



DERBY CITY COUNCIL

COUNCIL CABINET 19 February 2008

ITEM 20

Report of the Cabinet Member for Children and
Young People

School Funding 2008/09 to 2010/11

SUMMARY

- 1.1 This report presents proposals for changes to the school funding formula for the 2008-11 period and distribution of Standards Funds. Consultation has taken place with all schools on the formula changes, and with Schools Forum.
- 1.2 There is a particular focus on targeting deprivation because of the need to narrow the wider than average attainment gap in Derby between pupils living in more and less deprived areas.
- 1.3 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 target growth through the Index of Multiple Deprivation (IMD) with triple weighting for pupils in the 20% most deprived areas and a factor for new arrivals with English as an additional language (EAL)
 - replace the current mobility factor with a new turnover factor
 - remove the additional base allowance for small schools
 - adjust the Private Finance Initiative (PFI) factor to reflect the actual utility costs.
 - update formula pupil led formula factors in 2009/10 and 2010/11 as per Appendix 3
 - to remove the limit on fines to schools for excluded pupils.
- 2.2 To agree the principles of allocating Standards Funds as set out in the accompanying report.

REASONS FOR RECOMMENDATIONS

- 3.1 The proposals take into account the views expressed in the consultation and by Schools Forum.
- 3.2 It is a requirement to set multi-year budgets for schools covering the 2008-11 period, and the funding formula should not be altered during that time unless there are exceptional circumstances. There will, however, have to be a common formula for early years provision in the maintained, private and voluntary sector by 2010.



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ITEM XX

Report of the Corporate Directors for Children
and Young People and Resources

School Funding 2008/09 to 2010/11

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 can be found at www.derby.gov.uk/EducationLearning/Finance/Formula_funding_scheme_for_schools was issued to schools in December 2007, 53 responses to the consultation were received. The Schools Forum has also considered the issues at its meeting on 24 January 2008.
- 1.2 During this multi-year budget period, there is an expectation that local funding formulae should not change unless agreed in advance. This gives schools greater predictability in forecasting future years' budgets, though budgets will still change with pupil numbers.
- 1.3 Consultation closed on 21 December 2008. A summary of the responses is attached at Appendix 2.
- 1.4 The overall context of school funding is that school budgets will continue to see higher rates of increase than most other public services, including the remainder of local government funding. The rates of growth will, however, be significantly less than in the last two spending review periods. It is critical, therefore, for schools to plan budgets to be sustainable with reference to the efficiency agenda.
- 1.5 Local authorities are being expected to undertake a deprivation review, as DCSF believes that there is insufficient provision for deprivation in many local formulae compared to the amount distributed through deprivation factors in the Dedicated Schools Grant. Progress on the reviews will be monitored by Children's Services Advisors, though no meeting has yet taken place. In guidance published in 2007, DCSF stated that for "those who are not yet advanced in the work on reviewing their formula, there remains much to do", and there are threats to place conditions where "progress does remain unsatisfactory".
- 1.6 All authorities had to submit statements to the then DfES on how they distributed deprivation funding in 2005 within their school funding formula. As information was submitted in different formats, this was not robust enough to produce meaningful comparisons. We have, therefore, had to submit a subsequent return to DCSF which indicates, according to the definitions used, that we are directing only 52% of the funding allocated for deprivation to deprived pupils. From comparator information received from other authorities, this appears to be on the low side. The DCSF

expectation is that authorities should move to at least 80%. There is room for debate about the validity of the definitions used on some of the formula factors, but if we were to achieve 80%, then we should be allocating an additional £4.8m through deprivation factors on top of the current £8.7m. We propose therefore to target all growth above inflation through the use of the Index of Multiple Deprivation and a pupil mobility factor.

