

PAY PROGRESSION FUNDING 2008-09 to 2010-11

Report of the Director of Children, Schools and Families

Author: - Simon Pickard
Tel: - 01992 555736
Executive Member: - David Lloyd

1. Purpose

- 1.1 To seek members' approval for a series of measures to transfer the remaining elements of specific Pay Progression funding into school funding formulae in 2008-09. If approved, these proposals will form the basis of consultation with all schools during the autumn term 2007.

2. Background

- 2.1 With effect from April 2006, Pay Progression Grants in their original form ceased to exist. The DfES made clear their expectation that from 2008-09 all funding previously available for Pay Progression Grants should be distributed via the school funding formulae.
- 2.2 Following consultation with schools and with the approval of the Schools Forum, funding for UPS3 and Leadership progressions was transferred into the school funding formulae with effect from 2006-07. Similarly the funding for supply teacher progressions, and for UPS2 progressions in secondary schools, was transferred into the formulae with effect from 2007-08.
- 2.3 The remainder of the 2007-08 funding was retained by the Authority for distribution during the financial year as shown below:

£,000	ESCs	Nursery	Primary	Secondary & Middle	Special	Total
Threshold	124	54	4,021	6,706	535	11,440
UPS2	39	14	1,153	27	171	1,404
Total	137	62	5,042	6,816	672	12,844

- 2.4 The majority of the funding for Threshold progressions was devolved to schools at the start of 2007/08 alongside budget shares, based on the number of upper pay scale teachers employed at the school at PLASC date in January. For secondary schools, no resources were retained to make adjustments later in the year. For other schools, part of the Threshold budget was retained in order that claims for additional resources can be made where the number of upper pay scale teachers is higher at September than it was at January.
- 2.5 UPS2 funding for schools other than secondary schools will be based on claims during the autumn term.
- 2.6 Due to the timescale for finalising progressions, data from the autumn 2007 claims processes will not be available before the consultation with schools is published. Initial claims data should be available when the Forum discusses the outcome of the consultation process.
- 2.7 Information from other authorities indicates that they have already fully included all pay progression funding into their formulae based on the AWPU allowances with effect from 2007-08, except for some limited resources for new progressions which are in place for this year only.

3. Minimum Funding Guarantee

- 3.1 Transfer of the remaining pay progression funding into existing formula allowances could give rise to considerable turbulence in school budget shares, depending on the formula methodology adopted. The DfES have indicated that Pay Progression allocations must be included in the MFG calculation when the funding is transferred, therefore any “losers” from the transfer could receive protection from the MFG. This could give rise to significant protection allocations which would consequently reduce or eliminate any headroom.
- 3.2 In 2006-07 and in 2007-08 the Dedicated Schools Grant allocations provided significant headroom. Initial information about 2008-09 funding arrangements has been published by the government indicating that tighter funding settlements should be anticipated over the forthcoming three year funding period.
- 3.3 In order to minimise the use of headroom to provide MFG allocations, a key objective in making further transfers to the funding formulae should therefore be to keep funding turbulence as low as practicable.

4. Historic Progressions Data

- 4.1 At the meeting of 5 July 2006, Schools Forum requested an analysis which could show the rate of progressions through the threshold and on the upper pay scale on a sector basis in order to inform decisions about further transfers to the funding formulae.

- 4.2 The following table shows the distribution of teachers in mainstream schools over the major pay scales as at August 2004:

Pay Scale	School Type			Total
	Middle	Primary	Secondary	
AST		19	38	57
Leadership	16	724	251	991
Main Scale	50	1,881	1,123	3,054
Unqualified	6	168	244	418
Other			8	8
Upper Scale	65	1,464	1,347	2,876
Total	137	4,256	3,011	7,404

Upper Pay Scale	<u>53.7%</u>	<u>41.7%</u>	<u>49.5%</u>	<u>45.2%</u>
-----------------	--------------	--------------	--------------	--------------

The table shows that, at August 2004, almost 50% of classroom teachers in secondary schools had progressed past the threshold, whilst in primary schools almost 42% of classroom teachers had passed the threshold. Progressions in middle schools appear to more closely follow the secondary school pattern.

