



# Walsall Council

## Walsall Children's Services

**Report to:** Schools Forum

**Date:** 18 January 2011

**Subject:** The School Funding Settlement 2011-12

**Contact:** Julie Taylor ([julie.taylor@walsallcs.serco.com](mailto:julie.taylor@walsallcs.serco.com))

**Purpose of the report:** To inform Schools Forum of the national School Funding Settlement for 2011-12 and highlight the local impact for Walsall schools.

**Recommendation:** To note and comment on the local authority's recommendations in respect of the proposed formula changes including those required to consolidate the former Standards Fund Grants within the Dedicated School Grant.

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## **1. Introduction**

- 1.1** The government announced the 2011-12 School Funding Settlement on 14 December 2010, the full details of which can be accessed at <http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsvenuefunding/settlement2012pupilpremium>
- 1.2** This report will provide the Schools Forum with a summary of the changes introduced through the settlement and the impact of those changes at a local level.
- 1.3** The two major changes introduced from 1 April 2011 are the introduction of the Pupil Premium as a separate specific grant, and the consolidation of eleven current Standards Fund Grants into the main school grant, the Dedicated Schools Grant (DSG). The School Forum Formula Working Group met on 11 January 2011 to go through the new funding system in detail. A further meeting will be held on the 18 January, prior to the meeting of the Schools Forum, to review the impact of the sub group's discussions and the further work undertaken by officers.
- 1.4** The final formula changes, agreed in consultation with the Forum, will be recommended to Cabinet for formal approval on 9 February 2011.

## **2. The Pupil Premium**

- 2.1** The Pupil Premium will be introduced from April 2011, paid to local authorities via a specific grant based on January 2011 census figures for deprived pupils in Reception through to Year 11. In the 2011-12 financial year, the premium will be paid to each pupil known to be eligible for Free School Meals (FSM) as at 20 January 2011. From 2012-2013 onwards the government are considering an extension of the coverage to pupils who have previously been known to be eligible for FSM.
- 2.2** The pupil premium has been set at £430 per deprived child in maintained schools and academies in the first year.
- 2.3** The premium will also be paid to deprived pupils in non-mainstream settings who are publicly funded:
- Special Schools
  - Non-maintained Special Schools
  - Independent Schools
  - Not in School
  - Hospital Schools
  - Pupil Referral Units
  - 14-15 Year Olds in Further Education Colleges
- 2.4** Children who have been looked after for more than six months will also attract the pupil premium from 2011-12.

- 2.5 Finally a reduced premium of £200 per pupil will be introduced for children whose parents are in the armed forces.
- 2.6 The pupil premium will be phased in over a four year period. A sum of £625m has been earmarked nationally for the premium in April 2011, but this is set to rise to £2.5bn by April 2015.
- 2.7 Attached at Appendix 1 is an exemplar pupil premium calculation for maintained Walsall schools based upon the FSM data recorded in the October 2010 census. This exemplar calculation excludes all premium allocations for looked after or service children, and the amounts for pupils in non-mainstream settings.
- 2.8 The pupil premium will be paid as additional money over and above the funding that will be received through the Dedicated Schools Grant which will include former Standards Fund Grants.
- 2.9 The pupil premium is not ring fenced at school level, however, schools will be accountable for how they use the premium in a number of ways
- New measures will be introduced in the performance tables that will capture the achievement of those pupils covered by the pupil premium
  - Schools will be required to publish online how they have used the premium to ensure that parents and others are made fully aware of the progress and attainment of pupils covered by the premium

