



Walsall Council

Walsall Children's Services

Report to: Schools Forum

Date: 19 October 2010

Subject: Formula Review 2011-12

Contact: Julie Taylor (julie.taylor@walsallcs.serco.com)

Purpose of the re port: To inform the Schools Forum members of the potential impact/benefit of proposals affecting the budget share formula factors detailed in this report.

Recommendation: To note the content of the report and provide feedback on these initial proposals.

1. Introduction

- 1.1** The dedicated budget share formula applied to Individual Schools Budget was reviewed three years ago in preparation for the 2008-11 multi-year budget period.
- 1.2** The government has already announced that it intends to introduce a new national education funding system with effect from 1 April 2012. Therefore, local authorities can only plan school budgets for the 2011-12 financial year with any degree of confidence.
- 1.3** The scale and impact of national changes are still unknown, therefore any formula changes proposed for 2011-12 should be limited in number and impact, as any potential changes could be reversed in 2011-12.

2. Review of Formula Data

- 2.1** The current funding system allows for a mixture of fixed and variable data to be applied to formula factors over a three year budget period. However, April 2011 to March 2012 would have been the first year of the next three-year budget cycle, and therefore all formula data will be refreshed to reflect the latest position. In particular, free school meals data will be updated using January 2011 census returns.
- 2.2** No formula factors will be fixed for a period of more than one year, pending the outcome of the national formula review.

3. Formula Factors and Issues to be Considered for 2011-12.

3.1 Mainstreaming of Grants

- 3.1.1** It is expected that a number of grants will be mainstreamed into the Dedicated Schools Grant (DSG) in 2011-12, including the School Development Grant, School Standards Grant and Schools Standards Grant Personalisation.
- 3.1.2** Local authorities will have a choice either to formularise the former grant funding in full or in part, or they may use a formula factor that preserves previous grant allocations, in full or in part.
- 3.1.3** Formularisation of the grant funding in full will be problematic due to the lumpy distribution of the School Development Grant in particular. At this stage, the local authority is considering a number of options, but this work will not be progressed further until the outcome of the spending review on school funding is known.

3.2 Formula Factor Proposals for Change

Non-Domestic Rates Where a school receives a rating revaluation in-year and the rates bill increases the school is allocated additional budget from the school specific contingency to meet the additional costs. However, in the converse situation of a reduced NNDR bill, schools are allowed to retain the additional funding already allocated. In some cases, this represents a substantial sum.

It is proposed that all in-year NNDR changes are matched by corresponding budget adjustments.

Practical Learning Funds This funding is delegated in many authorities, but in Walsall it is retained as part of the central expenditure, then devolved to schools at the beginning of the financial year.

It is proposed that this funding is moved into the Individual Schools Budget and delegated to secondary schools via a separate formula factor for the 2011-12 financial year. The existing formula used to devolve the money would be used in the new formula factor that is a fixed sum per KS4 pupil.

Carbon Reduction Commitment In the first year of the scheme the potential financial penalty of circa £35k is insignificant in terms of the total Schools Budget.

It is proposed that should the local authority incur a penalty in year 1 of the scheme, this be met by top slicing the ISB and holding the funds in the central expenditure. To allocate any fine to individual schools would create a major exercise, the cost of which would outweigh the benefit.

There is a major risk in terms of calculation errors of 10% or greater which would incur a Council penalty of £1.8m. Obviously the Council takes this risk very seriously and is taking steps to prevent this.

Federations The proposed school funding regulations include the introduction of a formula factor to adjust budgets either to incentivise the setting up of federations or to recognise the savings being achieved by establishing federations that can then be recycled within the ISB.

It is proposed that in principle Walsall introduces such a factor to ensure that the maximum benefit is achieved from the resources available for the funding of its schools.

4. Summary

4.1 The Comprehensive Spending Review and the Schools White Paper will have a significant impact on the funding of schools. Further information will be brought to the Schools Forum regarding the local school budget share formulae as soon as practically possible.

