



<u>Committee and Date</u>
Cabinet 15 February 2011 12.30pm

<u>Item</u>
16 Public

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NEW SHROPSHIRE SCHOOLS' FUNDING FORMULA

Summary

Cabinet is asked to consider feedback from consultation on proposals for a new schools' funding formula for distributing Dedicated Schools Grant (DSG) to all maintained schools in Shropshire. The 6 week consultation period with schools ended on the 28th January 2011. The Schools Forum has been instrumental in the development of the new formula and fully supports its implementation. This paper and recommendations contained within it supplement and take into account proposed changes for school organisation in Shropshire.

Cabinet is asked to accept, reject or propose changes to the new schools' funding formula and, if accepted, to agree a phased implementation with transitional arrangements applied for one financial year to allow schools to plan and prepare for changes in their funding allocations. The principles and criteria used to design and construct the new formula are included in Appendix A to this report.

Recommendations

1. To consider the outcomes of the consultation with schools including the recommendations of School Forum. Consultation responses are summarised within Appendix B.
2. To approve, amend or reject the new schools' funding formula as supported by Schools Forum.
3. If approved, to agree to phase the implementation of a new funding formula beginning 1st April 2011.

Background

1. The Council's current schools' funding formula has been in existence since the inception of Local Management of Schools in 1990. It distributes £135m of dedicated schools grant (DSG) to 157 schools. Shropshire Council remains a member of the lowest funded local authorities group, F40, and in the current financial year remains the fifth lowest funded Authority in terms of per pupil DSG grant received from Government.

2. The Independent Policy Commission reported in July 2009 that they were persuaded by evidence that, due to the disparities in per pupil funding levels between the highest and lowest funded schools, a wholesale review of the Shropshire schools funding formula was required. Furthermore the Commission reported their view that the financial position of larger Primary schools, who educate two thirds of Shropshire school children, was becoming unsustainable.
3. Members of Schools Forum, a legally constituted and independent schools consultative body, have previously voted unanimously to support a wholesale review of the Shropshire schools' funding formula, to be considered and implemented for the financial year 2011/12. This view is strongly supported by headteachers and governors following feedback from area consultation meetings and formula funding seminars organised by Council officers.
4. A Formula Review Group comprising headteachers, governors and a representative from the Shropshire Schools Governors Council was nominated by Schools Forum to undertake formula review work, with support provided by local authority officers.
5. The aims of the Group were:
"To support the local authority in developing a fair and equitable new local funding formula for distributing Dedicated Schools Grant across all Shropshire's primary, secondary and special schools in line with Shropshire's new policy on school organisation and the vision for education in Shropshire"
6. The purposes of the Group were:
"To consider the detailed aspects of all elements of the local funding formula giving due consideration to the outcomes of the national formula review. The outcome of its considerations will be regularly reported back to Schools Forum".
7. The Formula Review Group met regularly over an 8 month period reviewing in detail each element of the current funding formula, benchmarking data alongside other local authorities and modelling alternative options before proposing the principles and criteria of a new funding formula as detailed in Appendix A. The sub group has reported back to School Forum on a regular basis as the formula funding re-modelling work has progressed.
8. Schools Forum agreed that the Special Schools' funding formula needed separate consideration by a more specialised group of special schools' headteachers, governors and local authority officers, and that the current formula for funding Special schools would be kept in place for a further year.
9. The overarching principles of the proposed new funding formula were agreed by Schools Forum as, (in no particular order of importance), transparency, fairness and equity, pupil-led driven, sustainability, simplicity, stability and flexibility.
10. In view of these principles a much simpler and transparent formula has been developed with more of an emphasis on pupil-led funding. A key focus was on reducing the current per pupil funding variation between schools in

Shropshire. However it was recognised that there was a need to build in funding protection for management and teaching staff requirements within primary schools and headteacher management costs within secondary schools, along with funding, based on a floor area basis, to address premises insurance costs, repair and maintenance costs, and cleaning and caretaking costs incurred by schools.