1.7 Specific formula changes proposed are:

- except for turnover, to maintain existing formula factors for deprivation, but to allocate growth above inflation through two new measures. 80% of growth would be allocated through the number of pupils in the IMD 40% most deprived areas, with a triple weighting for those in the 20% most deprived areas. 20% would be allocated through the number of pupils on the latest school census who had arrived at each school in the last year and have English as an additional language or special educational needs
- replace the current mobility factor with a new turnover factor on all mobility
- remove the additional base allowance for small schools so that it falls in line with all schools. This will particularly affect nursery schools but they will be protected through the minimum funding guarantee (MFG). This guarantees a minimum per pupil increase year on year and protects against turbulence through formula changes
- adjust the Private Finance Initiative (PFI) factor to reflect the actual utility costs
- update formula pupil led formula factors in 2009/10 and 2010/11 as per Appendix 3
- to remove the limit on fines to schools for excluded pupils. The Council has to provide a 100% timetable for these pupils at a unit cost much greater than if they were still in school. In 2004/05 we consulted on an imposed fining system due to an increased number of exclusions. The fines imposed on schools were limited to the total amount of inclusion funding delegated through the funding formula. This has led to funding difficulties in educating those pupils where school share reached the limit. It is proposed to remove this threshold and continue to fine schools irrespective of the amount delegated through the formula.

1.8 *Standards Funds*

The DCSF announced the School Funding Settlement for 2008-11 on 12 November 2007. As well as the indicative allocations of Dedicated Schools Grant, announcements were also made on Standards Funds. These are fewer in number than in previous years as some grants have been amalgamated while others supporting centrally funded services are now incorporated in an Area Based Grant (ABG) to the Council. The ABG is not ring-fenced and authorities are free to spend this as they wish to meet their locally agreed priorities. Of the remaining Standards Funds, there are five which need approval for their distribution.

1.9 *Extended Schools*

The DCSF has announced allocations for Standards Funds for Extended schools for the 2008-11 funding period as detailed below;

2008/09 £375,007
2009/10 £686,366

2010/11 £967,036

1.10 Proposals for 2008-2011

In 2008 the core team will be funded from the Sure Start Early Years and Childcare Grant, then in 2009-11 from the Standards Fund. The cost of the core team is estimated at::

2008-09	£325,000
2009-10	£331,000
2010-11	£338,000

The core team will support the planning, development, co-ordination, management, evaluation and maintenance of locality based extended services for children and their families accessed through schools and children's centres. They will develop partnerships with key agencies and consult the main stakeholders, children, parents and community agencies about what services are needed. The Extended Schools Development Officer's role has been revised to incorporate the co-ordination of locality services across children's centres and extended schools and they will be known as Locality Services Planning Officers from April 2008.

- 1.11 The remaining Standards Fund budget will be distributed to locality services planning groups in the five areas of the city where decisions could be made as to making the most effective use of funding. Consultation is taking place with schools on what factors should determine the distribution between localities. Locality plans would reflect need and determine the range of services. The Locality services planning groups include representatives from the community, private and voluntary sector. The funding would be:

2008-09	£375,007
2009-10	£355,366
2010-11	£629,036

This would mean that:

In 2008-09 each area would receive	£ 75,001
In 2009-10 each area would receive	£ 71,073
In 2010-11 each area would receive	£ 125,807

- 1.12 Schools would continue to work together in groups and resources could be pooled to fund a cluster co-ordinator who would be responsible for co-ordinating the operational aspects of services and activities at school level.

The funding increases substantially from £375,000 in 2008/09, to £686,000 in 2009/10 and £967,000 in 2010/11. The grant guidance asks authorities not to run complex bidding exercises, but to release funding to schools in line with their strategic plans, developed in consultation with schools and partner providers.

1.13 *School Lunch Grant*

This new grant will run for 3 years from 2008/2009 to 2010/2011 and we will receive £401,000 in each of the next three years, subject to pupil number changes. The purpose of the grant is to ensure that school lunch take-up is increased. Healthier food can cost more and is often less attractive to children, at least initially, so the DCSF recognises that school lunch take-up can go down which can put at risk school lunch

services. This is the case for Derby City Council. Changing the eating habits of children is a long-term process and work is in place to tackle this. In the short term, the DCSF recognises that keeping the price of a meal down will be an important way of persuading parents to buy in to the school lunches provided. That is why the new grant from 2008 is specifically to manage the costs of school meals

1.14 The grant guidance states that:

- Ministers recognise that ingredient costs are only one of the elements that can dictate the price of a meal. The grant can therefore be used for any of the direct costs of a school lunch. This could include not only ingredients but also the increased costs of additional hours to prepare fresh food, increased rates of pay for employees with higher skills levels or for small pieces of extra equipment needed to provide a hot meal.
- Local authorities must discuss the distribution of the grant between their schools with School Forums and agree arrangements that ensure that the allocation of the funding is fair, covering not only central catering services, but also those schools and other maintained establishments, such as Pupil Referral Units, that provide their own school lunches.

