

School Funding 2005/06

RECOMMENDATIONS

- 1.1 To make changes to the formula for funding schools, subject to the Council's final budget decisions, as follows:
 - implement the new banding system for funding special and enhanced resource school places, and nurture groups
 - introduce a revised formula for the remainder of the special schools' budget and delegate the budget for self-prepared and residential meals
 - increase the new special school formula factors by 5%
 - increase age-weighted funding for the Foundation Stage and Key Stages One and Two by 2.62% to support primary and nursery schools in implementing workforce reform
 - add £178,000 to funding distributed through the English as an Additional Language factor
 - add £150,000 to the catering allocation through a factor for paid meals
 - introduce a factor to support primary schools which have a net inflow of pupils with statements from outside their normal area
 - introduce a "PFI factor" as a technical measure to comply with passporting requirements
 - introduce a temporary PFI factor for da Vinci Community College from 2006/07 to support the school as it builds up its numbers
 - apply 17% of the remaining growth above inflation to the Foundation Stage, 7% to Key Stage One, 40% to Key Stage Two and special schools, 21% to Key Stage Three and 15% to Key Stage Four
 - exempt the special school formula, enhanced resource school places and nursery schools' transitional protection from the minimum funding guarantee
- 1.2 To agree the principles of allocating Standards Funds set out in Appendix 4 and to distribute teachers' pay and threshold grants on the basis of actual numbers.
- 1.3 To make changes to the Scheme for Funding Schools set out in Appendix 5 relating to contract procedure rules and buildings issues.

REASON FOR RECOMMENDATIONS

2. Changes to the formula need to be agreed in time to be implemented within school budgets for the 2005/06 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.

SUPPORTING INFORMATION

- 3.1 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 [Consultation on the Formula for Funding Schools](#), was issued to schools in November 2004. 43 of the 104 schools responded to the consultation. The Schools Forum has also considered the issues.
- 3.2 Consultation closed on 10 January 2005. A summary of the responses is attached at Appendix 2.
- 3.3 Major changes to funding for additional educational needs in mainstream schools were introduced last year. The principal focus of formula changes this year has been on funding for special schools and enhanced resource school places. It is proposed to introduce funding based on bands which relate to the need of the individual pupil and which are consistent with the definitions in the Special Educational Needs Code of Practice. There will be less of a differential between the values of the highest and lowest bands, resulting in less variation in school budgets as individual pupils leave and join the school. The new values are shown in Appendix 3 and are based on an analysis of the main types of expenditure within current special school budgets.
- 3.4 The review has also provided the opportunity to change and simplify other factors within the special school formula, so that the needs of individual schools can be more closely reflected. The full proposed special school formula is set out in Appendix 3. Following consultation, it is also proposed to delegate the small budget for self-prepared and residential meals.
- 3.5 A major initiative facing schools in 2005/06 is workforce reform and, specifically, the requirement for all teachers to have 10% of their teaching time freed for planning, preparation and assessment (PPA) time. Current practice locally and nationally is that this has already been achieved in secondary schools. The DfES has taken account of this in setting a higher minimum funding increase (5% per pupil) for primary and nursery schools than for secondaries (4% per pupil). This calculation is an average figure which assumes some primary schools are already achieving some of the 10% requirement. In Derby, many schools will be starting from no PPA time, so we need to provide sufficient funding to enable these to meet the requirement in full. Locally, we have consulted on a proposal that additional funding would be targeted to nursery, primary and special schools to enable them

to cover the required 10% time at the level of a potential Higher Level Teaching Assistant (HLTA). This would increase age-weighted funding for the Foundation Stage and Key Stages One and Two by 2.62%. Special school place values would be increased by 5% in line with the minimum funding guarantee's assumptions on PPA time for primary schools.

3.6 Once again, there will be significant growth in school budgets above inflation and other cost pressures such as workforce reform. The final amount will depend on pupil numbers and other data within the formula, but there should be around £4m available for distribution. The proposal is that all Key Stages should receive some benefit from this, as there are demands that are common to all schools, but that there will be some targeting. There are also some specific uses of the growth relating to particular parts of the formula. The minimum funding guarantee means that all primary and nursery schools are in any case guaranteed a 5% increase per pupil and secondary schools a 4% increase per pupil. The special school guarantee requires at least a 4% increase in the value of individual places.

