

WIRRAL COUNCIL

CABINET - 16 AUGUST 2007

REPORT OF THE DIRECTOR OF FINANCE

SCHOOL, EARLY YEARS AND 14-16 FUNDING 2008-11

1. EXECUTIVE SUMMARY

- 1.1. The Government has announced its decision on school, early years and 14-16 funding arrangements for 2008-11 following a period of consultation. This report summarises the key changes that will come into effect from 1 April 2008.

2 BACKGROUND

- 2.1 The consultation document (School, Early Years and 14-16 Funding 2008-11) set out proposed changes to school-funding arrangements, ready for the introduction of three-year budgets for all schools for 2008-11. It included options on the operation of the Dedicated Schools Grant (DSG) distribution; the future level of the Minimum Funding Guarantee; and funding for deprivation to local authorities and schools. It also sought views on the funding arrangements to support the delivery of two key education reforms:
- The extension to 15 hours of the free entitlement to early years education
 - The entitlement to Specialised Diplomas at Key Stage 4
- 2.2 The following paragraphs summarise the changes that are to be implemented. The Government intends to announce, in the autumn, the national school funding totals for 2008-11, three year funding allocations for individual local authorities and the level of the minimum funding guarantee for schools. A summary of the decisions announced on 25 June 2007 maybe downloaded from www.teachernet.gov.uk/management/schoolfunding/schoolfunding2008to11/. Further information on school funding may be found at www.teachernet.gov.uk/schoolfunding/. Full details in the form of a guide to the decisions is due to be published by the Government.
- 2.3 This report has been prepared in consultation with the Director of Children's Services.

3. DISTRIBUTION OF DEDICATED SCHOOLS GRANT (DSG)

- 3.1 The basic nature of DSG as a ring-fenced grant remains unchanged but greater flexibility will be introduced by way of school budget contributions being made to Every Child Matters outcomes. When DSG was introduced local authorities could combine a proportion of funding from the centrally retained part of the schools budget with funding from other budgets. This was

to help the achievement of Every Child Matters outcomes. At present local authorities must have the approval of the Schools Forum to any use of DSG in a combined services budget, and also demonstrate that the proposed service meets two criteria:

- The educational benefit test: the service being proposed should have educational benefits for pupils;
- The proportionality test: the contribution from the Schools budget to the service should be roughly equivalent to the educational benefit.

3.2 In the future the proportionality test will be abolished to make it easier for the Schools Forum and the Local Authority to approve contributions from the centrally retained Schools Budget which is DSG funded to local authority combined services to support Every Child Matters outcomes. The change that the Department for Children, Schools and Families (DCSF) (previously the Department for Education and Skills) is making should introduce greater flexibility to deliver the children's agenda.

3.3 The distribution of DSG for 2008-11 will continue to be by the current "**Spend plus**" methodology which gives all authorities a basic per pupil increase each year, with funding for DCSF priorities added on top. A full list of top ups will be announced in the autumn. A new formula is to be introduced from 2011 with a review to determine its operation to start soon.

3.4 The DCSF has examined the deprivation aspect of the formula for distributing DSG. It has decided that deprivation will be reflected through the use of child tax credit data.

3.5 The DCSF asked for views on whether DSG should be based on the number of pupils in January as now or whether a count taken in the previous autumn would be better. The pupil count date will remain as January but this may be reviewed in future.

3.6 The consultation examined the best way to fund academies, either through recoupment or a top slice of DSG. The funding for new academies opening from April 2008 onwards will be by the recoupment method. A transfer of DSG equal to the delegated budget for the school if it had continued as a maintained school will be made. The funding transfer for existing academies remains unchanged, based on the DSG unit of funding. The DCSF is to introduce a grant for Exceptional Circumstances e.g. a significant influx of pupils with specific needs in a year. The grant will be funded by a top slice from resources given to all authorities.

4. SCHOOL FUNDING 2008-11

4.1 The DCSF has announced a series of changes to the method by which schools obtain funding from the Local Authority. These are covered in the following paragraphs.