### **3. The Dedicated Schools Grant (DSG) 2011-12**

- 3.1 The current methodology for allocating the DSG to local authorities, will continue for a further year in 2011-12, in order to avoid any undue turbulence at a time when the pupil premium is being introduced. For Walsall this means that the per pupil Guaranteed Funding Unit (GFU) will continue in 2011-12 at £4,371.33 which is the same cash sum as received for 2010-11.
- 3.2 The significant change to the DSG is the inclusion of a number of Standards Fund Grants, which will in future become part of every schools mainstream budget and used to meet the priorities of each school, whatever those are, as all grant criteria and conditions will cease to exist once the money is included within the delegated budget share. The transfer of these grants into the DSG equates to a further £759.94 per pupil being added to the core funding of £4,371.33 per pupil, to give a total GFU of £5,131.27 for 2011-12.
- 3.3 The local authority, in consultation with the Schools Forum, must determine how to distribute the former Standards Fund Grants, using criteria permitted within the School Finance Regulations.

3.4 The table below details the build up of the per pupil GFU for 2011-12

**Table 1**

Consolidation of Standards Fund Grants in the DSG (including Academy allocations)

DSG Element	Value of Grant Transfers £	Per Pupil £
2010-11 Guaranteed per pupil unit of funding in Dedicated Schools Grant		4,371.33
Transferred Standards Fund Grants (including Academies)		
<ul style="list-style-type: none"> <li>• School Standards Grant 7,390,584</li> <li>• School Standards Grant (Personalisation) 2,542,222</li> <li>• School Development Grant 10,843,780</li> <li>• Specialist Schools 2,550,630</li> <li>• High Performing Specialist Schools 210,000</li> <li>• School Lunch Grant 524,182</li> <li>• Ethnic Minority Achievement Grant 1,657,094</li> <li>• 1-2-1 Tuition 1,574,664</li> <li>• Extended Schools Sustainability 1,182,972</li> <li>• Extended Schools Disadvantage Subsidy 1,270,258</li> <li>• National Strategies Primary 1,391,365</li> <li>• National Strategies Secondary 693,590</li> <li>• Diplomas 60,119</li> </ul>		
Total of Grant Transfers	31,891,461	759.94
<b>Total Guaranteed Per Pupil Unit of Funding 2011-12</b>		<b>5,131.27</b>

3.5 The local authority met with the Schools Forum Formula Sub Group on the 11 January 2011 to consider the most appropriate methods of delegation of the former Standards Fund Grants through the local funding formulae in 2011-12.

3.6 The School Funding Settlement 2011-12 is a one year settlement only. The White Paper 'The Importance of Teaching' set out in general terms, plans for the future funding system. The government intend to work with partners in 2011 to develop a spring consultation document covering the merits of a clear, transparent and fair national funding system based upon the needs of pupils. The consultation will include future arrangements for funding early years provision, SEN and academies.

3.7 The Minimum Funding Guarantee (MFG) will continue in 2011-12 to ensure that no school has a cut in its budget of more than 1.5% per pupil before any pupil premium

is added. The Schools Forum is able to set a higher guarantee if this affordable within the Individual Schools Budget (ISB). However, it is recommended that the Walsall MFG be set at the DfE guide line of 98.5% to allow for some minor realignment within the allocation of transferred grants.

