

# Denbighshire County Council

## Review of the Denbighshire School Funding Formula for Mainstream and Special Schools

2013-14



CYNGOR

*Sir Ddinbych*

*Denbighshire*

COUNTY COUNCIL

*For circulation to:*

- *Primary, Secondary and Special School Head Teachers*
- *School Business and Finance Managers*
- *Chairs of Governors Association*
- *Lifelong Learning Joint Consultative Committee*

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## 1. INTRODUCTION

The current Denbighshire Funding Formula has been in place since 1990 and whilst it has been through some small reviews and minor amendments it has not been subject to a fundamental review of its core purpose and context. The current formula reflected educational and resource policies at that time but we are now in a position where we have had several school reorganisations, a significant increase in funding delegation, a shift in responsibility for financial management from the Local Authority and an increased focus on the commissioning role within school. These factors are the driving force in us looking to create a new formula for the funding of our schools.

The Local Authority has already embraced the concept of delegation and worked hard to increase the funding in schools but it is been recognised that the formula is not fit for purpose and does not match this level of autonomy. It is lacking in educational rationale and no longer meets the current cost and needs of a 21<sup>st</sup> century school.

It has been agreed that a new formula will be constructed that takes away the complex nature of the process and makes the funding mechanism completely transparent, allowing schools to undertake more robust and timely medium term planning. We are keen to use this opportunity as a means of enhancing the transparency of the funding mechanisms, by providing fair and equitable allocations that will empower schools to make informed decisions about the longer term delivery of education. It is also important that this review embraces the 21<sup>st</sup> Century schools programme and supports the framework for school modernisation and re-organisation.

Over the past 2 years there has been a significant amount of work undertaken through the School Budget Forum, School Business and Finance Network and through the National ADEW Finance Group to look at both the delegation levels and the funding methodology within schools. This has raised a number of issues that affect both schools and the Local Authority but also provided triggers that have been used as the platform for the review. You will be aware that the recent implementation of the Building Capacity in Schools project was part of the building blocks to support schools in sustaining long term financial stability and re-focus Head Teacher time and expertise on the teaching and learning aspects of running a school. This resource will prove invaluable to schools through this process.

The Education Service has used the intelligence gathered during this time to prepare an outline plan of what an effective formula may look like. It is intended to encourage schools away from the mind set of “how much money have you given us to fund this” to a mind set of “how can we best utilise our resources to support the future needs of our school”. This demonstrates our commitment to giving schools the power to make decisions and to control their financial plans within their own priorities.

The future delegated funding arrangements for schools, with exceptions around grant funding, will provide schools with a single total budget. Governors and Head Teachers will then have the complete freedom and flexibility, within this total allocation, to choose how they deploy those resources within their own school. The Building Capacity in Schools model will support schools in doing this.

It is really important that the core principles of this review remain in the forefront of our minds to allow us to deliver it within the timescales needed. These are

- **Equity** – we want the formula to be understood and accepted by all stakeholders to ensure that it continues to be equitable and deliver the desired outcomes for children and young people
- **Simplicity** – we want the formula to empower schools to plan their budgets appropriately through simple to use formula that doesn't place heavy reliance on the need for information supplied from the Local Authority
- **Flexibility** – we want the formula to be responsive to internal and external factors so that the funding can work flexibly without the need to make fundamental changes when key drivers or priorities change
- **Stability and Sustainability** – we want the formula to support schools in maintaining financial stability by giving them a platform for effective planning and strong budget management.

The process will consist of 3 phases:

1. Communication – communicate with stakeholders on the pending review and outline the framework which will form the basis of the new formula (June 2012)

2. Consultation – consult with stakeholders on what the detailed formula could look like and undertake financial modelling to outline the changes (July 2012-Oct 2012)

3. Review – post implementation review of new formula (Sept 2013+)

At Phase 1 stakeholders are being asked to understand the framework for the new formula, at Phase 2 Stakeholders will then be able to review the impact of the changes on the individual school budget and feedback within the consultation timescales.

## 2. CONSIDERATIONS

All Local Authorities in Wales are required to meet a minimum delegation target of 80% by 2012-13 and 85% by 2014-15. The implications of this have to be considered within the context of this review and the changes within the formula need to be formulated in such a way that they can work flexibly around future increases/changes in delegation.

The total quantum always remains the same (unless there is additional growth added to the quantum each year) so whatever elements are added or removed from the formula simply just moves funding around within the total funding available. Therefore if you increase funding within one element then it simply reduces the amount against another. Schools should be mindful however that in 2011-12 the Education Minister for Wales enforced a minimum funding pledge which stipulated that all LA's must meet a 3 year funding guarantee for schools that would see the total delegated quantum increase by - 0.33%, 1.58% and 2.05% in 2011-12, 2012-13 and 2013-14 respectively. This means that the total pot will be adjusted within those guidelines within each of those years.

There is a national requirement for schools to move towards increased cluster working and the feasibility of aligning funding in this way will also be considered as part of the review.