- 4.3 The table below summarises progressions past the threshold in primary, middle and secondary schools over the last three years:

	<u>Eligible to progress from</u> <u>Main Scale Point 6</u>			<u>Actual progressions to Upper Pay Scale 1</u>					
	Full Time	Part time	Total	Full Time	% of eligible	Part time	% of eligible	Total	% of eligible
2004									
Primary	319	341	660	101	31.7%	30	8.8%	131	19.8%
Middle	6	11	17	2	33.3%	5	45.5%	7	41.2%
Secondary	215	142	357	77	35.8%	11	7.7%	88	24.6%
Total	540	494	1034	180	33.3%	46	9.3%	226	21.9%
2005									
Primary	313	331	644	95	30.4%	41	12.4%	136	21.1%
Middle	8	9	17	3	37.5%	0	0.0%	3	17.6%
Secondary	214	121	335	85	39.7%	20	16.5%	105	31.3%
Total	535	461	996	183	34.2%	61	13.2%	244	24.5%
2006									
Primary	319	457	776	121	37.9%	40	8.8%	161	20.7%
Middle	6	13	19	3	50.0%	0	0.0%	3	15.8%
Secondary	215	206	421	123	57.2%	23	11.2%	146	34.7%
Total	540	676	1216	247	45.7%	63	9.3%	310	25.5%

The rate of progression past the threshold was greater in secondary schools than in primary schools in all three years, though the number of successful applications in 2006 was greater in all phases than in previous years.

- 4.4 A core of 373 teachers in mainstream schools were eligible to progress at each of 2004, 2005 and 2006 but either chose not to apply or were

unsuccessful. Of these 266 are primary school teachers and 107 are secondary or middle school teachers.

- 4.5 The annexe shows the number of teachers at each scale point of the main and upper pay scales at each September 2004, 2005 and 2006.
- 4.6 The data shows that more teachers progress past the threshold in secondary schools than in other schools. However, the number of upper pay scale teachers in each phase remained broadly unchanged from September 2005 to September 2006 indicating that an equilibrium is being approached. Since April 2007 there has been no provision for secondary schools to claim for in year changes to progression costs.

5. Threshold Funding

- 5.1 For 2007-08 all schools received an allocation of Threshold funding alongside school budget shares based on the number of upper pay scale teachers employed at the school on PLASC date. For secondary schools this was the only allocation of Threshold funding for the year. Only one secondary school has indicated that this has caused difficulty, due to the number of teachers paid on the upper pay scale doubling between January and September after the funding allocation was finalised.
- 5.2 It is therefore proposed to add a new Threshold Allowance to the funding formulae for all schools based on the method used to allocate the funding at the start of the financial year 2007-08. The allowance would recognise the number of upper pay scale teachers at each school recorded on form 618g at PLASC date. This is expected to minimise any turbulence on transferring Threshold funding into the formulae.
- 5.3 Funding for all other teacher costs is distributed through other formula factors such as AWPU, AEN allowances, and place values in special schools and units. In the long term, it is important that the formula allowances for all teaching costs are calculated consistently. The main pay scale and the upper pay scale together form a nine point scale on which the overwhelming majority of class teachers are paid. It is therefore proposed that in the long term, funding for class teachers should be provided through the AWPU, AEN and place values. The Threshold Allowance would therefore be gradually phased out.
- 5.4 In order to make a gradual transition, it is proposed that the Threshold Allowance should not be increased by inflation over the forthcoming three year funding period. Any funds not used to increase the Threshold Allowance would increase the AWPU values (and AEN and place values in special schools and special units in mainstream schools) above the level they would otherwise have been.
- 5.5 It is proposed that the formula allowance for Threshold Funding should be fixed at £3,000 per full time teacher for 2008-09 to 2010-11, which is

the same value as in 2007-08. From April 2008 no in year adjustments to the Threshold Allowance will be made.

- 5.6 Together these proposals would ensure that all Threshold funding is notified and allocated to the schools within school budget shares, and will provide a sound basis on which the likely funding for the additional two years of a multi year funding period can be estimated.