11. Some other current funding elements are also proposed to be retained within the new formula such as funding for additional educational needs and special educational needs, nursery pupils, rates, swimming pools and secondary free school meals.
12. Schools Forum agrees that a key benefit of the new funding formula is the loss of the current stepped salary protection element. The proposed new funding formula replaces this with a linear model that responds in equal per pupil funding amounts to an increase or decrease in pupil numbers rather than triggering the increase or decrease in funding of a whole teacher cost at certain pupil number trigger points. This stepped approach has, for some time, been seen to be a perverse incentive for schools to compete for additional pupils at the time when school budget allocations are calculated i.e. each Spring term.
13. Schools Forum also support the inclusion of a small schools operational subsidy within the new funding formula that ensures funding, through a more pupil-led formula, covers the core operational costs in Shropshire's very small schools with numbers on roll of 60 or fewer. There were 22 schools in Shropshire with 60 or less pupils on roll in January 2010. This subsidy reflects the Council's new school organisation policy which acknowledges that a diversity and mix of schools, of all sizes, is required to educate pupils living in sparse and disperse communities.
14. From April 2011, the Government has announced that current School Development Grant (SDG), Schools Standards Grant (SSG) and Schools Standards Grant (Personalisation) (SSGP) will be mainstreamed into the Dedicated Schools Grant for distribution to schools, along with Specialist Schools Grant. It is proposed that the SDG, SSG and Specialist Schools Grant be allocated to schools on a pupil-led basis and that SSGP be allocated using the current allocation factors of pupil numbers, free school meals and attainment data.
15. The effect of the above changes to the current formula for allocating DSG and the above grants is shown in the table below.

	Primary		Secondary	
	Current Formula	Proposed Formula	Current Formula	Proposed Formula
	Funding per Pupil £	Funding per Pupil £	Funding per Pupil £	Funding per Pupil £
Minimum	2,882	3,112	4,116	4,244

Maximum	8,846	6,226	5,681	4,995
Variation	5,964	3,514	1,565	751

16. The average cash effect, for primary and secondary schools, of the proposed new funding formula compared to the current funding models for distributing DSG and grants is shown in Appendix D.
17. Consultation with schools started on the 6th December 2010 and ended on 28th January 2011. Consultation information on the proposed new principles and criteria applied within the new schools' funding formula and a consultation response form were emailed to all schools as well as the information being made available on the Shropshire Learning Gateway and Schoolsnet.
18. In addition to this, as part of the consultation process, all headteachers and Chairs of Governors were invited to a briefing meeting on Thursday 13th January 2011 where local authority officers explained the detail within the proposed new funding formula. Over 300 people attended. Schools were encouraged to raise issues and concerns at the meeting and reminded of the consultation response deadline. A copy of the presentation, including illustration of how proposed formula changes may affect schools of varying sizes, is enclosed in Appendix C. This demonstrates how the IPC recommendations have guided the process leading to the intended and recommended outcome to reduce the funding differential between schools, and therefore pupils, being educated in Shropshire.
19. In total, consultation responses were received from 76 of our 155 primary and secondary schools (49%). Schools Forum considered these responses as part of the review process. A summary of the consultation responses received is given at Appendix B.
20. Schools Forum met on 27th January 2011 to:
- consider the findings and recommendations of the formula funding sub group that met on 26th January 2011
 - consider the consultation responses received from schools which are summarised in Appendix B; and
 - make a recommendation to Cabinet based on the consultation responses received and outcomes of the work undertaken by their nominated formula funding sub group.

Schools Forum members took a vote and unanimously agreed to accept the work and findings of the Formula Sub Group in its entirety with a strong recommendation to adopt a new Shropshire schools funding formula with effect from 1 April 2011 to be phased in with full implementation from 1 April 2012.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Human Rights Act Appraisal

Not applicable

Environmental Appraisal

Not applicable

Risk Management Appraisal

The impact of changes in individual schools' funding levels have been taken into account via transitional arrangements

Community / Consultations Appraisal

Shropshire schools have been fully consulted throughout the process

Cabinet Member

Councillor Aggie Caesar-Homden

Local Member

All Members

Appendices

Appendix A – Principles and criteria for the new Schools funding formula

Appendix B – Summary of school consultation responses

Appendix C – Schools funding formula presentation dated 13th January 2011

Appendix D – Average cash effects of new funding formula changes

Consultation Document

Shropshire Schools' Funding Formula Review

Aim

To develop a fair and equitable new local funding formula for distributing the Dedicated Schools Grant across schools in Shropshire in line with Shropshire's new policy on school organisation and the vision for education in Shropshire.

Overarching Principles of the New Funding Formula

- Transparency
- Fairness and Equity for all Shropshire children
- Pupil-led driven
- Sustainability
- Simplicity
- Stability
- Flexibility – to reflect broader financial pressures predicted nationally and locally.

Formula Development

Non Pupil-led Elements

AEN/SEN

Retain current 2010/11 cash total (uplifted for inflation) for AEN/SEN funding block including current split of funding between AEN and SEN.