1.15 Ministers expect the funding to be treated as additional to current levels of expenditure on providing school lunches and not simply used to replace funding already provided by the local authority or school. We are proposing that the grant is split proportionately of the number of paid and free meals provided in schools across the City. 15 Schools do not use the Catering Service and the meals provided by them equate to 38.1% of the total number of meals provided. This would result in £153,000 being allocated to non catering service schools and £248,000 to the City Catering Service.

1.16 *School Development Grant*

The School Development Grant (SDG) has grown over the years as separate grants have been amalgamated. In 2007/08 SDG totals £11.7m and 2008/09 levels will increase by 2.1% per pupil (2008/09 grant not yet available as subject to January 08 pupil census). This includes a main allocation in 2007/08 of £8.8m, together with allocations such as Specialist Schools which are separately calculated.

1.17 The main allocation to local authorities will increase by 2.1% per pupil each year from 2008 to 2011. Individual schools will receive at least the same amount per pupil each year. This means that there is potentially some “headroom” to allocate. 2.1% of the total basic allocation of £184,000, though the actual headroom would depend on pupil number trends. We are free to decide how to allocate this as long as this is done on a fair and transparent basis, and does not reduce funding differentials between the most and least deprived schools. It is proposed to allocated the “headroom” using a deprivation indicator from the main funding formula.

1.18 The second aspect of the SDG is the allocation of post-Leadership Incentive Grant (LIG) transitional funding. A number of secondary schools received the LIG prior to 2005 because they had low attainment, were in an area of high deprivation or received Excellence in Cities funding. The LIG was always due to end. In its place, schools with high deprivation as measured by free meals funding received a

replacement grant, while the remainder received some transitional protection. We now have the option to continue to allocate at the same level or continue to reduce it. If there is a reduction, then this must be limited to 2.5% of the school's total budget each year. As LIG was always meant to be temporary, we do not propose to build these amounts in permanently. The amounts involved are considerably less than 2.5% of each school's budget but are still material in some cases. We would, therefore, propose to taper the funding over the three year period – to two-thirds of current levels in 2008/09, one-third in 2009/10 and nil in 2010/11.

1.19 *Ethnic Minority Achievement Grant*

The Ethnic Minority Achievement Grant (EMAG) remains as a ring-fenced grant. Its purpose is to narrow achievement gaps for black and minority ethnic pupils and to support some of the costs of the additional support to meet the specific needs of bilingual learners and underachieving pupils. We will be allocated £1.385m in each of the next three years. This is the same allocation as in 2007/08, excluding an allocation to Landau Forte. Whereas we have previously had year on year reductions as the DCSF has moved to a new national formula, authorities will now receive at least the same cash amount as in the previous year. We have only just introduced a new way of allocating EMAG funds from 2007/08, so propose to maintain this methodology for the 2008-11 period, with a review prior to the next spending review period.

1.20 *Music*

We will receive £116,000 each year to support enhanced opportunities for pupils to access high quality music education, giving priority to instrumental and vocal opportunities at Key Stage Two. It is proposed to continue with the four-year programme agreed at the Children and Young People Cabinet Member meeting on 20 March 2007 and endorsed by Schools Forum on 27 March 2007. The programme will see all schools with Key Stage Two pupils benefit by 2011.

OTHER OPTIONS CONSIDERED

- 2 Different options were modelled and considered as part of the consultation process and in reports to Schools Forum.

For more information contact:	Alison Parkin 01332 716863 e-mail alison.parkin@derby.gov.uk
Background papers:	School responses to the consultation
List of appendices:	Appendix 2 – Formula Consultation Responses Appendix 3 – Treatment of formula factors for multi year 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. Changes to the funding formula for schools do not have to be approved by the DCSF, but must be the subject of consultation with schools and the Schools Forum.

Personnel

3. 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. The Minimum Funding Guarantee (MFG) protects schools from turbulent budgets through a guaranteed minimum per pupil increase.

