

**AGENDA MANAGEMENT SHEET**

**Name of Committee**

**The Cabinet**

**Date of Committee**

**7<sup>th</sup> September 2006**

**Report Title**

**Review of the Local Schools Funding Formula**

**Summary**

The report outlines a suggested process for reviewing the Authority's local schools funding formula. It seeks Cabinet's approval to the process and asks for suggestions of any other areas of the formula that Cabinet may want to be reviewed.

**For further information please contact:**

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**Would the recommended decision be contrary to the Budget and Policy Framework? [please identify relevant plan/budget provision]**

No

**Background papers**

Schools Forum papers 11.5.06

**CONSULTATION ALREADY UNDERTAKEN:-**

Details to be specified

Other Committees

.....

Local Member(s)

.....

Other Elected Members

Cllr John Whitehouse – “noted”  
CYP&F O&S Spokespersons for information:  
Cllr Helen McCarthy  
Cllr Richard Grant  
Cllr Jill Dill-Russell

Cabinet Member

Cllr John Burton

- Other Cabinet Members consulted  Cllr Izzi Seccombe  
Cllr Alan Cockburn – *“approved for consideration”*
- Chief Executive  .....
- Legal  Victoria Gould – comments incorporated in the report
- Finance  Virginia Rennie on behalf of David Clarke,  
Strategic Director of Resources – comments incorporated in the report
- Other Strategic Directors  .....
- District Councils  .....
- Health Authority  .....
- Police  .....
- Other Bodies/Individuals  Schools Forum 11.5.06

**FINAL DECISION**

**NO**

**SUGGESTED NEXT STEPS:**

Details to be specified

- Further consideration by this Committee  .....
- To Council  .....
- To Cabinet  .....
- To an O & S Committee  Children, Young People and Families Overview and Scrutiny Committee
- To an Area Committee  .....
- Further Consultation  Schools Forum

## The Cabinet – 7<sup>th</sup> September 2006

### Review of the Local Schools Funding Formula

#### Report of the Strategic Director for Children, Young People and Families

##### **Recommendation:**

That Cabinet:

- approve the suggested process for analysing and reviewing the Authority's local school formula
- comment on the suggested areas for analysis and suggest any further areas for review
- remit the monitoring of progress on the review to the Children, Young People and Families Overview and Scrutiny Committee.

## **1. Background**

- 1.1 When the Department for Education and Skills (DfES) changed the funding system for schools it proposed that the local schools formula should only be changed in exceptional circumstances outside the Comprehensive Spending Review funding cycle. In essence, this means that changes to the local schools funding formula can only be made every third year.
- 1.2 The next review of the local funding formula in Warwickshire would need to be completed by and be effective from April 2008. The local schools formula is important in directing scarce resources to those areas (whether they are geographic, sector specific, policy driven, etc.) considered to be a priority.
- 1.3 To focus the review, some key areas have been identified and discussed by the Schools Forum. The Schools Forum is a statutory consultative body (under the Education Act 2002) consisting of headteachers, governors, officers of the Directorate for Children, Young People and Families, County Councillors, representatives of teacher unions and other personnel involved in education provision in Warwickshire. However, Cabinet is ultimately responsible for approving changes to the local schools formula.
- 1.4 The rest of this report outlines:

- the proposed methodology for reviewing the formula
- the areas for review that have been identified already.

## 2. Methodology for reviewing the formula

- 2.1 It is proposed that a series of research papers are produced over the next 12 months that identify the key issues and make recommendations for changes to the formula. Proposed areas for review are considered in more detail below. Cabinet may want to comment, prioritise and add to this list.
- 2.2 This objective of this review is to address concerns regarding the current distribution of scarce resources between schools. This report focuses on the methodology, priority areas and expected outcomes from such a review. However, the overall discussion with schools about resource allocation will also need to cover ways of delivering the broader *Every Child Matters* agenda, including funding issues around joint working, school-cluster shared services and funding protocols. These will be the subject of a separate report.
- 2.3 Initially these research papers will be produced by staff from within Children's Services Finance and also external agents will need to be commissioned for the larger projects, particularly around the school costs of deprivation. These papers will be produced in conjunction with key stakeholders (primarily headteachers and governors) and will be scrutinised by the Schools Forum, acting as a critical friend. Recent legislation suggests that the Authority does not have to consult on these changes with each of its schools (only with the representatives on the Schools Forum). However, it is the view of officers and of Forum members that this would be a retrograde step and that the Authority should also consult all of its schools on any formula changes.
- 2.4 Elected Members would then be able to take an informed view of all proposals. It is recommended that it would be helpful if the Children, Young People and Families Overview and Scrutiny Committee first reviewed any recommendations. Then Cabinet would consider a summary of all proposed changes in autumn 2007.
- 2.5 School formulae must follow a basic set of criteria laid down by the DfES. The majority of the budget must be distributed by reference to pupil numbers. However, Authorities do have some scope to distribute resources by reference to indicators that are not directly pupil related (for example, to meet the cost of business rates). Authorities can choose the type of indicators to use to distribute resources and the amount to be distributed by these indicators. The main areas identified by the Schools Forum as areas for review are:
- Minimum Funding Guarantee
  - Small Schools
  - Class Size
  - Funding between Sectors
  - Sixth Form Funding Deduction
  - Deprivation
  - Special Measures.