6. Transitional Issues

- 6.1 These proposals will continue to closely match funding to the actual Threshold costs and are not expected to cause significant turbulence in school funding. The school funding regulations require that pay progression allocations are included in the MFG calculation as the funding is transferred into school budget shares. It is not expected that the transfer of Threshold funding to school budget shares on this basis would trigger significant MFG allocations, however the MFG would tend to protect any school from a significant reduction in its Threshold allocation.
- 6.2 Whilst these proposals are not expected to cause significant turbulence for most schools, it is possible that a small number of schools may be adversely affected by a large proportion of staff passing the threshold during the financial year. As indicated in 5.1 above, one secondary school has indicated that its number of teachers paid on the upper pay scale is expected to double at September 2007 which will give rise to a significant unfunded cost. The school estimates that the impact will be approximately £23k based on a net increase of 13 teachers paid on the upper pay scale. In general, secondary schools have sufficient budgetary flexibility to manage such pressures in an individual year.
- 6.2 If a similar proportion of primary, special and nursery schools were to experience significant numbers of additional progressions past the threshold, this might imply that there would be about 6 of these schools with significant unfunded costs. Even if the proportion of schools impacted were greater than in the secondary phase, the absolute number of schools will not be high. Additionally, some of the schools impacted in this way may be amongst those schools which have significant unspent balances. It does not seem appropriate to set out a one off claims process which might cause a burden for a significant number of schools whilst only benefitting a relatively small number of schools.
- 6.3 Accordingly it is proposed that for 2008-09 only the specific contingency budget for schools in financial difficulty should be increased by £100k in order to enable partial reimbursement of significant unfunded Threshold costs in any primary, nursery or special school which is in financial difficulty. The Schools Forum will be asked to give specific approval for any resulting breach of the Central Expenditure Limit if this proposal is adopted after the autumn term consultation with schools.

7. UPS2 Funding

- 7.1 It is proposed that the £1.4 million resources identified for UPS2 progressions in schools other than secondary schools should be transferred into the formula from April 2008 on the same basis as UPS2 funding in secondary schools was transferred in 2007-08. The funding would therefore be transferred to the teaching components of the primary AWPU and AEN allocations, or place values in special schools and special units.
- 7.2 Transfer of UPS2 funding into the formula is expected to give rise to turbulence in funding. Modelling work indicates that the pattern of gains and losses would be as follows:

Gain / (Loss)	Band	School Type			Total
		Primary	Middle	Nursery	
Gain	£4k - £5k	1			1
	£3k - £4k	6			6
	£2k - £3k	39			39
	£1k - £2k	81	1		82
	£0 - £1k	89	1	6	96
Gain Total		216	2	6	224
Loss	- £0k - £1k	91	1	6	98
	- £1k - £2k	58		2	60
	- £3k - £4k	11	1		12
	- £2k - £3k	24	1	1	26
	- £4k - £5k	3	1		4
	- £5k - £6k	3			3
Loss Total		190	4	9	203
Total		406	6	15	427

As this proposal is effectively a revised method of distributing an unchanged total budget, the numbers of gains and of losses are broadly the same.

- 7.3 The Minimum Funding Guarantee will provide protection for those schools which could lose funding as a result of the transfer. The value of the MFG rate has not yet been announced, though initial information indicates it will be lower than in previous years. An estimate based on MFG allocations in prior years is that the impact would be of the order of £100,000 from any available headroom for 2008-09. The initial funding announcements for 2008-09 indicate this should be affordable.

8. Sixth Form

- 8.1 The LSC have yet to announce the future allocation of funding for pay progressions in sixth forms provision. Under current arrangements the LSC threshold funding is a block grant to the Authority, which is combined with threshold funding retained from Dedicated Schools Grant to be used as the source of funds for threshold allowances.

- 8.2 On the introduction of the Dedicated Schools Grant, it was indicated that the LSC funding for pay progression costs was expected to transfer into course funding in 2008-09. If this transfer is made, it will be necessary to make an appropriate adjustment to the funding provided through the Threshold Allowance to avoid double funding the sixth form element of pay progression costs.
- 8.3 The Authority considers that it would be impracticable to require all secondary schools to declare the proportion of their teachers who teach in the sixth form, therefore it is proposed that the Threshold Allowance should be included in calculation of the Sixth Form deduction (which is made to adjust for allowances funded by both the Hertfordshire secondary school formula and by the LSC). This would reduce the Threshold Allowance by the proportion of sixth form pupils to total pupils in secondary schools.
- 8.4 If the LSC continue to make a separate block grant in 2008-09 it will not be necessary to amend the Sixth Form deduction methodology.