AEN

Attainment

- Data based on a 3 year average
- £ value x number of pupils achieving < L2c (Primary) or <L3 (Secondary)
- £ value x number of pupils achieving L2c (Primary) or L3 (Secondary)
- Consistent £ value for Primary and Secondary

FSM

- Data based on a 3 year average
- £ value x number of pupils eligible for FSM
- Consistent £ value for Primary and Secondary
- Removal of armed forces factor

SEN

Statements

- First call on cash limited budget is to fully fund bands 5-8
- Continue 20% contingency held centrally for bands 5-8
- Remainder of cash limited budget to fund bands 2-4
- Consistent values for Primary and Secondary

It is recognised by the formula review group that a more detailed review of the AEN/SEN budget should be undertaken by the SEN review group.

RATES

- Unique funding levels, not pupil-led related, reflecting the actual rates charges to schools.

SWIMMING POOLS

- Unique funding levels, not pupil-led related, reflecting historic funding levels, evidence of which suggests is in line with actual running costs of a pool.

DELEGATION OF SCHOOL MEALS' BUDGETS TO PRIMARY SCHOOLS

- Funding for the provision of free school meals in primary schools.
- Currently relates to 3 schools only.

SECONDARY FREE SCHOOL MEALS

- Funding levels reflecting the actual cost of providing free school meals in individual secondary schools

MOBILITY FACTOR

- Basis for allocating funding to schools to be reviewed when new DSG allocation methodology is known

SPLIT SITE ALLOWANCE

- New criteria to be written to allow for funding to address issues around collaborative working arrangements
- Current criteria to be reviewed

PREMISES RELATED

- Funding based on floor area (m²) to cover:
 - Property Insurance
 - Employee Liability

- Building Maintenance Insurance (excl Aided Schools)
- R&M Buyback
- Vandalism
- Cleaning and Caretaking
- Funding reflects above annual charges

PRIMARY MANAGEMENT AND TEACHING STAFF SUBSIDY

- Model based on class sizes of 30 (at KS1 and KS2)
- Funding limited to maximum capacity NOR
- Funding of teachers based on UPS1 (Shropshire average)
- Headteacher salary top-up funding based on recommended maximum point of school group size
- Sliding scale of heads' management release based on UPS1 with F/T release at 121 nor. Management release continues in 0.1 increases per 30 pupils from 121 on roll.
- Minimum 0.2fte management release
- 10% PPA time based on the bottom of the HLTA pay scale

SECONDARY MANAGEMENT SUBSIDY

- Funding to reflect headteacher salary based on recommended maximum point of school group size

NURSERY FUNDING

- Current Early Years funding formula remains. Consistent with PVI sector formula.

TARGETED FUNDING (FORMER MINISTERIAL PRIORITIES FUNDING)

- Basis for allocating funding to schools to be reviewed when new DSG allocation methodology is known.

Pupil Led Elements

- Consistent AWPU value for all age groups of pupils within the primary sector.
- Consistent AWPU value for all age groups of pupils within the secondary sector

Mainstreaming School Development Grant (SDG), School Standards Grant (SSG), School Standards Grant Personalisation (SSGP) and Specialist Schools Grant into Dedicated Schools Grant.

- Retain current funding allocations within secondary, primary and special sectors.
- Applies to age 3-15 pupils only.
- SDG, SSG and Specialist Schools Grant to be allocated on a per pupil basis only.
- SSGP to be allocated based on pupil numbers (AWPU), free school meal eligibility and attainment data in line with current national grant formula.

Schools Forum

APPENDIX B

Schools Funding Formula Review – Consultation with Schools Summary of Responses to end of 28.1.11

82 responses received representing 76 schools (49%)

Q1	Do you agree with the overarching principles of the new funding formula as listed in the Consultation Document?				
Yes	59	No	4	Neither Yes or No	13

Q2	Are there other key principles that should be included?				
Yes	23	No	24	Neither Yes or No	29

Q3	Do you agree with the non-pupil led elements of the new formula?				
Yes	40	No	12	Neither Yes or No	24

Q4	Are there other areas of funding that should not be based on a per pupil amount?				
Yes	20	No	21	Neither Yes or No	35

Q5	Do you agree with the basis for allocating funding for Additional Educational Needs (AEN) and Special Educational Needs (SEN) as detailed in the consultation document?				
Yes	43	No	13	Neither Yes or No	20

Q6	Do you agree with the basis for allocating funding for Swimming Pools as detailed in the consultation document?				
Yes	31	No	2	Neither Yes or No	43