2.6 Each of these areas is considered in more detail below.

### **3. Potential areas for review**

#### *Minimum Funding Guarantee (MFG)*

- 3.1 The Minimum Funding Guarantee (MFG) provides every school with a per pupil increase on their previous year's budget, which is designed to maintain budget stability by giving schools a predictable annual budget increase. However, in the view of officers, it also results in some perverse distribution patterns when schools with increasing pupil numbers (and hence increased budgets) can also receive additional protection. The anomalies that the funding review attempts to eradicate may be perpetuated by the MFG.
- 3.2 There is general consensus from the Schools Forum that, as long as a budget protection factor is incorporated into the formula, the implementation of MFG is an unnecessary complication to the system. Therefore, it has been requested that officers of the Local Authority explore the possibility of suspending use of the MFG in Warwickshire in order to simplify the formula. However, as some schools are supportive of the MFG we need to model the effect this would have on school budgets to ensure decision making is fully informed.

#### *Small schools / Class size*

- 3.3 There is a need for an analysis of the cost drivers in small rural schools, with an appraisal of whether the current funding methodology and in particular the use of a base allocation meets the minimum funding requirements for a small school.
- 3.4 Small schools are also inherently more expensive to run, in terms of costs per pupil, than larger schools. Their important function within small communities needs to be weighed with their high costs.
- 3.5 There is also a need for a critical analysis of the current local methodology for funding infant class sizes. When infant numbers exceed 30 a new class is required (usually necessitating the employment of an additional teacher). The review needs to include a critical comparison with approaches adopted by other authorities with a view to recommending a way forward.

#### *Funding between sectors*

- 3.6 National initiatives have differential cost impacts on school sectors (e.g. the introduction of Planning, Preparation and Assessment time and the expansion of vocational training have differential impacts in different sectors). Therefore, there is a case for reviewing the current funding proportions between the nursery, primary, secondary and special sectors within Warwickshire.
- 3.7 An analysis of the funding split between school sectors in Warwickshire could be compared with national trends. This could include an analysis of the

comparative numbers of schools heading for financial difficulties; the split of funding used by other local authorities; the cost of staffing both sectors; and the flexibility of schools to use this funding.

#### *Sixth form funding deduction*

- 3.8 The reason for this change in the formula is that the DfES have stated that the current situation used in the Warwickshire formula for sixth forms cannot continue. Currently, the Authority “claws back” elements of funding from 11 to 18 schools to avoid unnecessarily double funding certain costs through both the local formula and Learning & Skills Council funding. Therefore, the Authority needs to design an alternate methodology to meet the new DfES requirements, whilst simultaneously lobbying DfES to reverse this perverse policy decision.

#### *Deprivation*

- 3.9 The Authority is required to include a deprivation factor within its local schools formula. The DfES and HM Treasury are also looking closely at this issue. They expect Authorities to review the extent to which their local funding arrangements deliver resources to schools to cover the costs of deprivation in a way that best supports schools to close the gap in pupil outcomes.
- 3.10 This is usually a contentious area, but the key is to identify those primary cost drivers that schools in areas of high deprivation face. Within limited resources there is always a tension between the need for additional resources for those schools in deprived areas and the need for all schools to receive adequate funding to deliver a basic curriculum. Important areas raised by the Schools Forum for further analysis include the following:
- Should we be concentrating funding on just those schools in areas of greatest deprivation?
  - Should the overall level of deprivation funding be increased or reduced?
  - Is it possible to identify the additional school costs of educating pupils in deprived areas?
  - Is there a “critical mass” of deprived pupil numbers beyond which schools’ costs rise exponentially?
  - Can we relate inputs to improved outputs or outcomes for schools in deprived areas?
  - What is an equitable balance of funding between schools in deprived areas and those in other areas?

#### *Special measures*

- 3.11 The issue here is whether the Authority should have something in its local schools formula that reflects the additional costs associated with any school which goes into special measures. Current arrangements provide for specialist support for the school from the Authority, generally provided free of charge to

the school, but beyond that no additional funds are distributed via the formula to assist the school. The Schools Forum is of the view that current arrangements for providing funds for schools in special measures should continue and that it should not be incorporated into the formula.

#### **4. Conclusion**

The DfES decision to limit the scope by which Authorities may review their local schools formula places greater emphasis on the process for reviewing and improving the formula. Cabinet is asked to:

- approve the suggested process in Section 2 of this report, so that the Authority's local school formula can be systematically analysed and reviewed and any recommendation for change can be considered by Cabinet in time for implementation in 2008/09.
- comment on the suggested areas for analysis outlined in Section 3 and suggest any further areas that they may want officers, in conjunction with the Schools Forum, to review.
- remit the monitoring of progress on the review to the Children, Young People and Families Overview and Scrutiny Committee.

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23<sup>rd</sup> August 2006