9. Special Schools, Primary Support Bases and ESCs

- 9.1 A full review of the funding formulae for special schools will be discussed at this meeting. It is proposed that the review group should be able to bring forward alternative proposals for the allocation of the special school element of the pay progression budget totalling £672,000 should they wish to vary from the proposals set out in this report.
- 9.2 The funding formula for the Primary Support Bases is based on specific pay points for the teaching staff on the upper pay scale. A transfer of pay progression funding is proposed to provide the appropriate financial support within the funding formula for the Bases.
- 9.3 The budget allocations for Education Support Centres and KS4 Centres are not within the delegated schools budget, however they are based on a funding formula. It is proposed that the funding formula should be modified to incorporate the funding for pay progression costs in the formulae for the centres.

10. Conclusion

- 10.1 Together the proposals in this paper will ensure that all funding for pay progression costs is notified to schools within the school budget shares. A small contingency fund will be available to assist primary, special and nursery schools if they face financial difficulty on transition to the new arrangement.
- 10.2 Members are asked to approve the proposals set out in this paper for formal consultation with all schools during the autumn term 2007.

Teachers' Scale Points

Primary

SCALE	SCP	2004	2005	2006
MAIN	01	246.6	263.0	275.5
	02	258.3	262.4	272.3
	03	216.4	240.3	245.2
	04	228.8	197.3	213.4
	05	337.5	219.8	186.7
	06	483.5	640.2	616.7
MAIN		1,771.1	1,823.0	1,809.8
UPPER	01	456.4	407.1	435.7
	02	435.1	399.2	355.8
	03	373.4	462.5	448.2
UPPER		1,264.9	1,268.8	1,239.7
Total		3,036.0	3,091.8	3,049.6

Secondary

SCALE	SCP	2004	2005	2006
MAIN	01	129.4	122.5	138.3
	02	144.4	167.5	173.6
	03	169.8	151.7	188.2
	04	131.4	154.8	155.5
	05	223.3	127.1	158.7
	06	302.1	378.5	342.0
MAIN		1,100.4	1,102.1	1,156.4
UPPER	01	288.1	243.2	286.4
	02	285.8	251.1	226.2
	03	707.0	742.5	721.5
UPPER		1,280.9	1,236.8	1,234.0
Total		2,381.3	2,338.9	2,390.4

Special

SCALE	SCP	2004	2005	2006
MAIN	01	5.0	6.6	5.0
	02	2.0	9.5	10.5
	03	9.0	5.0	10.9
	04	11.6	11.9	8.6
	05	14.9	7.6	10.6
	06	43.6	50.3	43.6
MAIN		86.1	90.9	89.2
UPPER	01	34.9	39.7	42.2
	02	55.1	48.0	40.7
	03	79.5	87.5	90.2
UPPER		169.5	175.2	173.1
Total		255.6	266.1	262.3

Nursery

SCALE	SCP	2004	2005	2006
MAIN	01	-	0.6	-
	02	-	-	-
	03	2.0	-	1.0
	04	-	2.0	-
	05	0.3	-	1.0
	06	3.9	2.2	1.6
MAIN		6.2	4.8	3.6
UPPER	01	6.0	5.7	5.5
	02	5.7	7.1	5.4
	03	4.2	3.4	6.1
UPPER		15.9	16.2	17.0
Total		22.1	21.0	20.6

ESC

SCALE	SCP	2004	2005	2006
MAIN	01	0.3	-	-
	02	-	-	-
	03	-	-	-
	04	-	1.0	0.5
	05	-	1.0	2.0
	06	13.0	16.7	12.4
MAIN		13.3	18.7	14.9
UPPER	01	13.6	9.3	6.7
	02	4.2	8.7	13.0
	03	18.7	18.3	19.2
UPPER		36.5	36.3	38.9
Total		49.8	55.0	53.9

Notes

Tables are based on the effective date of pay changes using data available from the authority's payroll service as at May 2007. Any outstanding applications for threshold progression are therefore not included, though the indications are that most progressions are determined rapidly.

Numbers of teachers at each pay point are stated as whole time equivalents.