

DIRECTORATE OF CHILDREN'S SERVICES

Summary Report of Proposed Changes to the Resource Allocation Formula for Mainstream Schools

Purpose of Report

1. To provide a summary report of the proposed changes to the Resource Allocation Formula for Schools Consultation.
2. To provide recommendations for the Interim Director of Children's Services to consider.

Background

3. The consultation period ended 9 January 2009 regarding proposed changes affecting five areas of the Resource Allocation Formula for School's delegated budgets. The proposed date for implementation is 1 April 2009.
4. In summary the recommendations are as follows:

a) **Small Schools Protection**

To adopt the proposal outlined in the consultation document which redefines the criteria for a small school.

b) **Deprivation Funding**

To adopt Option 2 of the proposal outlined in the consultation document which changes the current methodology based on Free School Meals (FSM) to one based on postcode data weighted by Super Output Areas (SOAs).

c) **Class Size Supplement**

To adopt the proposal outlined in the consultation document where funding for schools operating with class sizes above the Government maximum stipulated be withdrawn.

d) **Changing Schools**

To adopt the proposal outlined in the consultation document which will no longer fund increases in planned admission numbers for newly eligible schools.

e) **Redistribution of funding released from the above proposals**

To adopt the proposal outlined in the consultation document to distribute funding released from the above changes via the revised deprivation methodology.

Summary of All Responses

5. A total of 15 responses were received and a summary of these is given below in Table 1. The responses were generally in favour of the proposals with implementation phased over a two year period.

Table 1 – Total Consultation Responses

Primary Schools	9
Secondary schools	2
Governors	1
Other	3
TOTAL	15

6. Further detail of the proposals and responses are given below in paragraphs 7 to 11.

7. **Small Schools Protection (SSP) – Proposal**

- a) Evidence indicates that small schools are less cost effective and this formula factor no longer targets funding to schools that meet the DCSF definition of a small school.
- b) Funding for 2008/09 Small Schools Protection was £0.682m
- c) From April 2009 the small school protection funding for secondary schools will cease completely and the funding for primary schools will be made available only as a lump sum to those schools with 189 or less pupils on roll at January School Census date. Implementation will be phased over a two year period (2009/10 and 2010/11), schools that received SSP in 2008/09 will be protected at 50% of the 2008/09 rate for 2009/10.

Table 2 - Outcomes Small Schools Protection (SSP)

<u>Proposal</u>	<u>Yes</u>	<u>No</u>	<u>Not stated</u>
Withdraw funding for Small Schools Protection	6	4	5
Phased implementation over 2 year period	7	4	4

Comments Small Schools Protection (SSP)

- d) **Yes** – *“marginal impact on existing “small” primary schools, loss of funding for secondary schools is relatively small compared to their budget”*
- e) **No** – *“Schools will have to adjust staffing structures which will impact on standards”*
- *“OSH secondary school still by definition a small school which does not benefit from economies of scale afforded to other schools.”*
 - *“propose phased implementation over a 3 year period”*

Recommendation Small Schools Protection (SSP)

- f) To adopt the proposal outlined in the consultation document.
- g) To withdraw the funding for Small Schools Protection, over a two year period 2009/10 & 2010/11 for the following reasons:
- A two year phased implementation aligns the formula funding with the current multi year funding period set by the Central Government.
 - Schools adversely affected will receive protection afforded under the operation of the Minimum Funding Guarantee (which ensures a 2.1% per pupil increase for 2009/10) and a two year phased implementation period.
 - The proposals have been formulated by Headteachers Consultative Forum -Budget Working Group (HTCF-BWG) as a representative group of headteachers, this has been endorsed by consultation responses received.