Q7	Do you agree with the basis for allocating funding for Premises Related costs as detailed in the consultation document?				
Yes	46	No	11	Neither Yes or No	19

Q8	Do you agree with the basis for calculating a Management and Teaching Staff Subsidy in Primary schools?				
Yes	39	No	18	Neither Yes or No	19

Q9	Do you agree with the basis for calculating a Management Subsidy in Secondary schools?				
Yes	31	No	4	Neither Yes or No	41


Q10	Do you agree there should be a consistent age weighted pupil unit of funding (AWPU) for all age groups within each sector?				
Yes	45	No	15	Neither Yes or No	16

Q11	It is the Governments intention to mainstream the following grants into the Dedicated Schools Grant. Do you agree with the basis for mainstreaming the School Development Grant (SDG), School Standards Grant (SSG), School Standards Grant Personalisation (SSGP) and Specialist Schools Grant into the Dedicated Schools Grant (DSG) as detailed within the consultation document?				
Yes	40	No	11	Neither Yes or No	25

Q12	The intention is to implement the new schools' funding formula from April 2011. Do you agree there should be transitional relief applied to allow schools to plan for changes in funding levels arising from the new funding formula and the mainstreaming of grants into the DSG?				
Yes	63	No	3	Neither Yes or No	10

Q13	If transitional relief is applied, what time period should it be applied over i.e. 1, 2 or 3 years?										
0yr:	2,	1yr	20,	2yrs	22,	3yrs	23,	Longer	1,	No Response	8


Q14	Do you have any other comments to make on the principles and funding criteria used within the proposed new schools' funding formula?		
Refer to detailed responses			

 Shropshire Council

Appendix C


Formula Review Briefing Session

Thursday 13th January Lord Hill Hotel

 Shropshire Council

Background for Review


- Independent Policy Commission Report July 2009
- School Organisation and Vision for Education in Shropshire
- Schools Forum – Formula Review Group

 Shropshire Council

Funding Background

Shropshire's Dedicated Schools Grant (DSG):


- Loss of £5m over last 3 years due to reducing pupil numbers
- One of lowest DSG funding levels of all local authorities
- Pupil numbers continue to reduce in Shropshire
- DSG shortfall in funding schools' fixed costs in Shropshire

 Shropshire Council

National Funding Context

Dedicated Schools' Grant (DSG):


- National funding settlement for 2011/12 announced
- One year only with review and consultation during 2011/12
- New national funding formula for April 2012

 Shropshire Council

National Funding Context

Mainstreamed Grants:

- Current additional schools' grants to be absorbed within DSG from 2011/12 onwards:
 - School Development Grant
 - School Standards Grant
 - Specialist School Grant
- No longer separate grants and subject to different distribution as part of the DSG

 Shropshire Council

National Funding Context

Local Funding Formula:

- Distributes annual allocation of Dedicated Schools Grant
- Distributes this within national framework of financial regulations
- Needs to be up to date and fit for purpose
- Need to consider transitional relief arrangements whilst implementing any new local funding formula

The Funding Formula Review Group

A sub group of Schools Forum:

- 2 Secondary School Head teachers
- 2 Secondary School Governors
- 2 Primary School Head teachers
- 2 Primary School Governors
- 1 Special School Head teacher
- 1 SSGC Representative
- Local Authority Officers to provide specialist advice to the group

The Funding Formula Review Group

Aim of the Group

- To develop a fair and equitable new local funding formula for distributing the Dedicated Schools Grant across schools in Shropshire in line with Shropshire's new policy on school organisation and the vision for education in Shropshire.

The Funding Formula Review Group

Overarching Principles of the New Formula

- Transparency
- Fairness and Equity for all Shropshire children
- Pupil-led driven
- Sustainability
- Simplicity
- Stability
- Flexibility -- to reflect broader financial pressures predicted nationally and locally

Non Pupil-led Elements

- AEN/SEN
 - Attainment
 - FSM
- As per current delegation methodology subject to further review by the SEN review group
- Removal of armed forces factor
- Pupil Premium FSM £430 per eligible pupil
- Pupil Premium L.A.C £430 per pupil matching DfE criteria

- AEN/SEN
 - Statemented pupils
- As per current delegation methodology subject to further review by the SEN review group

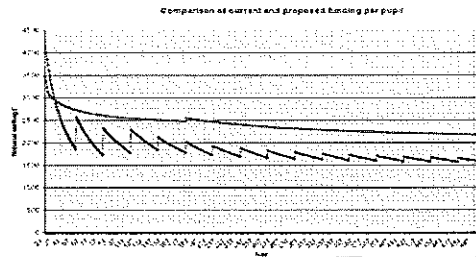
- No change to the following formula factors
- Rates, Swimming Pools, Secondary Free School Meals and Delegation of schools meals' (primary)