Denbighshire does not currently enforce a policy for the claw back of surplus balances. This policy is to be reviewed following the implementation of the new formula as we should then be in a position to have confidence in the equity of the funding system.

The factors used within the formula must be consistent with the requirements of the [School Funding \(Wales\) Regulations 2010](#). Of particular note should be regulation 23 which requires 70% of the Individual School Budget to be delegated on a per pupil basis.

## 3. CURRENT FORMULA

Schools have the opportunity to familiarise themselves with Denbighshire's current funding methodology as shown in [Appendix 1](#), in order to understand the context of the current formula. It is important to note that this methodology is historic and may in some cases bear no resemblance to the reality of the cost of school life. It is intended to act as a means of supporting schools in understanding what is currently in place which will then support the transition over to a new and more effective funding formula. It is not an opportunity to comment on the failings of the previous system or what the implications to schools might have been under changes to the previous formula.

## 4. NEW FORMULA

The review process will focus on 2 main areas:

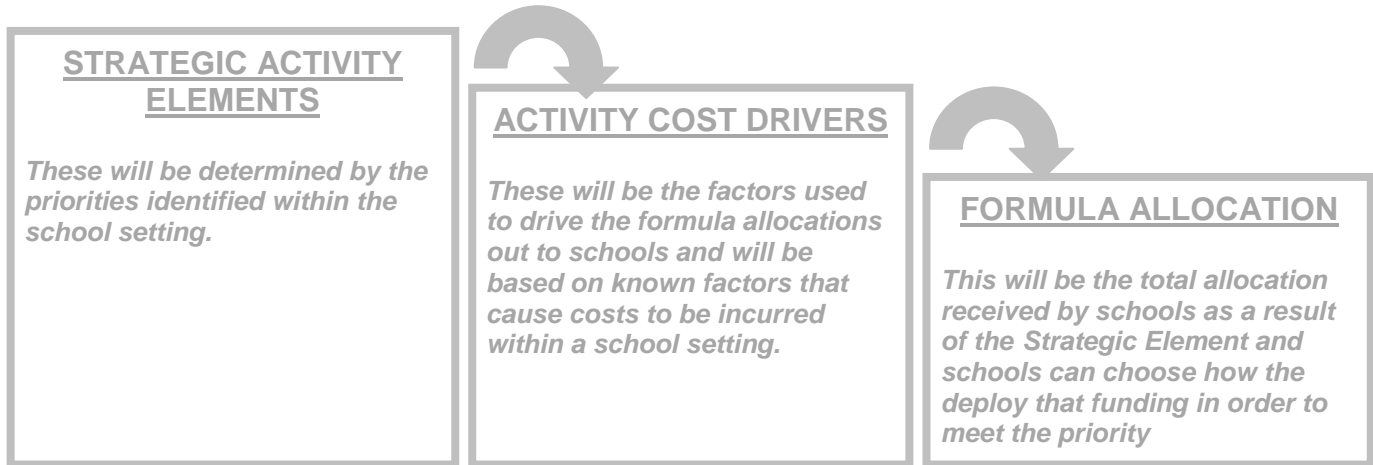
- 1) Combining the 3 current individual mainstream formulas for Primary, Secondary and Special into one mainstream formula;
- 2) Reducing the number of elements that exist within the formula to a small number of "Strategic Activity Elements" which will then focus more on "Activity Cost Drivers" rather than actual costs;

The timescales for completion are detailed in Section 5 and it is important that stakeholders focus on the core principles of this review rather than the impact on individual schools. There will be transitional arrangements in place to initially protect schools where significant changes will occur however the