3.7 Specific formula changes proposed are:

- £178,000 addition to the English as an Additional Language factor, to assist schools in dealing with the consequences of reductions in Ethnic Minority Achievement Grant funding, while recognising that this may not be the most appropriate indicator of need. It may be appropriate to review the targeting of such funding in the next year;
- £192,000 addition to Enhanced Resource school funding, to support the new banding system;
- £255,000 for the development of nurture groups in primary schools, of which £80,000 is already built in, £45,000 would transfer from the Special Educational Needs Support Service budget, £40,000 would be funded from Standards Fund in 2005/06 only and £90,000 would come from the overall growth in school budgets;
- £150,000 allocated through a factor for paid meals, to enable the catering service to invest funding in healthy eating initiatives and new equipment, and to meet shortfalls in its current budget;
- £98,000 to support schools which have a net inflow of pupils with statements from outside their normal area, as these extra costs may not be appropriately funded by existing formula factors;
- £188,000 as a "PFI factor", reflecting the Council's contribution to the PFI scheme; this is simply a way of ensuring that passporting requirements are met and has no impact on school budgets as it is immediately paid back
- a temporary "PFI factor" for da Vinci Community College from 2006/07, to support the increased contract charge resulting from the Council's decision to increase the admission limit of the new school; this would be phased out over five years as the school has the opportunity to build up its numbers

3.8 As far as the remainder of the growth is concerned, the proposal is that Key Stage Two and the Foundation Stage should have the greatest relative increase. Key Stage Two is the only Key Stage where attainment lags behind that of our comparator authorities, even though there is no longer any funding gap. Extra growth here would also reduce the substantial differential between Key Stages Two

and Three. The reasons for making the Foundation Stage a priority include the importance of a sound start to education, early intervention and lower funding than our comparators. Secondary schools could benefit from growth because of other workforce reform requirements such as limits on the number of hours an individual teacher can cover in a year, and the demands of the 14-19 curriculum. Key Stage One would see the lowest relative growth because it already compares well with similar authorities.

3.9 The relative growth proposed would mean that, if Key Stage One funding increased by 1%, then Foundation Stage and Key Stage Two funding would increase by 3%, and Key Stage Three and Four funding would increase by 1.5%.

3.10 Applying these principles would mean that the balance of growth is distributed in these proportions:

- 17% to the Foundation Stage
- 7% to Key Stage One
- 40% to Key Stage Two and special schools
- 21% to Key Stage Three and
- 15% to Key Stage Four

3.11 There are some formula factors, such as rates, which are exempt from the minimum funding guarantee. DfES approval is required for other exemptions. The proposal is to apply three other exemptions:

- The special school formula, because it is not possible to compare the old and new place factors on a like for like basis
- Enhanced resource school places, because these effectively relate to funding for individual pupils, which is exempt from the guarantee
- Nursery schools' transitional protection, because this was only meant to provide temporary support while these schools moved from historic funding to the formula

3.12 Derby has been allocated around £18.1m in Standards Funds in 2005/06. Of this, £15.9m relates to grants which are wholly or mainly devolved to schools. In many cases, the use of these is prescribed by the DfES. The proposed allocation mechanism for devolved Standards Funds is shown in Appendix 4. Where the narrative is shown in italics, this indicates a grant where the Council has some discretion.

3.13 The grants which fund the extra payments to teachers passing through the threshold and progressing on the leadership scale become a Specific Formula Grant from April 2005. This means that, theoretically, these could be used for any purpose within the Schools Budget. We intend, however, to continue to use the full amount for the original purpose and, following consultation with the Schools Forum, to distribute this to schools on the basis of actual numbers receiving the additional points. The allocation in 2005/06 is £4.462m.

3.14 Following the incident at Silverhill Primary School, some changes are proposed to the Scheme for Funding Schools to make explicit the requirement for schools to follow the Council's Contract Procedure rules within the Constitution and to improve the clarity of governors' responsibilities relating to buildings issues. The changes are set out in Appendix 5.

