it is proposed to increase the residential special school base allocation by £15,000.

- 1.6 Under the government's proposals for multi-year budgets, authorities need to give schools indicative budgets for 2007/08 as well as 2006/07. This means a decision has to be made on which formula factors are updated. Feedback from the consultation showed that most schools wanted formula factors which were directly related to numbers of pupils with particular needs (for example, English as an additional language and free school meal entitlement) updated each year, but felt less strongly about other factors such as floor area and building condition. It would be possible to not update premises factors in 2007/08 except for changes which are already known, such as the new PFI schools.
- 1.7 Most Standards Funds devolved to schools are increasing by at least inflation. However, the Ethnic Minority Achievement Grant (EMAG) is reducing in Derby as allocations move to a national formula based on target groups of bilingual pupils and nationally underachieving groups. The government requires authorities to use a fair and transparent mechanism for distributing EMAG funding. In Derby, allocations have been based on historic levels of need in individual schools and not updated for demographic changes. It is, therefore proposed to move to a formula. This would continue to target the grant at schools with the highest need by using thresholds, and would use numbers of pupils entitled to free school meals **and** with either English as an additional language or from a nationally underachieving ethnic group. Changes would be introduced from 2007/08 to give schools time to prepare. At the same time, the main funding formula would be altered in 2006/07 to include a factor for pupils from nationally underachieving groups as well as those with English as an additional language. In common with other allocations for additional educational needs, this would not use thresholds.
- 1.8 Appendix 3 shows the overall effect of funding changes on the budgets of individual school budgets in 2006/07 and 2007/08. It includes the effect of funding formula and Standards Fund changes proposed in this report, together with changes which have been determined by the DfES, such as the ending of the Leadership Incentive Grant and its replacement by extra funding for secondary schools with high social deprivation. The table does not include the effect of pupil number changes.

OTHER OPTIONS CONSIDERED

- 2.1 The original consultation proposed that growth should be allocated equally across all phases in both 2006/07 and 2007/08. Doing so for both years would, however, not take into account the DfES' weighting towards secondary schools in their allocations to authorities.
- 2.2 The funding for teachers' threshold pay could be distributed through the formula on the basis of pupil numbers. However, this would create significant turbulence of funding at an individual school level.
- 2.3 Options for future distribution of EMAG funding using different levels of threshold and caps have been discussed with Schools Forum. Immediate change in 2006/07 would create more turbulence at individual school level in a year when some secondary schools are affected by the ending of the Leadership Incentive Grant.

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Background papers:	Formula consultation responses
List of appendices:	Appendix 1 – Implications
	Appendix 2 – Summary of consultation responses
	Appendix 3 – Summary of funding changes on individual school budgets

IMPLICATIONS

Financial

1. These are set out in the report and appendices. Any decisions are subject to the approval of the overall budget by Council

Legal

- 2.1 Changes to the funding formula for schools do not have to be approved by the DfES, but must be the subject of consultation with schools and the Schools Forum.
Changes to the scheme for funding schools do have to be approved by the DfES

Personnel

3. Changes in budgets for individual schools may result in governing bodies deciding variations to staffing numbers, though often formula changes are much less significant than the impact of increases or reductions in pupil numbers

Equalities impact

4. 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

Corporate objectives and priorities for change

5. This supports the Council's priority to "encourage lifelong learning and achievement as a catalyst for economic growth".

APPENDIX 2 – SUMMARY OF CONSULTATION RESPONSES

Question 1 – should data relating to formula factors be updated in 2007/08?

	Yes	No
Numbers taking a free meal (catering)	17	3
Numbers taking a paid meal (catering)	13	7
Catering allowances for importing or exporting kitchens	7	9
Numbers entitled to a free meal (AEN)	16	4
Number of pupils with English as an additional language	16	5
Pupil turnover	17	3
Numbers of vulnerable children	14	7
Infant class size funding, based on admission limits	11	5
Floor area	10	10
Building condition	10	8
Key Stage Two attainment (secondaries only)	6	3
Inclusion (secondaries only)	7	3
Reinstatement value of buildings (delegated insurance only)	8	6
Split site	6	6
Nursing (specials only)	4	6

Question 2 – Do you agree that growth above inflation in 2006/07 and 2007/08 should be distributed evenly across all phases?

	Yes	No
Primary	23	4
Secondary	2	4
Special	1	0
Total	26	8

Question 3 – Should there be a factor in the funding formula for 2006/07 and 2007/08 for ASTs approved by the authority in excess of the existing allocation?

	Yes	No
Primary	11	15
Secondary	2	4
Special	1	0
Total	14	19

Question 4 – Do you agree that 50% of the existing EAL allocation be distributed on the basis of the number of pupils in nationally underachieving groups?

	Yes	No
Primary	20	7
Secondary	6	0
Special	1	0
Total	27	7

Question 5 – Do you agree with the suggestion that we should use actual numbers of post-threshold teachers in January as the basis for distributing the funding supporting this factor? If not, please suggest an alternative which is consistent with the regulations

	Yes	No
Primary	28	0
Secondary	5	1
Special	1	0
Total	34	1

Question 6 – over what period should we maintain actual numbers of teachers for allocating post-threshold funding before absorbing this into age-weighted funding?

	Primary	Secondary
2 years	1	1
At least 2 years	1	0
3 year transition	0	1
3 years	2	1
At least 3 years	1	0
5 years	2	0
At least 5 years	1	1
For the foreseeable future	1	0
As long as possible	7	2
Indefinitely	1	0
Until directed by DfES/statutory	3	0