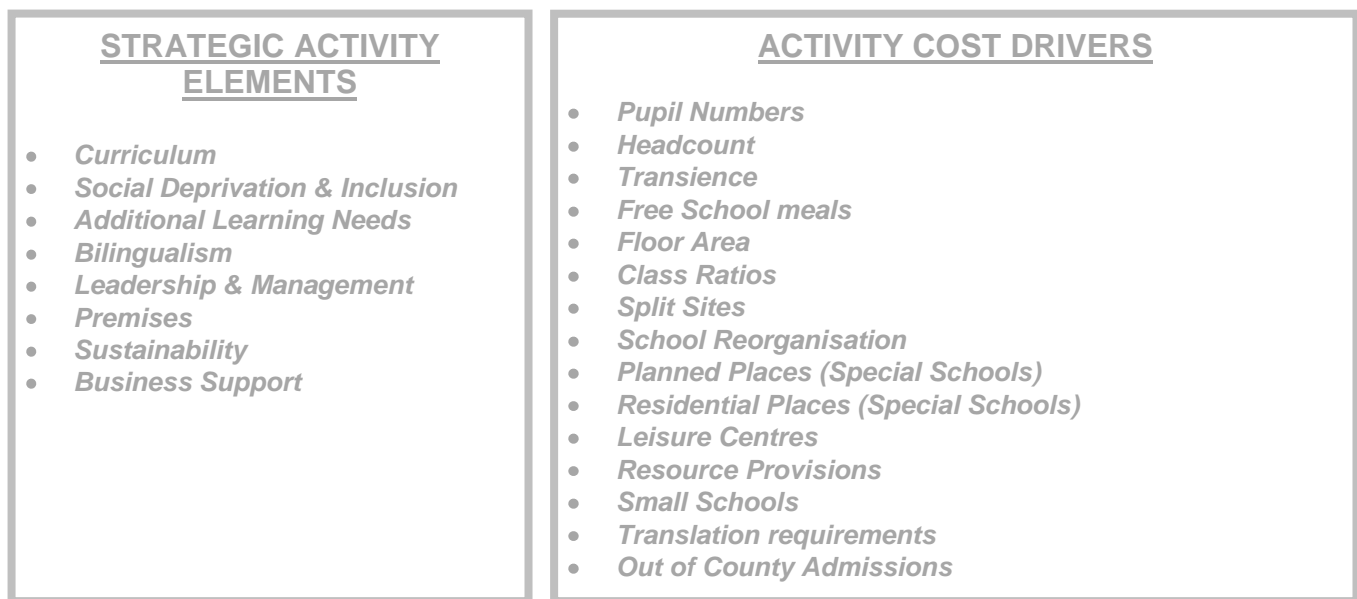
purpose of the review isn't to create winners and losers it is to create transparency, uniformity and equity of funding.

The new formula will consist of Strategic Activity Elements (SAE's) and Activity Cost Drivers (ACD's) as shown by illustration (1) below. Stakeholders are being asked to familiarise themselves with this framework in order to understand what the context of the new formula will be. Illustration 2 gives details on what the SAE's and ACD's could look like.

*Illustration (1)*



*Illustration (2)*



The Strategic Activity Elements are unlikely to change periodically however the Activity Cost Drivers should be reviewed annually to ensure they continue to support the SAE's as needed.

By the structuring the framework in this way it meets the purpose of keeping the formula both flexible and simple whilst providing reassurance that it is aligned to the needs of the pupil.

It is important that stakeholders focus on the key outcomes that these factors are set to achieve as opposed to the financial loss or gain that they may have on an individual school budget.

## 5. TRANSITIONAL ARRANGEMENTS

It is planned for the new formula to go live on April 1<sup>st</sup> 2013 with a 2 year protection guarantee built in for those schools that have been detrimentally affected by the changes. We will continue to support those schools wherever possible during the transitional period.

## 6. TIMESCALES FOR CONSULTATION AND REVIEW

Activity	Target Date	Comments
Electronic Communication document to be distributed to all stakeholders; Joint Consultative Committee, Head Teachers, Business & Finance Managers, Chairs of Governors	June 1 <sup>st</sup> 2012	Phase 1 of the review
Discuss outline framework with the Chair of Governors Forum	June 14 <sup>th</sup> 2012	
Discuss outline framework with the School Budget Forum	June 25 <sup>th</sup> 2012	
Discuss outline framework with the School Business and Finance Network	June 25 <sup>th</sup> 2012	
Discuss outline framework with the Joint Consultative Committee	July 4 <sup>th</sup> 2012	
Detailed financial modelling of the proposed Formula will be undertaken in partnership with School Finance Managers	June - August 2012	
Final consultation document (including detailed financial modelling) to be distributed to all stakeholders	1 <sup>st</sup> Sept 2012	
Discuss proposals with Scrutiny Committee	6th Sept 2012	
Discuss proposals with the School Budget Forum	12 <sup>th</sup> Sept 2012	
Discuss proposals with the Business & Finance Network	25 <sup>th</sup> Sept 2012	
Discuss proposals with the Chair of Governors Forum	tbc Sept 2012	
Discuss proposals with the Joint Consultative Committee	26 <sup>th</sup> Sept 2012	
<b>End of Consultation period</b>	<b>5<sup>th</sup> Oct 2012</b>	
Preparation of final Formula Document	5 <sup>th</sup> Oct – 23 <sup>rd</sup> Oct 2012	
Discuss final Formula Document with Business & Finance Network	23 <sup>rd</sup> Oct 2012	
Finance Managers to discuss impact of changes with Head Teachers and Finance Committee prior to School Budget Forum on 7 <sup>th</sup> Nov	23rd Oct 2012	

Discuss final Formula Document with the School Budget Forum	7 <sup>th</sup> Nov 2012	
Education Finance to work towards the finalisation of the 2013-14 indicative budgets	1 <sup>st</sup> Nov 2012 – 31 <sup>st</sup> Jan 2013	
Seek approval for the implementation of the new formula from Cabinet	18 <sup>th</sup> Dec 2012	
Final Formula Document to be sent to all Stakeholders.	30 <sup>th</sup> Dec 2012	
Final Indicative Formula Allocations for 2013-14 to be released to school	31 <sup>st</sup> Jan 2013	