



<u>Committee and Date</u>
Cabinet
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## SHROPSHIRE SCHOOLS FUNDING FORMULA 2014-15

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### 1. Summary

Shropshire Schools Forum has led on drawing together the funding formula for Shropshire maintained schools and academies for the financial year 2014-15. The wider school community of Shropshire were consulted on the proposed funding formula during the early autumn. An Authority Proforma Tool (APT) has been submitted to the Education Funding Agency (EFA) to ensure that the funding formula is compliant with 2014-15 financial regulations and conditions relating to the Dedicated Schools Grant. The EFA have confirmed that the formula is compliant but require it to be politically ratified before 28 February 2014, the date by which budgets have to be issued to maintained schools. This paper sets out the proposals agreed by the Shropshire Schools Forum.

### 2. Recommendations

Cabinet is asked to ratify the recommendation of Shropshire Schools Forum on the funding formula for Shropshire schools for the financial year 2014-15, as required by the Dedicated Schools Grant financial regulations and conditions of grant.

## REPORT

### 3. Risk Assessment and Opportunities Appraisal

A consultation document (attached at Appendix A) on the recommended changes to the Shropshire schools funding formula for 2014-15 was sent to all Shropshire maintained schools and academies on 23 September 2013 inviting responses to each area of the recommended changes. Individual responses were received from 34 schools.

As part of the consultation process a meeting was held at the Lord Hill Hotel on 15 October 2013 where headteachers and chairs of governors/chairs of finance were invited to discuss the recommendations

in more detail before the consultation response deadline of 18 October 2013. Some 70 (50%) schools and academies were represented at the event.

The issues raised through this process were taken into consideration by the members of the Schools Forum Task & Finish Group at their meeting on 24 October 2013. Membership of this group included representatives from primary and secondary headteachers and governors from both urban and rural schools. The resulting final recommended formula was approved by the full Schools Forum at their meeting on 7 November 2013 (report attached at Appendix B, this report also includes as its appendix the minutes of the Task & Finish Group meeting on 24 October 2013).

A letter was sent out to the headteachers of all Shropshire maintained schools and academies on 25 November 2013 informing them of the proposed changes to the funding formula for 2014-15, as recommended by Shropshire Schools Forum on 7 November 2013 (copy appended).

#### **4. Financial Implications**

The funding formula is used to determine how part of the Council's Dedicated Schools Grant (DSG) allocation – the Individual Schools Budget – is distributed to Shropshire schools. The individual school 'budget shares' represent a significant proportion of the annual revenue funding for schools for the financial year 2014-15.

The EFA uses this local funding formula to allocate funding direct to Shropshire's academies.

Shropshire's DSG has remained largely unchanged for the three years 2012-13, 2013-14 and 2014-15. Previous analysis has shown that the shortfall in DSG funding for Shropshire schools could be as high as £7.3 million, which puts the challenge of allocating funding in a fair and equitable way into context.

#### **5. Background**

The Government allocates DSG funding to local authorities on an annual basis. While an element of this funding is centrally retained – in line with DSG financial regulations - the vast majority is distributed via a local funding formula. This formularised element of DSG is called the Individual Schools Budget (ISB).

Government's school funding reforms have seen a significant reduction in the number of formula factors that can be used in distributing the funding to schools in 2013-14 and 2014-15. This greater prescription has resulted in significant turbulence in the funding of schools, but is seen as essential in paving the way towards the introduction of a national funding formula, possibly in 2015-16. Schools Forum has gone to great lengths to minimise this turbulence in Shropshire schools, while ensuring compliance with the funding reforms and have sought to ensure that the funding formula for 2014/15 maintains the status quo as far as possible.

2014-15 is the second year of the funding formula changes which have seen an increasing proportion of the ISB is required to be formularised using pupil-led factors. This has implications for funding going into schools with lower pupil numbers.

The introduction of a new formula factor for sparsity from 2014-15 was roundly welcomed by Schools Forum and by schools through the consultation process. Despite having no additional funding through DSG to support this development, Schools Forum was able to allocate funding to 15 of the county's most sparse schools (14 primary and 1 secondary).

While the reforms have led to potential turbulence in funding to schools there is statutory protection in place. This is called the Minimum Funding Guarantee (MFG), which ensures that the year on year reduction in per pupil funding for any individual school cannot be greater than 1.5%. The shortfall in budget share to any individual school through the funding formula is effectively funded up to this MFG limit.

In 2014-15 75 (54%) of Shropshire maintained schools (73 primary and 2 secondary) are protected by the MFG at a total cost of £1.7 million. However, as this is funded from the ISB it is important to note that it is the remaining 46% of maintained schools that are supporting this cost through overall reductions in their per-pupil funding.

In recent years the local formula has been drawn together by a Task & Finish Group from the membership of Shropshire Schools Forum with officer support as required, in particular in modelling formula options. Since the announcement of the Government's funding reforms in March 2012, the Task & Finish Group has worked through the details of the proposed reforms and put forward recommendations for Schools Forum's approval.

Schools Forum has a statutory consultative and advisory role; however it is the responsibility of the local authority to decide on the formula. The partnership between the Council and Schools Forum is strong and so the formula presented to Cabinet for approval is the one proposed and agreed by Schools Forum.

The schools funding formula for the financial year 2014-15 was agreed by Schools Forum at their meeting on 7 November 2013. The report and appendix that went to Schools Forum is appended to this report.

The DSG regulations require the submission of an Authority Proforma Tool (APT) to the EFA whose role is to ensure that it is compliant. The APT effectively details the local funding formula. The EFA has advised that the Shropshire funding formula for 2014-15 is compliant.

The Government has signalled its intention to implement a national funding formula post 2015. It is likely therefore that the reduced influence at the local level over the formula factors that can be used to target

resources, and could be further reduced by moving to a national funding formula, the impact on the financial sustainability of a number of Shropshire schools in the medium to long-term is a potential issue.

## 6. Additional Information

Schools Forum has established a Task & Finish Group on School Sustainability to undertake a budget-led technical exercise to assess the impact on individual school budgets of the Government’s funding reforms and the proposed introduction of a national funding formula. In effect they will be modelling the schools’ budgets over the next five years by rolling forward the current funding formula, applying known pupil number projections for each school.

Schools Forum have been aware for some time that the changes in school funding, including a move to a national funding formula, are likely to have far reaching implications for a number of schools in Shropshire, which will require headteachers and governing bodies in these schools to assess the medium to long-term pressures in sustaining education provision based on reduced delegated funding. The Task & Finish Group on School Sustainability will be identifying and modelling a range of potential options for these schools to consider in addressing these pressures.

It is proposed that the Group’s final report will be passed to Cabinet for their consideration in the early summer.

<p><b>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</b></p> <p>Schools Forum website - <a href="http://shropshire.gov.uk/schools/shropshire-schools-forum/">http://shropshire.gov.uk/schools/shropshire-schools-forum/</a></p>
<p><b>Cabinet Member (Portfolio Holder)</b></p> <p>Ann Hartley</p>
<p><b>Local Member</b></p> <p>All Council members</p>
<p><b>Appendices</b></p> <p>Appendix A: Consultation on School Funding Arrangements for the Financial Year 2014-15</p> <p>Appendix B: Schools Forum report and appendix ‘School Funding Update’, 7 November 2013</p> <p>Appendix C: Letter to headteachers of Shropshire maintained schools and academies, 24 November 2013</p>