8. Socio Economic Need (funding for Deprivation) – Proposal

- a) It is a requirement of the DCSF that all Local Education Authorities review their arrangements for deprivation funding before 2010 and make amendments where necessary to ensure that funding is equitably directed and effectively utilised towards closing the attainment gap attributable to social deprivation.
- b) Funding for 2008/09 for Socio Economic Need was £2.269m.
- c) From April 2009 it is proposed to change the existing methodology which is currently based on a weighted three year average of free school meal numbers, to one based on the Index of Multiple Deprivation factors (IMD). The IMD identifies postcodes for individual pupils in schools and the proposal is to direct funding to those in the 20% most deprived areas. The IMD is widely considered to be a more accurate reflection of deprivation within the Borough. Implementation is proposed over a two year period (2009/10 and 2010/11).

Table 3 - Outcomes Socio Economic Need (funding for Deprivation)

<u>Proposal</u>	<u>Option 1 (unweighted)</u>	<u>Option 2 (weighted)</u>	<u>Not stated</u>
Preferred Option for changing methodology of distribution of Deprivation Funding	4	4	7
Phased implementation over 2 year period	6	2	7

Comments Socio Economic Need (funding for Deprivation)

- d) **Yes** – *“whilst there will be winners and losers this has to be an open and fairer system based on the actual levels of deprivation supported by evidence”*
“it needs monitoring in terms of value for money i.e. are schools putting funds into effective strategies or not ?”
“ the funding net would be spread wider with the funding ultimately reaching a greater number of children from identified deprived areas”
- e) **No** – *“the weighted option does not go far enough....there should be additional bands to recognise the differences in schools that are in very poor areas of deprivation”*
“this should include the top 30% of children on a sliding scale”
“the cut in funding would have to be phased as there would be redundancies /job losses to meet the required cut”

Recommendation Socio Economic Need (funding for Deprivation)

- f) To adopt the Option 2 as outlined in the consultation document. (HTCF-BWG made no recommendations for either option).
- g) Option 2 distributes funding for deprivation to pupils from the 20% most deprived Super Output Areas. The following reasons support this recommendation:
- An additional weighting is applied in favour of the 10% most deprived areas. This option is in recognition of the differences in schools that are in very poor areas of deprivation rather than funding the 20% most deprived Super Output Areas equally.
 - Those schools adversely affected will receive protection (2.1% increase per pupil for 2009/10) under the terms of the Minimum Funding Guarantee and a two year phased implementation which is aligned with the current multi year funding period.
 - It was agreed at HTCF-BWG that to increase funding across the 30% most deprived areas would dilute the funding excessively, thereby making it's application less effective. However if the amount of funding

targeted to deprivation increases in future years then this will be reviewed at that point.

- A two year phased implementation aligns the formula funding with the current multi year funding period set by the Central Government and offers schools transitional protection.
- The proposals have been formulated by HTCF-BWG as a representative group of headteachers.

9. Class Size Supplement (CSS) – Proposal

- a) This formula factor was introduced in 2003/04 as an interim arrangement for schools to address staffing structures to enable compliance with government legislation restricting class sizes to a maximum of 30 for both Reception and Key Stage One.
- b) Funding for 2008/09 for CSS was £0.438m.
- c) From April 2009 it is proposed that the funding for Class Size Supplement will cease for newly eligible schools. Schools that currently receive funding for CSS and continue to be eligible in 2009/10 will be funded at 50% of the current rate. Funding will cease for all schools from April 2010.
- d) This funding is not protected under the terms of the Minimum Funding Guarantee so that phased implementation is the only protection afforded to schools that are adversely affected.

Table 4 - Outcomes Class Size Supplement (CSS)

<u>Proposal</u>	<u>Yes</u>	<u>No</u>	<u>Not stated</u>
Withdraw funding for Class size Supplement	9	2	4
Phased implementation over 2 year period	7	3	5

Comments Class Size Supplement (CSS)

- e) **Yes** – *“phasing would have to be implemented to enable us to manage class reorganisations”*
- f) **No** – *“while admission numbers are set between 30 - 60 etc allowances should be made to enable non-mixed age groups”*

“This will further cut our budget when we are trying to support small class sizes and not vertically group year groups of children. Large vertical grouped classes at Wrens Nest will have a significant negative impact on standards”

Recommendation Class Size Supplement (CSS)

- g) To adopt the proposal outlined in the consultation document.
- h) Funding for Class Size Supplement will be withdrawn over a two year period for the following reasons:
 - A two year phased implementation aligns the formula funding with the current multi year funding period set by the Central Government and offers schools transitional protection.
 - The proposals have been formulated by HTCF-BWG as a representative group of headteachers, this has been endorsed by consultation responses received.

