

## **TELFORD & WREKIN COUNCIL**

**CABINET – 13 NOVEMBER 2014**

**REVISED SCHOOL FUNDING FORMULA 2015/16**

**REPORT OF THE ASSISTANT DIRECTOR: EDUCATION & CORPORATE PARENTING**

**LEAD CABINET MEMBER – COUNCILLOR PAUL WATLING**

### **PART A) – SUMMARY REPORT**

#### **1. SUMMARY OF MAIN PROPOSALS**

- 1.1 From April 2013, a new funding formula has been in place for Telford & Wrekin mainstream schools, which meets the requirements of revised Department for Education (DfE) regulations. Each year we review the funding formula for schools in the context of any revisions to DfE regulations or any other relevant developments.
- 1.2 The most significant change for 2015/16 is an increase in the amount of Dedicated Schools Grant (DSG) for Telford and Wrekin pupils in mainstream schools, increasing from £4,367 per pupil to £4,428 pupil. Like for like (i.e. ignoring any change in pupil numbers) this will deliver £1.3m of additional DSG funding to T&W. This arises as a result of the DfE adopting a 'minimum funding levels' methodology to ensure that each Local Authority has sufficient funding to fund its schools at minimum levels. 152 local authorities fund schools and T&W is one of 69 to receive an increase.
- 1.3 Following consultation with the Schools Forum it is proposed to utilise the additional funds as follows:
  - £1m to be used to remove the cap on increases in individual school funding per pupil. This will enable the new funding formula to take effect more quickly. Any remaining funding will be used to increase the basic per pupil funding rates.
  - £300,000 to be used to support 'High Needs' education budgets. The High Needs part of the overall school budget is facing considerable pressure due to an upward trend in the demand for High Needs resources (for example special school places and out of area provision).
- 1.4 The revised funding formula has to be submitted to the Education Funding Agency (EFA), a DfE agency, by 31 October 2014. Telford & Wrekin's formula will be submitted (as is allowed) subject to cabinet approval on 13 November 2014.
- 1.5 This report seeks Cabinet approval for the proposed funding formula for Telford & Wrekin mainstream schools.

#### **2. RECOMMENDATION**

- 2.1 **That the revisions to the funding formula for Telford & Wrekin mainstream schools be approved.**

## **SUMMARY IMPACT ASSESSMENT**

<b>COMMUNITY IMPACT</b>	Do these proposals contribute to specific Co-operative Council priority objective(s)?	
	Yes	By ensuring that as far as is possible schools receive fair funding for their pupils, this supports the objective to Improve local people's prospects through education and skills training.
	Will the proposals impact on specific groups of people?	
	Yes	Children, young people, parents and the wider community served by schools
<b>TARGET COMPLETION/DELIVERY DATE</b>	The revised funding formula will take effect from 1 April 2015 for maintained schools and from 1 September 2015 for academies. Details of the formula have to be provided to the EFA by 31 October 2014, but ours will be submitted (as is allowed) on the basis of being 'subject to Cabinet approval.'	
<b>FINANCIAL/VALUE FOR MONEY IMPACT</b>	Yes	As there has been an increase in T&W funding, it has been possible to move more rapidly to the full implementation of the new funding formula, introduced in 2013/14 and modified in 2014/15. This is achieved by removing the cap on increases to individual schools. Any schools with reductions in funding per pupil continue to be protected by the national Minimum Funding Guarantee (MFG) for schools which means that no school's funding can reduce by more than 1.5% per pupil, per year.
<b>LEGAL ISSUES</b>	Yes	The revised arrangements have to comply with the School Finance Regulations.
<b>OTHER IMPACTS, RISKS &amp; OPPORTUNITIES</b>	No	
<b>IMPACT ON SPECIFIC WARDS</b>	Yes	The revised funding formula will affect all schools in T&W, including academies, with the exception of nursery schools, special schools and independent schools and so will impact upon all Wards across the Borough.

## **PART B) – ADDITIONAL INFORMATION**

### **4 NATIONAL CONTEXT AND CHANGES TO DFE REGULATIONS**

- 4.1 The DfE required Local Authorities to implement a simpler funding formula for schools from April 2013. These changes were described by the DfE as the first stage towards a planned national funding formula for schools. However, at present, the local funding formula for schools continues to determine how much of the total funding received by T&W is allocated to each individual school.
- 4.2 Following on from some changes in 2014/15, the DfE have generally made only minor changes to school funding regulations for 2015/16. The exception has been the introduction of Minimum Funding Levels for LAs. These have been calculated by attaching sums of money to the main school formula funding factors and topping up LAs that would not be able to deliver these sums from their existing level of per pupil funding. 69 of the 152 relevant English LAs received increases as a result of this process, the largest being 11.5%. T&W's increase is 1.6% reducing to a net figure of 1.4% once the DfE's top-slice from all LAs for carbon reduction commitment charges is accounted for. The net gain arising from this is approximately £1.3m.
- 4.3 Adopting the principle of minimum funding levels has been a helpful DfE policy for T&W, and whilst the increase in funding it has delivered is modest in percentage terms, it supports our view that in the context of the area's demographics, the previous formula model was not particularly generous to the area.