- 3.8** The School Finance Regulations will be amended to allow local authorities (LAs) to mainstream the specific grants consolidated within the DSG as follows:
- to allow LAs to use a formula factor which replicates part or all of the previous level of mainstreamed grants, either as cash amounts or using the grant methodology;
  - ensure that levels of mainstreamed grants are taken into account when applying the MFG;
  - allow the total of the mainstreamed grant allocations in 2010-11 to be added to the 2010-11 Schools Budget for each LA for the purpose of calculating the central expenditure; and
  - enable LAs to retain funding centrally within the DSG which supports schools in narrowing achievement gaps for under-performing ethnic groups and to meet the specific needs of the bi-lingual learners.
- 3.9** The DSG will be paid as a ring-fenced grant and will be subject to formal grant conditions, with a requirement to use the grant in support of the Schools Budget. There will be a provision for the Secretary of State to recover grant.
- 3.10** The recoupment methodology for adjusting DSG allocations for converting academies with predecessor schools will continue in 2011-12. New convertor academies will receive their delegated budget share, plus a proportion of the relevant sums included within the central expenditure limit of the DSG. The sum will then reduce the amount of DSG paid to the local authority.
- 4. Local Formula Implications**
- 4.1** The Schools Forum Formula Sub Group met on the 11 January 2011 to consider in detail the implication of mainstreaming the grants detailed in Table 1, paragraph 3.4, of the report. Each grant was considered in detail and suggestions made on allocation methods. Officers agreed to consolidate this work in order that the sub group could reconvene on 18 January to review the overall impact of the funding changes.
- 4.2** Following this initial meeting of the Working Group, clarification was sought from the Department of Education (DfE) regarding the operation of the Minimum Funding Guarantee (MFG) in 2011-12. It has been confirmed by the Department that the Schools Forum power to make exceptions to the MFG where less than 50% pupils are affected will be removed, with effect from 1 April 2011. However, further guidance was issued on the 14 January 2011 by the DfE which gave specific information regarding the technical operation of the MFG in 2011-12.

**4.3** A Schools Forum will have the power to approve some exception to the MFG as detailed below.

- A variation to the coverage of MFG as per exceptions included in the regulations which has been previously approved by the Schools Forum or Secretary of State with no specified time limit;
- A variation applied to implement the early years single funding formula only;
- A higher level of MFG than -1.5%; and
- A variation relating only to the diploma grant which has been paid to schools based on actual learner numbers, and the targeted elements of primary and secondary National Strategies grant, which were given to schools on a one year basis.

**4.4**

Table 2 below summarises the proposed distribution methodology for each grant within the DSG and compares this to the existing methodology.

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**Table 2 - DRAFT VERSION ONLY SUBJECT TO FURTHER DISCUSSIONS BY SCHOOL FUNDING SUB GROUP**

Grant	2010-11 Grant Distribution Methodology	2011-12 Proposed Methodology	Impact												
<p><b>School Standards Grant</b></p> <ul style="list-style-type: none"> <li>This grant has always included an MFG element and has favoured amalgamating schools by over inflating the amount per pupil</li> <li>This has resulted in a grant that has a wide range of per pupil funding, that is from £139 to £282 in mainstream schools</li> </ul>	<ul style="list-style-type: none"> <li>Nursery, Primary and Secondary £12,000 lump sum plus £120 per pupil, £130 per pupil (secondary only)</li> <li>Special schools £29,000 lump sum, plus £120 per pupil</li> <li>MFG protection</li> </ul>	<ul style="list-style-type: none"> <li>Nursery, Primary and Secondary £9,000 lump sum plus average £ per pupil across each sector</li> <li>Special schools £29,000 per pupil, plus average £ per pupil</li> </ul>	<ul style="list-style-type: none"> <li>The proposed methodology will flatten out the per pupil variances, but schools with higher funding levels have protection under the 98.5% per pupil MFG</li> </ul>												
<p><b>School Standards Grant (Personalisation)</b></p>	<ul style="list-style-type: none"> <li>Allocated to pupils of statutory school age using the formula below in mainstream schools.</li> </ul> <table border="0" data-bbox="748 1054 1077 1190"> <tr> <td>Pupil numbers</td> <td>15%</td> </tr> <tr> <td>Free School Meals</td> <td>38%</td> </tr> <tr> <td>Lower Prior Attainment</td> <td>47%</td> </tr> </table> <ul style="list-style-type: none"> <li>Special Schools receive a lump sum of £5,321</li> </ul>	Pupil numbers	15%	Free School Meals	38%	Lower Prior Attainment	47%	<ul style="list-style-type: none"> <li>The local authority has a personalisation factor within its budget share formulae which ..</li> </ul> <table border="0" data-bbox="1240 1054 1570 1190"> <tr> <td>Pupil numbers</td> <td>15%</td> </tr> <tr> <td>Free School Meals</td> <td>35%</td> </tr> <tr> <td>Lower Prior Attainment</td> <td>50%</td> </tr> </table>	Pupil numbers	15%	Free School Meals	35%	Lower Prior Attainment	50%	<ul style="list-style-type: none"> <li>Produces acceptable variation for all but a small number of schools who then be protected by MFG if they fell below the 98.5% safety net.</li> </ul>
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### School Development Grant