10. Changing Schools

- a) Following changes to the DCSF Finance Regulations in 2006, which precluded ‘in year’ pupil adjustments, this factor was introduced as an interim arrangement to accommodate previously approved increases in Published Admission Numbers for Dudley schools.
- b) Funding for 2008/09 for Changing Schools was £0.091m.
- c) From April 2009 those schools currently receiving funding will continue to do so as approved by Schools Forum. Funding for PAN increases is currently allocated for each of the five years until each year group is complete; with 2010 being the final year group under this current arrangement. Further PAN increases after April 2009 will no longer receive mid-year funding through this formula factor.

Table 5 - Outcomes Changing Schools

<u>Proposal</u>	<u>Yes</u>	<u>No</u>	<u>Not stated</u>
Withdraw funding for newly eligible schools.	9	2	4

Comments Changing Schools

- d) **Yes** – *“relatively small amounts of money and only 3 schools affected. Small percentage of overall budget allocation”*
“this was always seen as an interim measure”
- e) **No** – *“the SOC and School Adjudicator approved the expansion of this school from September 2009.....this means that the school has to employ a new teacher and resources for these pupils without any additional financial resources, this will have a detrimental impact on teaching and learning of all students at Old Swinford Hospital School.*

Recommendation Changing Schools

- f) To adopt the proposal outlined in the consultation document.
- g) Funding for newly eligible schools under the changing schools formula factor is withdrawn from April 2009 for the following reasons:
- Funding will still be available for pupils, however, it will only be available from the beginning of the subsequent financial year.
 - The proposal has been formulated by HTCF-BWG as a representative group of headteachers which has been endorsed by consultation responses received.

11. Priorities for Re-distribution of Funding

- a) Any funds made available as a result of this proposed review of Dudley's Resource Allocation formula, which could be in the order of £1.04m will remain within the Individual Schools Budget (ISB) but be allocated to schools based on the revised Socio Economic Need formula and used to address pupil under attainment linked to deprivation.

Table 6 - Outcomes Priorities for Re-distribution of Funding

<u>Proposal</u>	<u>Yes</u>	<u>No</u>	<u>Not stated</u>
To re-distribute funding released from the above proposals via the deprivation factor.	7	4	4

Comments Priorities for Re-distribution of Funding

- b) **Yes** – *“this is essential to meet government targets”*
“providing the socio economic need formula is adjusted to enable differentiation to recognise the impact of very high levels of poverty”

- c) **No** – “ *All schools have issues on all levels. The dynamics of schools are changing as the population changes . It needs to be fair. It also needs to be recognised that children travel to ”leafy” Band 1 schools from deprived areas....”*
“*Small schools in better areas still need to be better resourced. Band 1 schools can only remain in Band 1 if they have the staff/resources.*”

Recommendation Priorities for Re-distribution of Funding

- d) In the light of reasons given stated within this report and the consultation responses received DPT are asked to approve the proposed changes to the Resource Allocation Formula for Schools as outlined in the consultation document.
- e) If the proposed changes are approved and implemented, funding released will be redistributed from April 2009 via the deprivation funding formula factor. It is estimated that the value will be approx £0.5m for each financial year 2009/10 and 2010/11. This will go part way to addressing the current shortfall on our DSG deprivation target of £4.4m.

12. Process for Approval

- Directorate Policy Team 10 February 2009.
- Headteachers Consultative Forum – Budget Working Group (HTCF – BWG) 23 February 2009.
- Schools Forum 24 February 2009 .
- Decision sheet signed by Cabinet Member after 24 February 2009.
- Week commencing 2 March 2009 – school’s indicative budgets issued for 2009/10.
- 31 March 2009 School’s final budgets and Section 52 budget statement issued.

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