

Schools Forum 3 October 2006

Report of the Director of Children's Services

Fair Funding Formula –Small Schools Protection

Purpose of Report

1. To advise Schools Forum of discussions held with Budget Working Group colleagues regarding one element of Dudley's LMS scheme and the distribution of funds to schools via the small schools protection.

Budget Working Group Discussed

2. Yes – 13 September 2006

Actions for Schools Forum

3. To approve the formula review process and recommend the establishment of a working group.

Attachments to Report

4. None

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Fair Funding Formula –Small Schools Protection

Purpose of Report

1. The Fair Funding Formula with regard to small schools protection does not match the current funding needs of Dudley schools. This report explains the background and why the current position should be changed.

Background

2. OFSTED published A Review of Primary Schools in England, 1994 – 1998 August 1999). Chapter 9 states

“For the purposes of this chapter, a "small school" is defined as one with up to 100 pupils; where the distinction is possible, these schools are split into "very small schools" with fewer than 50 pupils and "small schools" with between 51 and 100 pupils. Only pupils of statutory school age are included in these figures. There are about 2,700 small schools, of which about 700 are very small.”

A seminar organised by the National Small Schools Forum at the House of Commons (21 June 2006) reinforced this definition with the statement

“The generally accepted definition of small is up to about 100 pupils; below 50 is usually termed very small. About 10% of primary schools in the UK are therefore small or very small and most of these are of church foundation.”

3. The vast majority of small and very small schools are located in rural areas such as Norfolk.
4. The small schools protection formula is one of a number of factors used to distribute funds to mainstream schools in line with Dudley's Scheme of Fair Funding. The allocations within this formula are based on two elements.
5. The locally agreed funding scheme for schools has included an allocation of money described as small schools protection. In 2006/7 a total of £550k was

allocated through a formula set out in the Dudley Scheme of Fair Funding (see paragraph 7) to 24 primary schools (cost £500k) and one secondary school (cost £50k). This funding is effectively re-directed to small schools from the Age Weighted Pupil Unit funding which would otherwise be allocated to all schools.

6. The small schools protection formula is one of a number of formula factors used to distribute LMS funds to mainstream schools in line with Dudley's Scheme of Fair Funding; it comprises of two elements:

- Pupil Number Taper
- Teacher Employment Protection

7. Pupil Number Taper

Where a mainstream school has pupil numbers (as defined by the January PLASC data) within the 6 bands in the table below, then a budget allocation is made.

Pupil No.s (Nursery to Year 11 only)	£
Primary	
0-170	10,000
171-190	7,500
191-210	5,000
211-220	2,500
221+	0
Secondary	
0-500	50,000

8. Teacher Employment Protection (primary schools)
If a school employs 12 or less full time equivalent teaching staff, then it is eligible for funding equivalent to the difference in financial value between the average salary cost per for the school and the average cost per teacher for the primary sector, (as calculated by the LA).
9. In 2006/07, 14 schools received both protections, 6 schools received Teacher Employment Protection only (i.e. they had more than 221 pupils on roll at PLASC 2006), and 5 schools received the Pupil Taper only (school average teacher salary cost was less the aggregate average teacher salary cost of the primary sector).
10. At BWG meeting on 13 September 2006 the existing arrangements for funding small schools protection were considered. It was agreed unanimously that the current arrangements are not appropriate and that proposals for change should be developed. The concerns are set out in the Case for Change section of this report.

Case for change

11. The number of pupils of statutory school age (5 – 11) in Dudley primary schools in January 2006 was 23,671 a reduction of 414 pupils (primary) compared with January 2005. The annual live birth rate has fallen by almost 20% since 1990 and the number of applications for places in primary schools has fallen accordingly.

This trend will continue until at least 2010 as children requiring admission to primary schools are already born and recorded.

12. As a consequence of falling demand for places, the average size of primary schools in Dudley has fallen from 337 in January 1997 to 288 in January 2006. As the impact of falling birth rates continues to reduce the demand for places the average size of primary schools will continue to fall and a greater number would qualify each year for small schools protection. Conversely the degree of subsidy would be borne by a decreasing number of larger schools. This situation is perverse.
13. The lowest number of pupils aged 5 – 11 on roll in any Dudley primary school in January 2006 was 130. There are no primary schools in Dudley that would be considered a small school within the widely accepted definition set out in paragraph 2. It is illogical to have a formula element referred to as small schools protection.
14. The Primary Review Refresh Consultation 2004 agreed a framework of principles including commitment to the minimum number of 210 places (age 5 – 11) in primary schools. The small schools protection formula for primary schools has 5 bands based on pupil numbers set out in paragraph 7. Schools will automatically receive funding based on the number of pupils recorded in the January PLASC. The rationale for this banding is not consistent with the definition of small schools or the commitment to a minimum of 210 places.
15. Local Authorities are required to report annually to the DfES any primary schools with more than 25% surplus places. In January 2006 14 primary schools had surplus places ranging from 26.7% to 54.2%. Seven of these schools qualified for small schools protection and seven did not. The current arrangements provide little incentive for the smallest schools to address the financial impact of falling numbers and larger schools lose funding to those receiving small schools protection. Larger schools may experience much greater annual falls in pupil numbers but would not qualify for such funding.
16. Oldswinford Hospital School is the secondary school that receives small schools protection. As a state boarding school it is the financial position of the school is very different from other Dudley secondary schools and it is likely that the numbers on roll continue to be less than other schools.
17. The secondary threshold of 500 pupils or less may be triggered by at least two other secondary schools as the demand for places continues to impact on secondary school admissions. The consultation on Investing in the Future: Transforming Secondary Education is in progress includes consideration of the statement that the optimum size of secondary schools in Dudley should be between 900 and 1200 (11 – 16). In this context it is questionable whether there should be any small schools protection for secondary schools.
18. The small school protection funding is top sliced from the overall Schools Budget before allocation through the formula to individual school budgets. Every mainstream school in Dudley is in effect subsidising schools receiving this funding.
19. The total allocation to the small schools protection is determined annually on the methodology referred to in paragraph 6 -9. There appears to be very little consideration of targeting resources to greatest need.

Finance

20. The funding of schools is prescribed by the DfES through the School Finance (England) Regulations 2006.
21. The Dudley Scheme of Fair Funding requires that changes to the formula are subject to consultation.
22. From 1st April 2006, the Schools Budget is funded by a direct DfES grant: Dedicated School Grant (DSG).

Law

23. Councils' LMS Schemes are made under Section 48 of the School Standards and Framework Act 1998. The Education Acts 1996 and 2002 also have provisions relating to school funding.

Equality Impact

24. The Council's Equal Opportunities Policy is taken into account when considering the allocation of resources.

Recommendation

25. A working group is established from Schools Forum members with the support of officers to
 - Consider the minimum funding needs of schools with 210 places (age 5 – 11) and more than 25% surplus places e.g. 158 pupils or less
 - Consider the case for any additional funding for schools with more than 158 pupils including those with annual reductions in pupil numbers e.g. 500 pupils on roll but 5% drop from previous year
 - Consider the case for additional funding for small secondary schools
 - Report to Schools Forum with recommendations for improvements to the existing formula arrangements
26. The impact of any reductions in a school budget can have serious consequences for the quality of provision offered. Any changes should be phased over one or years to enable schools to manage the impact of those changes.



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