- Mobility Factor –Service children to be funded at £200 per pupil matching the Pupil Premium rate

- Split Site Allowance - New criteria to be written to allow for funding to address issues around collaborative working arrangements

- Premises Related - Funding based on floor area (m²) to cover:
 - Property Insurance
 - Employee Liability
 - Building Maintenance Insurance (Excluding Aided Schools)
 - R&M Buyback
 - Vandalism
 - Cleaning and Caretaking

- Primary Management and Teaching staff subsidy
- Model based on class sizes of 30 (at KS1 and KS2)
 - Funding limited to maximum capacity NOR
 - Funding of teachers based on UPS1 (Shropshire average)
 - Headteacher salary top-up funding based on recommended maximum point of school group size
 - Sliding scale of heads' management release based on UPS1 with FT release at 121 nor. Management release continues in 0.1 increases per 30 pupils from 121 on roll.
 - Minimum 0.2fte management release
 - 10% PPA time based on the bottom of the HLTA pay scale



Secondary Management Subsidy -
Funding to reflect headteacher salary based on recommended maximum point of school group size

As per current delegation methodology

- Nursery Funding - Current Early Years funding formula remains. Consistent with PVI sector formula.
- Targeted funding (former ministerial funding)

Pupil Led Elements

- Consistent AWPU value for all age groups of pupils within the primary sector.
- Consistent AWPU value for all age groups of pupils within the secondary sector

- Mainstreaming School Development Grant (SDG), School Standards Grant (SSG), School Standards Grant Personalisation (SSGP) and Specialist Schools Grant into Dedicated Schools Grant.

- Primary estimates of new formula budgets 2011/12:

Nor Range	BudgetShare		Grants		Total	
	Var £	%	Var £	%	Var £	%
0 to 50	-£8,800	-4	-£16,980	-50	-£23,800	-11
51 to 100	-£9,800	-4	-£14,500	-31	-£24,330	-8
101- to 150	-£7020	-2	-£3,880	-7	-£10,900	-2
151 to 200	£930	0	£8,800	10	£7,760	1
201 to 250	£17,220	2	£20,880	26	£38,110	5
251 to 300	£23,160	3	£19,370	20	£42,540	5
301 to 350	£38,940	4	£22,540	19	£61,480	6
351+	£38,760	3	£45,310	34	£84,100	6

Con't Primary estimates 2011/12

Nor Range	No of Schools	% of Schools	No of Pupils
0 to 50	18	14	709
51 to 100	36	27	2722
101 to 150	28	21	3576
151 to 200	16	12	2803
201 to 250	13	10	2878
251 to 300	10	7	2706
301 to 350	8	6	2617
350 +	4	3	1659

• Secondary estimates of new formula budgets 2011/12:

Nor Range	Budget Share		Grants		Total	
	Var £	%	Var £	%	Var £	%
0 to 500	-£139,610	-7	-£25,870	-9	-£165,480	-7
501 to 800	-£20,230	-1	-£550	0	-£19,670	-1
801 to 1000	£40,540	1	£20,540	7	£61,080	1
1001 +	£97,200	2	-£41,061	-6	£56,140	1

• Secondary estimates of new formula budgets 2011/12:

Nor Range	No of Schools	% of Schools	No of Pupils
0 to 500	4	18	1737
501 to 800	8	36	4974
801 to 1000	7	32	5958
1001 +	3	14	3296

• Minimum and maximum funding per pupil comparison

	Primary		Secondary	
	Current 2010/11 Incl Grants £	Proposed 2011/12 £	Current 2010/11 Incl Grants £	Proposed 2011/12 £
Minimum	2,882	3,112	4,116	4,244
Maximum	8,846	6,228	5,681	4,995
Funding Var	5,964	3,514	1,565	751

Next Steps

- Schools Forum next meeting 27 January 2011
- Funding Formula Review Consultation ends 28 January 2011
- School Organisation Report to Council's Cabinet 15 February 2011
- Statutory deadline for issuing 2011/12 schools' budgets is 31 March 2011

Appendix D

- Primary estimates of new formula budgets 2011/12:

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	Var £	%	Var £	%	Var £	%
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351+	£38,790	3	£45,310	34	£84,100	6

Appendix D

- Secondary estimates of new formula budgets 2011/12:

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