



DERBY CITY COUNCIL

**COUNCIL CABINET**  
**17 March 2009**

**ITEM 15**

A Joint report of the Corporate Directors for  
Children and Young People and Resources

**School Funding 2009/10 to 2010/11**

**SUMMARY**

1. This report presents proposals for changes to the school funding formula for the 2009/10 -2010/11 period. Consultation has taken place with all the schools within the maintained sector and the providers of early years provision in the private, voluntary and independent (PVI) sector. Schools Forum has also been consulted at their meeting on 22 January 2009.

**RECOMMENDATION**

2. To make changes to the formula for funding schools, subject to the Council's budget decisions, as follows,
  - Implementation of the single formula for Early Years foundation stage 1 provision a year ahead of the legal requirement.
  - Introduce four differential funding base rates for provision in maintained nursery schools, primary schools, private day nurseries and pre-school settings.
  - The inclusion of factors for additional funding for deprivation, English as an additional language and vulnerable children.
  - The inclusion of an Early Years Professional (EYP) factor.
  - Funding to be based on three termly count dates
  - The continuation of the minimum funding guarantee of 2.1% (guaranteed per pupil increase) for the maintained sector with an equivalent protection being extended to the PVI sector.
  - A cap of 3% growth per pupil.
  - Any growth available to be split 50:50 between deprivation and base rates. This will mean that all settings will receive growth, but a double weighting will be given to children with an Index of Multiple Deprivation (IMD) in the top 20%.

**REASONS FOR RECOMMENDATIONS**

3. There is a statutory scheme for the funding of schools and any changes as a result of legislation or policy developments must be agreed through an established process, including consultation. The proposals take into account the views expressed in the consultation and by Schools Forum.

## SUPPORTING INFORMATION

- 4.1 The overall increase in schools funding has slowed down compared to previous years. 2009/10 sees the lowest increases nationally for a number of years with a per pupil increase of 3.7% (3.3% in cash terms, adjusted for pupil number increases) rising slightly in 2010/11 to 4.3% (4.1% in cash terms). This funding includes funding for ministerial key priorities of personalisation of teaching and learning, support for pupils to make good progress, the extension of the early years offer to parents and extended children's services provided from schools.
- 4.2 Against the national increases, Derby City Council has not fared well. Our increases in Dedicated Schools Grant (DSG) for the three year settlement period are below the national increases. For 2009/10 and 2010/11 they are 3.6% and 4.1% respectively. This is because additional top ups have been given to authorities that have historically spent below the old Formula Spending Share (FSS) up to the formula level, some protection has been given for authorities with falling numbers and additional funding for authorities with pockets of deprivation in affluent areas. We have relatively static numbers and did not spend below FSS.
- 4.3 A consultation exercise has been carried out on the formula for funding schools, focused on the implementation of a single formula for the free entitlement of Early Years foundation stage one and the funding of full time provision for excluded pupils. There was a total of 37 responses, 8 from the private and voluntary sector (a response rate of 12.5%), 8 from the maintained nursery sector over 6 settings (75%), 16 from the primary school sector (19%) and 4 from the secondary sector (31%). Due to a limited growth available within the Schools Budget, developments for the funding for excluded pupils have been deferred to 2010/11.
- 4.4 The results of the consultation exercise have been considered. A summary is detailed below:
- Question 1 – Implementation of the single formula a year ahead of the requirement. All except one response from the primary school sector were in favour of this
  - Question 2 – four differential base rates. 6 respondents did not agree with differential base rates, 4 from the private and voluntary and independent (PVI) settings and 2 from the maintained settings. The PVI settings (in particular pre-schools) were generally concerned that the level of funding at £3.00 per hour was less than the current level of funding (£3.46). The £3.00 per hour does not, however, represent the total amount of funding and additional factors within the formula would bring the funding up to current levels.
  - Questions 3 – 6. Additional Factors. All except one response agreed with a deprivation and English as an additional language factor.
  - The inclusion of an Early Years Professional (EYP) factor had 100% support from the PVI sector. This is to be expected since this factor primarily compensates those settings for the additional costs of employing the EYP. The maintained sector had mixed views with 4 responses against it. It is proposed that this factor is introduced but is limited to a maximum funding of one EYP per setting and the funding is the difference between a

level 3 qualified nursery nurse and the actual salary of the EYP to a maximum of £23,000.

- Question 7 - Count Dates. 6 responses from the maintained settings were against this with particular concern around the low numbers in the autumn term. It is hard to argue with the principle of not funding empty places when this security is not offered to the PVI sector, but consistent count dates between the sectors have to be adopted. It is therefore recommended that the 3 termly count dates are adopted.
- Question 8 – Formula Protection Mechanisms. There were three questions around capping and protection mechanisms and understandably all settings agreed with a protection within their own area (although not necessarily in other sectors). It would be unjust to award protection mechanisms for only some of the providers whether maintained or PVI. It is therefore recommended that protection mechanisms are introduced. The responses for the period of time for which the protection should exist varied between 1 and 5 years. It is proposed that this continues for the next two years until 2010/11 to correspond with the funding settlement cycle and any changes the DCSF may make to the minimum funding guarantee (MFG) that applies to the schools funding formula. To fund protection mechanisms a cap must be established unless additional resources are invested. The modelling exercise indicated that a cap of 3% growth would be necessary and it is recommended that this is implemented for the period of the protection mechanisms to 2010/11.
- Question 9 – Growth. There was a varied response for the targeting of growth covering special needs, English as an additional factor, vulnerable children, deprivation and all children. In view of the current financial position it is very unlikely that any growth will be available over the next two financial years but it is recommended that if there is, it is split 50:50 between deprivation and all (i.e. the base rate). This will mean that all settings will receive growth, but a double weighting will be given to children with an IMD in the top 20%.

#### 4.5 Specific formula changes in relation to early years funding therefore being proposed are:

- Implementation of the single formula for Early Years foundation stage 1 provision a year ahead of the legal requirement.
- Four differential funding base rates for provision in maintained nursery schools, primary schools, private day nurseries and pre school settings.
- The inclusion of factors for additional funding for deprivation, English as an additional language and vulnerable children.
- The inclusion of an Early Years Professional factor
- Three termly count dates for funding.
- The continuation of the minimum funding guarantee of 2.1% (guaranteed per pupil increase) for the maintained sector with an equivalent protection being extended to the PVI sector
- A cap of 3% growth per pupil.
- Any growth available to be split 50:50 between deprivation and the base rate. This will mean that all settings will receive growth, but a double weighting will be given to children with an IMD in the top 20%.

## OTHER OPTIONS CONSIDERED

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

<b>For more information contact:</b>	Alison Parkin on 01332 716863 - e-mail: <a href="mailto:alison.parkin@derby.gov.uk">alison.parkin@derby.gov.uk</a>
<b>Background papers:</b>	Schools responses to the consultation
<b>List of appendices:</b>	Appendix 1 - Implications

## IMPLICATIONS

### Financial

- 1 These are set out in the report. 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 Department for Children, Schools and Families, 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 deprivation and English as an additional language. The proposed formula changes seek to target funding at schools with particular pupil needs.

### Corporate priorities

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