- This grant comprises a number of former individual grants many of which were distributed using Free School Meals as a measure of deprivation. There have been controls in place to prevent local authorities from eroding the deprivation elements within the total grant. In addition the former Excellence Cluster, Behaviour Improvement Partnership and Advanced Skills Teacher funding is included within this consolidated grant, which makes the per pupil funding across the schools very varied.
- The original grant allocations have been protected at a per pupil level in every school and inflated in line with the Minimum Funding Guarantee.
- This grant provides 30% of the grant funding to be transferred to the DSG. Any redistribution of the funding through an equalisation process is not possible because of the potential cost of the Minimum Funding Guarantee which will be set at the DfE base line of 98.5%.
- The funding for ASTs is included within DSG allocations. The AST programme is well established and effective in Walsall and it is recommended that this continues under the current arrangements.
- A new lump sum factor will be created to pay AST funding schools which can be adjusted should an AST leave Walsall or move to another school.
- A small sum of £10,000 will be retained within Central Expenditure Limit to manage the AST scheme.
- The remaining SDG grant will be allocated to schools using 2010-11 cash values.
- This proposed methodology is based upon the current grant methodology and is permitted within the new financial regulations
- There will be no financial turbulence using this methodology as it replicates the existing grant distribution methodology.



<p><b>School Development Grant – Specialist Schools Element</b></p> <ul style="list-style-type: none"> <li>Allocated to Secondary schools and two Special schools using a national formula for both main and second specialisms</li> </ul>	<ul style="list-style-type: none"> <li>£129 per pupil unto a maximum of £129,000 for first specialism</li> <li>£60 per pupil, with a minimum allocation of £60,000 and a maximum of £90,000</li> <li>An additional lump sum paid for some specialisms.</li> </ul>	<ul style="list-style-type: none"> <li>Retain existing methodology and protect the funding at individual school level, at 2010-11 cash levels.</li> <li>Special schools to be protected at same cash value as in 2010-11.</li> </ul>	<ul style="list-style-type: none"> <li>The funding is being protected at 2010-11 cash values, therefore there are no funding implications at school level.</li> </ul>
<p><b>School Development Grant – Post 16 LIG Transition (Deprivation)</b></p> <ul style="list-style-type: none"> <li>A historic grant that was mainstreamed into the School Development Grant</li> <li>The current grant regime has protected this funding for five secondary schools, amounts range from £71k to £148k per school</li> </ul>	<ul style="list-style-type: none"> <li>Protected at amount paid in the previous year minus 2.5%, if the tapering option is applied.</li> </ul>	<ul style="list-style-type: none"> <li>To retain existing grant methodology which allows the local authority to taper the grant funding by 2.5% per year</li> </ul>	<ul style="list-style-type: none"> <li>Minimal financial impact</li> <li>The schools will continue to receive the majority of additional funding</li> </ul>