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Background papers:	School responses to the consultation
List of appendices:	Appendix 1 – Implications Appendix 2 – Summary of consultation responses Appendix 3 – proposed special school formula Appendix 4 – proposed Standards Fund allocations Appendix 5 – proposed changes to the Scheme for Funding Schools

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 DfES, but must be the subject of consultation with schools and the Schools Forum. Changes to the scheme for funding schools and applications for exemption from the minimum funding guarantee do have to be approved by the DfES.

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.

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. The proposed changes for special and enhanced resource school places, out-of-area statemented pupils and English as an Additional Language all 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 providing "a stimulating and high quality learning environment". Increases in funding, particularly at Key Stage Two, will seek to address the priorities of "raising educational achievement" and ensuring that there are "no schools in the 'causing concern' category."

Appendix 2

SUMMARY OF CONSULTATION RESPONSES

Question 1 – Do you agree with the proposed place bandings for special schools and enhanced resource schools?

	Primary	Secondary	Special	Total
Yes	21	3	2	26
No	0	0	1	1

There were some concerns about the level of funding for pupils with the highest levels of need.

Question 2 – Do you agree with the proposed base allocation for special schools?

	Primary	Secondary	Special	Total
Yes	15	3	4	22
No	6	0	0	6

Question 3 – Do you agree with the proposed floor area allocation for special schools ?

	Primary	Secondary	Special	Total
Yes	16	3	4	23
No	1	1	0	2

Question 4 – Do you agree with the proposed allocation for nurses in special schools?

	Primary	Secondary	Special	Total
Yes	18	2	2	22
No	0	1	1	2

Question 5 – Do you agree that the budget for self-prepared meals in special schools should be delegated?

	Primary	Secondary	Special	Total
Yes	16	3	4	23
No	0	0	0	0

Question 6 – Do you agree with the balance between funding for places and other formula factors for special schools?

	Primary	Secondary	Special	Total
Yes	16	2	1	19
No	0	0	2	2

Question 7 – What threshold should be used to trigger retrospective adjustments where actual pupil numbers are either greater or less than the number of funded places?

Most special schools thought there should be individual negotiation. Responses from other schools included the need for stability in school budgets, using a 20% threshold or using the same mechanism as in mainstream schools.

Question 8 – Do you agree that additional funding should be targeted at primary, nursery and special schools for PPA time based on average cost calculations?

	Primary	Secondary	Special	Total
Yes	30	2	1	33
No	3	3	3	9

Some schools, particularly in more challenging areas, considered that PPA should be funded at teacher rather than teaching assistant cost. Some secondaries considered that the minimum funding guarantee should be sufficient for primary schools, though in fact the combined effect of our estimates for inflation and PPA costs are in total very close to the guarantee.

Question 9 – Should there be a transfer of funding from small school support to age-weighted funding to reflect the proportionately lower cost of PPA time in smaller schools?

	Primary	Secondary	Special	Total
Yes	26	5	1	32
No	7	1	1	9

Question 10 – Do you agree that the headroom within the formula should be targeted according to the priorities set out?

	Primary	Secondary	Special	Total
Yes	27	3	3	33
No	6	2	1	9

The main areas raised were the reduction in the Ethnic Minority Achievement Grant and the need to target the Foundation Stage. Some secondaries commented on other workforce reform pressures.

Question 11 – Should the catering elements in the formula be increased by more than the rate of inflation?

	Primary	Secondary	Special	Total
Yes	12	1	2	15
No	14	4	2	20

Question 12 – Should the catering formula be changed to include an allocation for all meals taken?

	Primary	Secondary	Special	Total
Yes	15	2	2	19
No	10	3	2	15

Question 13 – Should the price charged to schools by the catering service change?

	Primary	Secondary	Special	Total
Yes	9	1	0	10
No	16	3	3	22

Question 14 – Do you have any comments on the price charged to pupils or on the Council's pricing and contents policy?

Some schools were concerned about the quality of meals produced and several considered that a modest price increase to pupils would not reduce demand.

Question 15 – Do you agree that there should be an additional allocation for schools which receive a net inflow of statemented pupils from outside their normal area?