### **5 LOCAL CONTEXT AND PROPOSED FORMULA CHANGES**

#### **Removing the cap on per pupil increases for schools whilst continuing to protect schools with falling pupil numbers**

- 5.1 The most significant feature of changes to the local funding formula in 2014/15 was the decision to rebalance the funding between secondary and primary schools. DfE data showed that our existing formula produced one of the highest secondary to primary ratios, at around 1.48, i.e. secondary schools received on average 48% more funding per pupil than primary schools. The national average was around 1.30.
- 5.2 Part of the context of our local formula was declining pupil numbers in our secondary sector, resulting in some small and shrinking schools. The high secondary-primary ratio helped these schools to remain financially viable. However, a change in the regulations for 2014/15 enabled us to introduce a falling rolls fund, targeting additional resources at schools with falling rolls. With this in place Cabinet agreed to a new funding formula which would eventually bring the secondary to primary ratio below 1.40.
- 5.3 Progress towards this new formula is slowed by the need to comply with the DfE's MFG, which requires that no school's funding reduces by more than 1.5% per pupil in each year. In addition to slowing the pace of decreases in funding for some schools, the requirement to pay MFG to these schools made it unaffordable to deliver the full increase to schools that gained under the new formula. As a result, we applied a local cap, such that no school in 2014/15 received an increase in funding of more than 2.5% per pupil.

- 5.4 The increase in funding arising from Minimum Funding Levels enables us to remove this cap. This means that whilst schools that will receive lower funding under the new formula continue to receive MFG protection, schools that would receive higher funding can move to the new formula without adjustment from April 2015 (September 2015 for academies).
- 5.5 Whilst numbers in the secondary sector overall are stabilising, at present we still have some small, and in some cases shrinking, schools. With this in mind, the Schools Forum have again agreed to a falling rolls fund in 2015/16, offering additional protection for one year to schools (primary or secondary) with decreases in pupil numbers of more than 3%. To comply with DfE rules this can, however, only be awarded to schools with an Ofsted rating of 'Good' or 'Outstanding'.
- 5.6 In addition, in September 2015 Wrockwardine Wood and Sutherland are due to merge on a new school site at Oakengates, and Blessed Robert Johnson closes, to be replaced by a new school in Priorslee. These organisational changes arising from the Building Schools for the Future capital programme should also assist the secondary sector to stabilise financially.

### **Moving £300,000 from Schools Block to High Needs Block**

- 5.7 We have been able to remove the cap as described above using £1m of the estimated £1.3m additional funds delivered by the Minimum Funding Levels increase. We propose to use the remaining £300,000 to support the High Needs education sector, consisting predominantly of special schools and special units.
- 5.8 In recent years there has been substantial upwards pressure on costs in this area, with the increasing numbers of complex children leading to extended provision being developed, such as The Den at Haughton School, Queensway at HLC and the forthcoming move of the Bridge's post 16 provision to TCAT, freeing up space for the increasing numbers of pupils needing to access the Bridge's pre 16 provision.
- 5.9 In this context, in order to support the budgetary provision in 2015/16, we discussed with the Schools Forum utilising some of the increase in Schools Block DSG to support the High Needs sector. This specific proposal was discussed with the Forum as part of a package of measures for 2015/16 and future years, including the falling rolls fund and the removal of the cap, with the aim of achieving a consensus on the overall funding strategy for education. The Forum unanimously supported the approach that was proposed.

## **6. IMPACT ASSESSMENT – ADDITIONAL INFORMATION**

- 6.1 Any change to the distribution of funding for schools leads to some schools being allocated more funding, and some schools less, compared to the existing situation. However, the increase in funding in 2015/16 enables us pass on additional funds to some schools without detrimentally changing the funding formula for other schools. In the short term the impact of the changes per pupil is cushioned by the MFG. In addition, the top-slice described above mitigates for one year reductions in income associated with significant declines in pupil numbers.
- 6.2 Under current regulations, the formula can be reviewed and if desirable it can be amended each year. It will be kept under review in the context of local circumstances and further changes in government regulations.

**7. PREVIOUS MINUTES**

Minutes of the meeting of the Cabinet held on Thursday, 8th November, 2012 (concerning the 2013/14 funding formula for schools) and Thursday 14<sup>th</sup> November 2013 (concerning the 2014/15 funding formula).

**8. BACKGROUND PAPERS**

“Fairer schools funding: Arrangements for 2015/16” DfE, July 2014

T&W Schools Forum, Minutes and accompanying papers of meetings held on 23 May 2014 and 26 September 2014

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