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 and deprivation. The proposed formula changes seek to target funding at schools with particular pupil needs.

Corporate objectives and priorities for change

5. The proposals seek to further the Council's objective of "supporting everyone in learning and achieving".

Formula Consultation Summary of Responses

	Nursery	Primary	Secondary	Special	Other
Total Responses	16	29	6	1	1
Question 1 – See below					
Option 1		5	2		
Option 2	10	17	1	1	1
Option 3		6	3		
Option 4		1			
Other	1				
No Comment	5				
Question 2 – Should we replace the current mobility factor with the new turnover factor					
Yes	11	28	4		
No		1	2	1	1
No Comment	5				
Question 3 – Do you agree that the additional base allocation for small schools be withdrawn?					
Yes		19	5		1
No	15	10	1	1	
No Comment	1				
Question 4 – Do you agree that the PFI factor should be adjusted to take account of actual utility costs.					
Yes		13	2	1	1
No	12	15	4		
No Comment	4	1			
Question 5 – Should data relating to the factors in Appendix x be updated for 2009/10 and 2010/11 budgets?					
See Appendix 3					
Question 6 – Should we remove the limit on fines to schools for excluded pupils?					
Yes	1	7	4		
No	10	18	2	1	1
No Comment	5	4			

Question 1

Option 1 80% growth allocated to IMD 40% most deprived with triple weighting for 20% most deprived, 20% growth through new arrivals

Option 2 80% growth allocated to IMD 40% most deprived with triple weighting for 20% most deprived, 20% growth through new arrivals with EAL

Option 3 80% growth allocated to IMD 40% most deprived with double weighting for 20% most deprived, 20% growth through new arrivals

Option 4 80% growth allocated to IMD 40% most deprived with double weighting for 20% most deprived, 20% growth through new arrivals with EAL

Appendix 3

Treatment of formula factors under multi-year budgets

	Formula item	£m	%	Predict	Amend	Positive Responses
1	Pupil numbers	83.4	67.2	Yes	Yes	27
2	Numbers taking a free meal (catering)	2.8	2.4	No	Yes	11
3	Numbers taking a paid meal (catering)	0.1	0.2	No	Yes	7
4	Catering allowances for importing and exporting kitchens	0.1	0.1	No	Yes	4
5	Numbers entitled to a free meal (AEN)	4.1	3.5	No	Yes	10
6	Number of pupils with English as an additional language	0.6	0.9	No	Yes	26
7	Index of multiple deprivation (IMD)			No	Yes	10
8	Pupil turnover	1.0	0.5	No	Yes	16
9	Numbers of vulnerable children	1.0	0.7	No	Yes	26
10	Infant class size funding, based on admission limits	1.3	1.0	No	Yes	20
11	Protected salaries	0.0	0.0	Yes	Yes	27
12	Floor area	2.9	3.5	No	No – unless changes known i.e. new builds	4
13	Building condition	0.9	0.8	No		6
14	Key Stage Two attainment (secondaries only)	2.0	1.7	No	Yes	7
15	Inclusion (secondaries only)	0.3	0.3	No	Yes	6
16	Reinstatement value of buildings (schools with delegated insurance only)	0.2	0.2	No	No	6
17	Rates	1.4	1.0	No	Yes	26
18	Teaching assistant hours for pupils with statements of special educational needs	0.6	0.8	No	Yes	12

	Formula item	£m	%	Predict	Amend	Positive Responses
19	PFI factor	0.5	0.2	Yes	Yes	27
20	Special school places	6.0	3.8	Yes	Yes	26
21	Enhanced resource school places	3.7	2.8	Yes	Yes	26
22	Small school factor	0.3	0.3	Yes	Yes	26
23	Base allowances	3.6	3.7	Yes	Yes	26
24	Split site	0.1	0.2	Yes	No – unless changes known i.e. new builds	4
25	Nursing (specials only)	0.1	0.1	No	Yes	5
26	Minimum funding guarantee	1.3	0.3	Yes	Yes	22
27	Learning and Skills Council (secondaries only)	6.9	4.8	Yes	Yes	22
28	Post-16 non-AWPU deduction (secondaries only)	-0.8	-0.6	Yes	Yes	24