<p><b>School Lunch Grant</b></p> <ul style="list-style-type: none"> <li>This grant was originally created to improve the quality of ingredients used in the preparation of meals</li> </ul>	<ul style="list-style-type: none"> <li>Free School Meal take up at January 2010 census date</li> </ul>	<ul style="list-style-type: none"> <li>Flat rate per pupil in each sector</li> <li>Add to the Age Weighted Pupil Unit Value in 2011-12</li> </ul>	<ul style="list-style-type: none"> <li>Minimal impact, only minor variances are created by a change in methodology</li> <li>To be identified as a memorandum item on the School Budget Statement for catering provider purposes</li> </ul>
<p><b>Ethnic Minority Achievement Grant</b></p>	<ul style="list-style-type: none"> <li>Allocated to a number of schools with under performing pupils across a range of ethnic groups, using a points based system</li> </ul>	<ul style="list-style-type: none"> <li>To maintain existing cash sums as awarded in 2010-11 but reduce to MFG level of 98.5%</li> </ul>	<ul style="list-style-type: none"> <li>Minimal impact, a refresh of data may have caused some turbulence</li> <li>Maximum reduction of approximately £2,000 in the secondary sector</li> </ul>
<p><b>1-2-1 Tuition Grant</b></p> <ul style="list-style-type: none"> <li>Grant created to provide additional support to under performing pupils in all schools that deliver education to statutory aged pupils</li> </ul>	<ul style="list-style-type: none"> <li>Based upon a maximum number of pupils in each school receiving additional support, the following lump sums were paid in 2010-11</li> </ul> <p>Primary £8,619</p>	<ul style="list-style-type: none"> <li>To distribute to mainstream schools via AWPU factor at a flat rate per pupil</li> <li>For Special schools the grant total will be used to increase all planned place values on an equitable basis</li> </ul>	<ul style="list-style-type: none"> <li>Minimal impact on mainstream schools in the context of their total funding</li> <li>Introduces an equitable and transparent funding methodology</li> <li>Minimal impact on</li> </ul>

	Secondary £22,483, plus £19,860 for national challenge schools		Special schools as the total grant allocated to all schools in 2010-11 was £44k
<b>Extended Schools Sustainability</b> <ul style="list-style-type: none"> <li>In Walsall this grant has always been distributed at cluster level, rather than school level</li> </ul>	<ul style="list-style-type: none"> <li>When disaggregated the cluster funding equates to £4,646 per school, plus £12.62 per pupil</li> </ul>	<ul style="list-style-type: none"> <li>£3,000 lump sum per school, plus average flat rate £ per pupil across each sector</li> </ul>	<ul style="list-style-type: none"> <li>A relatively small element of the total funding available to schools, therefore no significant financial movements.</li> </ul>
<b>Extended Schools Disadvantage Subsidy</b> <ul style="list-style-type: none"> <li>To provide pupils from socially disadvantaged backgrounds access to extra-curricular activities.</li> </ul>	<ul style="list-style-type: none"> <li>Schools providing statutory education received £121.11 per pupil eligible for Free School Meals, plus £50 per Looked After Child (LAC).</li> </ul>	<ul style="list-style-type: none"> <li>To continue with the 2010-11 methodology by paying a cash sum for each statutory aged pupil eligible for Free School Meals or a LAC</li> <li>The only change to be proposed is to increase the sum paid to a LAC the same cash sum as received for a Free School Meals pupil</li> <li>A new formula factor will need to be introduced to record and fund the schools for LAC.</li> </ul>	<ul style="list-style-type: none"> <li>No financial impact unless there is a significant increase in the number of children eligible for Free School Meals, as this may reduce the unit value per eligible child</li> </ul>

<p><b>Primary Strategy</b></p> <ul style="list-style-type: none"> <li>This is a national strategies grant covering a wide range of initiatives. Some grant elements are received by all schools and others by some schools only which are participating in specific time limited projects due to end in 2010-11.</li> </ul>	<ul style="list-style-type: none"> <li>A lump sum of £3,000 per infant school, £4,390 per junior school and £7,390 per primary school</li> <li>Supplemented by a range of additional funding for those schools participating in time limited projects</li> </ul>	<ul style="list-style-type: none"> <li>Retain the existing lump sums, and distribute the remaining grant on a per pupil basis across the mainstream schools</li> <li>For Special schools with primary aged children, create a new curriculum lump sum and distribute equitably to each school</li> </ul>	<ul style="list-style-type: none"> <li>Does create some movement. However, under the grant regime those changes would have happened, as some schools are currently working on the time limited projects, due to end.</li> <li>This proposal may be unaffordable under the MFG rule, therefore 2010-11 cash sums may need to be the basis of the allocation.</li> <li>There is minimal impact with variances of +/- £1,000 across the special schools. Replicates the lump sum element in the mainstream factor</li> </ul>
<p><b>Secondary Strategy</b></p> <ul style="list-style-type: none"> <li>A national strategies grant covering a number initiatives</li> </ul>	<ul style="list-style-type: none"> <li>A lump sum of £4,336 per secondary school, plus for mainstream schools a total of approximately £508,000 allocated on the basis of departure from 5 A* - C (inc English and Maths)</li> </ul>	<ul style="list-style-type: none"> <li>To maintain the existing methodology</li> <li>A new formula factor to be created</li> </ul>	<ul style="list-style-type: none"> <li>No financial impact due to methodology change</li> <li>Normal redistribution dependant upon the performance of schools</li> </ul>