	Primary	Secondary	Special	Total
Yes	30	5	3	38
No	2	1	1	4

Question 16 – What should the threshold be above which extra support would be funded?

	Primary	Secondary	Special	Total
Full support	21	1	0	22
5 hours	4	2	1	7
10 hours	7	1	1	9

Question 17 – Do you agree that there should be a PFI factor within the formula to ensure that we meet passporting requirements?

	Primary	Secondary	Special	Total
Yes	25	3	1	29
No	3	1	0	4

Question 18 – Do you agree that there should be a temporary PFI factor for da Vinci Community College to allow it to build up its numbers?

	Primary	Secondary	Special	Total
Yes	21	0	1	22
No	6	5	0	11

Note: this would not come into effect until 2006/07. Although secondary schools responding were opposed, it was the Council's decision to increase the new school's admission limit, and there is, therefore, an obligation to provide temporary support for the increased costs resulting from this.

Question 19 – Do you agree that we should seek exemptions from the minimum guarantee, for nursery schools' transitional funding, the special school formula and enhanced resource school place factors?

	Primary	Secondary	Special	Total
Yes	28	2	3	33
No	3	2	0	5

Question 20 – Do you have any comments on the changes we intend to make to the Scheme for Funding Schools?

Some schools welcomed the additional clarification; others considered that the requirement to seek alternative written quotes for contracts below £5000 was excessively bureaucratic

Appendix 3

Proposed special school formula (including 5% increase from 2004/05 modelling)

Place weightings		£
Band 1	Years 1-2	4774
	Years 3-6	4726
	Years 7+	4726
Band 2	Years 1-2	7231
	Years 3-6	6664
	Years 7+	6050
Band 3	Years 1-2	9831
	Years 3-6	9217
	Years 7+	9169
Band 4	Years 1-2	10209
	Years 3-6	10067
	Years 7+	9926
Band 5	Residential	4632
	Years 1-2	12005
	Years 3-6	11863
	Years 7+	14558
	Residential	14238

Non-place factors

Base allowance	125755
Base allowance (Ivy House)	145705
(includes high cost equipment allocation)	
Residential base allowance	110649
Floor area (per sq metre)	36.86
(with weighting of 1.5 for residential schools)	
Nurses:	
Band A	54075
Band B	43260
Band C	32445
Band D	21630
Band E	10815
Band F	nil

Maintenance and catering factors – as for mainstream schools

Appendix 4

Proposed Standards Fund allocations

School development grant (£3.285m)

This is exactly 4% higher than in 2004/05. We have to increase each school's allocation by at least 4%, and can only retain the same cash amount centrally as last year. The cash freeze on central budgets is of course a real terms reduction. The amount retained centrally last year was:

	£000
Special educational needs (nurture groups and consultancy)	212
Study support (out of hours/family learning co-ordinators)	85
School support staff: training (co-ordination and admin of training)	96
Total	393

We propose that the remaining balance, which is around £16500, would be devolved on the basis of pupil numbers.

Ethnic Minority Achievement Grant (£1.525m)

The DfES is moving towards a new national formula which means that Derby loses funding. The 2005/06 allocation is an 8% reduction compared to last year, and similar reductions are likely in future years if a separate grant continues. We are allowed to retain up to 15% centrally.

We have previously made allocations based on the costs of staffing which meet relevant support criteria. We propose to maintain the existing distribution between schools for 2005/06, which would mean an 8% reduction in individual historic allocations. Some schools have previously received additional amounts above the level we are required to devolve, and these would not continue.

It is unclear whether or not EMAG will remain as a separate grant after 2005/06. If it does, we propose to consult on moving to a formula similar to that used for the national distribution. This uses numbers of pupils in nationally underachieving ethnic groups (mainly Pakistani, Bangladeshi, Black Caribbean and Black African) as well as numbers of bilingual pupils.

Advanced Skills Teachers (£0.401m)

This funding has to be allocated to schools with ASTs to support additional salary costs and outreach work. We can retain centrally £300 per post for co-ordination.