- 4.2 A simplification to the Central Expenditure Limit calculation. This limit restricts the year on year increase in the local authority centrally retained expenditure from the Schools Budget to the same percentage as the increase in the Individual Schools Budget. The new method for setting the Central Expenditure Limit will be based on a cash comparison between the increase in DSG for the year and the increase in the amount to be delegated to schools.
- 4.3 The Minimum Funding Guarantee (MFG) will continue to give schools a minimum increase in per pupil funding each year. The level of the MFG for the next 3 years will include anticipation that schools will make efficiency savings. The minimum funding guarantee makes sure that all schools receive a minimum increase in their funding per pupil from one year to the next. The calculation of MFG for schools with rising rolls will be brought into line with the calculation of schools with falling rolls. The Schools Forum will be able to agree variations to the MFG affecting 50% of pupils in an Authority rather than 20% of schools as is presently the case.
- 4.4 To enhance existing powers to claw back school revenue balances, Local Authorities will be required to levy schools in their area 5% of all surplus balances. The Authority and the Schools Forum will decide how this money will be reinvested.

5. SCHOOLS FORUM

- 5.1 The Schools Forum will be allowed to widen the membership of the Schools Forum to include early years providers and those from the 14-19 year partnerships. Other changes that the Local Authority may make are as follows:
- To consult a group of early years providers as early years funding arrangements are developed;
 - To be able to increase the limit on non-school members from one fifth to one third to encourage a more diverse membership;
 - Head teachers on the Schools Forum will be able to elect other members of their schools management team e.g. deputy heads and bursars to the Schools Forum. They may also be allowed to name substitutes.
- 5.2 The DCSF intends to conduct a wide review of the role of Schools Forums to examine how Forums should relate to the developing arrangements for Children's Trusts and the Every Child Matters agenda.

6. FUNDING OF DIPLOMAS AT KEY STAGE 4

- 6.1 The Authority will be funded through a specific grant rather than DSG. This reflects the anticipated staggered take up of entitlement to diplomas.
- 6.2 There are a number of methods of allocating funding from fully delegated to fully centralised by the Authority. It is proposed that this decision would be taken locally but that schools would have to continue their current funding

support. This local decision making approach is viewed as the best way of determining the allocation of funding.

- 6.3 It is proposed that charges for specialised diplomas could be based on a national rate plus specific uplifts for area costs and deprivation. This would be subject to local negotiation.

7. EARLY YEARS FUNDING REFORM

- 7.1 To support the extension to 15 hours of the free entitlement to early years education the Council will be required to develop and introduce a single local formula for funding early years provision in the maintained and PVI (Private, Voluntary and Independent) sector by 2010-11 at the latest.
- 7.2 All local authorities from 2009-10 will have to have in place a consistent pupil count in maintained and PVI settings on the same basis for funding purposes.
- 7.3 Authorities are required in the short term to analyse PVI costs in their area and discuss with their Schools Forum before setting 2008-11 budgets.

8. SPECIFIC GRANTS

- 8.1 The Schools Standards Grant (SSG) is being retained so that funding can respond to DCSF priorities. The SSG for personalisation will continue to be a separate grant. DSG and SSG are therefore to remain separate.
- 8.2 The Local Authority will in future have greater local flexibility over allocation of School Development Grant (SDG) to allow distribution that may reflect recent data on deprivation in its area.

9 FINANCIAL IMPLICATIONS

- 9.1 These, where known, are indicated in the report, but detailed financial implications will only become known when a full technical guide to funding arrangements is published by the DCSF. Changes will be the subject of further reports to Members and the Schools Forum.

10 STAFFING IMPLICATIONS

- 10.1 There are none arising from this report.

11. EQUAL OPPORTUNITIES IMPLICATIONS

- 11.1 There are none arising from this report.

12 LOCAL AGENDA 21 IMPLICATIONS

- 12.1 There are none arising from this report.

13. PLANNING IMPLICATIONS

13.1 There are none arising from this report.

14. COMMUNITY SAFETY IMPLICATIONS

14.1 There are none arising from this report.

15. HUMAN RIGHTS IMPLICATIONS

15.1 There are none arising from this report.

16. LOCAL MEMBER SUPPORT IMPLICATIONS

16.1. There are none arising from this report.

17 BACKGROUND PAPERS

17.1 Consultation on School, Early Years and 14-16 Funding 2008-11 Department for Education and Skills – March 2007
School, Early Years and 14-16 Funding Arrangements 2008-11 Summary of Decisions announced on 25 June 2007 Department for Children, Schools and Families

18 RECOMMENDATIONS

That

- (1) the revised funding arrangements be noted; and
- (2) the revised funding arrangements be taken into account when agreeing the budget for 2008-09.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/175/07