<p><b>Diplomas</b></p> <ul style="list-style-type: none"><li>• Allocated to learners accessing diploma course</li></ul>	<ul style="list-style-type: none"><li>• An amount per pupil and weighted per diploma line</li></ul>	<ul style="list-style-type: none"><li>• To maintain the existing methodology as there are learners who are part way through programmes</li><li>• The 2011-12 allocation of £60,119 will be retained centrally and allocated to schools once learner information for 2011-12 is available</li></ul>	<ul style="list-style-type: none"><li>• No direct financial impact, unless the number of learners increase significantly as this would reduce the amount per learner, and schools would need to manage the shortfall</li></ul>
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- 4.4 Appendix 2 of the report summarises the impact of the proposed grant funding changes. However, there may be further changes to the methodologies applied following the discussions at the next School Forum Funding Sub Group. Verbal feedback from this meeting will be provided at the Forum meeting.

## 5. Other Formula Changes

- 5.1 The government has expressed a wish to limit financial turbulence for schools in 2011-12. A 98.5% Minimum Funding Guarantee will allow some limited movement to take place, but any major formula changes will need to be approved by the Secretary of State.
- 5.2 It would not be sensible to create significant financial turbulence for a one year period in the mainstream funding formula. The government may introduce further school level funding changes in April 2012, making it difficult for schools to plan ahead or operate efficiently.
- 5.3 One existing formula element that the School Forum has asked the local authority to review is the Free School Meals (FSM) factor. The current formula distributes funding on the basis of the take up of FSM. For those schools buying in the council's catering service the amount generated from this factor is returned to the council as part payment for the meals service.
- 5.4 A revised funding model has been produced which allocates FSM funding on the basis of the number of pupils eligible for FSM rather than the take up of FSM. For the majority of schools the financial impact of the change is small, but a handful of primary and secondary schools could generate some MFG protection.

The financial impact of this proposed change on the catering Direct Service Organisation is minimal as the small net gains and losses across the schools buying in this council service are balanced.

- 5.5 Any increase in the number of pupils eligible for FSM since the last refresh of formula data must be funded from within the total 2011-12 Individual Schools Budget (ISB).
- 5.6 It is recommended that for the 2011-12 the FSM factor within the Walsall school funding formula be amended to reflect FSM eligibility rather than FSM take up.

## 6. Other Budget Pressures

- 6.1 At the time of writing this report there are a number of potential budget pressures that may create additional budget pressures on the 2011-12 Schools Budget.
- YPLA allocations for post 16 provision in secondary schools, maintained special schools and non-maintained special schools are still unknown. It is expected that there will be a reduction in the YPLA allocations to schools and local authorities.

- Increase in the number of places to be provided in maintained special schools.
- Increase in the number of primary school places required in reception in September 2011.
- Impact of Central Expenditure Limit recouplement for new and converer academies, including the University Technical College opening in September 2011.
- Potential cost of the Carbon Reduction Commitment.
- Swimming pool proposals.

## **7. Summary of recommendations**

### **7.1**

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