Targeted support for primary strategy (£0.389m)

This grant supports:

- Extension of the Primary Leadership Programme (£172,000)
- Training for deputy heads in schools which are not part of the Primary Leadership or Intensifying Support Programmes (£16,000)

- Training for literacy and numeracy co-ordinators in schools which are not part of these Programmes (£34,000)
- Mathematics training (£59,000)
- Capacity building through leading teachers (£45,000)
- Behaviour and attendance support to between 20% and 40% of schools (£37,000)
- Intensifying Support Programme (£25,000)

One-off targeted grant to support new activities within the Primary Strategy (£0.391m)

This grant supports Primary Strategy Learning Networks, Modern Foreign Languages, Foundation Subject co-ordinators and Foundation Stage/Key Stage One transition.

Targeted support for Key Stage 3 strategy (£0.466m)

This is exactly 4% higher than in 2004/05. £336,000 is Intervention Grant and will be devolved to schools based on the scale of underachievement in individual schools and the needs expressed in the schools' intervention plans. £108,000 is available for schools identified for more intensive support and training; they will receive a £1000 grant and 4 days of consultancy for particular projects. £22,000 is available to support the continuation of the Leading Professionals Programme.

Leadership incentive grant (£1.269m)

This has to be allocated to named secondary schools in Excellence Clusters, Education Action Zones, and to others with high deprivation or low attainment. Each school receives £135,000, while qualifying schools not in a Cluster or EAZ receive an additional £54,000. 9 of the 13 secondaries currently receive this, while Noel Baker Community School also receives the £54,000.

Specialist schools (£0.987m)

This has to be allocated to secondary schools which have achieved specialist status, by a formula which uses pupil numbers.

Extended schools (£0.361m)

DfES guidance states that:

"The funding should be used to provide support at school level to enable:

- *All schools to offer extended services over time. The funding should be used to support schools to develop a sustainable model and to overcome barriers they face that may prevent them from developing extended services. This includes, for instance, support staff to help plan, develop, manage and maintain extended services on school premises, capital costs, developing partnerships with key agencies and consulting the main stakeholders (children, parents, community, agencies etc) about what services are needed.*
- *The development of the full service school model where a full range of services (childcare, health & social care, parenting support, family and lifelong learning, sports and arts activities, ICT access and study support) is based around either one school, a cluster of schools or across a close network of schools and other providers. Local circumstances will determine the most suitable model but*

whatever model schools decide to develop we would as a minimum expect to see some evidence of multi agency working that meets the needs of children, young people and families”

We propose during the spring term to complete a strategy for extended services, including an audit of current activities. This will determine how funding is allocated, and will also link with the movement towards integrated children’s services.

Gifted and talented (£0.018m)

We propose to support a number of local summer schools within the national summer schools programme for gifted and talented children from Year 6 to Year 11, attendance by members of the National Academy for Gifted and Talented Youth at Academy summer schools and the costs of participating in our approved regional network for gifted and talented education.

Excellence Cluster (£2.795m, to be confirmed)

This funding continues an existing Excellence Cluster, replaces the Education Action Zone and brings additional funding through Excellence Cluster Plus to schools which will not be part of either Cluster. Consultation has already taken place with schools on the membership of the clusters. Although this is a Specific Formula Grant and we, therefore, have flexibility as to how this funding is spent within the Schools Budget, we intend to use the full funding for the purposes intended. The main activities supported are Learning Mentors, Learning Support Units and Gifted and Talented pupils.

Targeted behaviour and improvement programme (BIP) (£1.508m)

This funding includes £0.728m to support the existing BIP programme and £0.780m for a new BIP. The programmes are part of the Excellence Cluster initiative.

Funding can be devolved directly to schools or used for centrally funded measures such as the development of school-based multi-agency teams that support more than one school, which often necessitate central recruitment processes. The only exception is that a proportion of the grant must be devolved down to school level to support the development of a full service extended school model. For established BIP areas this will be £93,000 as an ongoing cost (Beaufort Primary is the existing school), and for new BIP areas £168,480 in the initial year, less any necessary central expenditure in respect of the establishment of extended services. Schools nominated to be Full Service Extended Schools are expected to be schools within the Excellence Cluster to whom BIP funding has been allocated.

We propose to follow DfES guidance that funding in each programme will typically be allocated to 2 secondary schools and 8-10 of their linked primary schools. Participating schools are required to sign up to core outcomes, including targets for behaviour, attendance and exclusions. The new funding will be earmarked for one year only because of the Standards Fund changes from 2006.

Enterprise learning (£0.258m)

This new grant is to support an enterprise education entitlement for Key Stage Four pupils and should be devolved to secondary schools based on a formula using weightings of 90% for 14-16 pupil numbers and 10% for free meals.

ICT in schools: infrastructure and hands-on support (£1.704m)

This is a 16% increase from 2004/05. 2.5% can be retained centrally, leaving £1.664m to be devolved to schools.

We propose to maintain the same broad split as in 2004/05 and continue to ensure that schools are fully funded for their connectivity costs, whether or not they are on Broadband.

The split of the grant would be:

- *£420,000 for connectivity*
- *£294,000 to meet the government's target that two-thirds of teachers should have laptops by 2006*
- *£50,000 to continue the LEA programme of hands-on support*
- *The balance of £900,000 to be allocated on the basis of pupil numbers, with a minimum allocation of £7000 for primary and special schools, and £4000 for nursery schools*

The proposals have been discussed with the ICT steering group.

From 2006, the government is proposing to add this grant to schools' devolved formula capital.

ICT in schools: e-learning credits (£0.483m)

There is a prescribed formula for allocating these, with a baseline figure of £1000 plus £9.70 per pupil for schools. Private and voluntary early years providers are also eligible for the per pupil allocation.

Appendix 5

Proposed changes to the Scheme for Funding Schools

☐ New paragraph after paragraph 2.17:

- for contracts between £1000 and £5000, three or more quotes shall, where practical, be obtained. In cases of urgency these may initially be oral quotes but, if so, they must be confirmed in writing within seven days
- for contracts above £5000 but below £20,000, three written quotes must be obtained. However, in cases of urgency, or for any other good reason, the Authorised Officer may obtain fewer quotes, provided the reasons are recorded in writing and retained on the Contract File. The Authorised Officer must record on the Contract File the subject matter of the quote, the names of the firms invited to quote, their responses – including details of any quotes received – and the reasons why the successful quote was accepted
- for contracts between £20,000 and £50,000, an invitation to tender must be sent to at least three firms on an approved list where one is available, or to all of them if there are less than three, unless the Authorised Officer decides that it is not appropriate to use the approved list and their decision and reasoning are recorded in writing and retained on the Contract File. Where there is not an approved list or the Authorised Officer decides not to use it, then tenders should be sought direct from at least three firms, and a written record should be kept on the Contract File of the reasons for choosing them.
- for contracts above £50,000, an invitation to tender must be sent to at least four firms on an approved list, or to all of them if there are less than four. If a list is not available, or the Authorised Officer decides not to use it in consultation with the chief Legal Officer, then either a public notice inviting direct tenders or expressions of interest should be issued. For contracts of a specialist nature, tenders can be sought from at least four firms, provided that the Authorised Officer consults the Chief Legal Officer and the appropriate Council Cabinet Member and records, in writing on the Contract File, the justification for using this course of action rather than giving public notice

Paragraph 2.21 – amend third sentence to “The governing body must notify the Director of Education of any planned capital expenditure (including any improvement work or change to a mechanical or electrical system) and, where this is greater than £15,000, must take into account any advice from the Director of Education as to the merits of the proposed expenditure. Notification should include which relevant professional adviser has been consulted.” *Currently, notification is not necessary below £15,000.*

Amend reference to “Director of Commercial Services” to “Director of Corporate Services”.

Paragraph 13.2 – additional sentence: “To assist in the Council’s monitoring of health and safety, community and voluntary controlled schools must submit a schedule of plant and equipment servicing annually.”

Paragraph 13.3 – delete “when” and replace by “in maintaining or” carrying out repairs and maintenance to school premises

Annex G – add to governors’ responsibilities under asbestos (8.2): “asbestos management as a health and safety function; schools should inform the Director of Education where any asbestos based materials have been removed.”