

WIRRAL COUNCIL

CABINET

21 FEBRUARY 2011

SUBJECT	SCHOOLS BUDGET 2011/12
WARD/S AFFECTED	ALL
REPORT OF	INTERIM DIRECTOR OF CHILDREN'S SERVICES
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR SHEILA CLARKE
KEY DECISION	YES

1.0 EXECUTIVE SUMMARY

This report recommends the approval of a Schools Budget for 2011/12 of £229,403,700. The budget requires a number of changes to the local management of school funding formula and a new Early Years Single Funding Formula. Reports on these areas were presented to the Schools Forum on 25 January 2011. The resolutions are attached as Appendix 1. The Schools Forum reports are available on the Council's intranet.

2.0 RECOMMENDATION/S

2.1 Taking account of the views of the Schools Forum that:

- The Schools Budget is approved at the sum of £229,403,700.
- The DSG reserve of £742,025 is used to meet backdated harmonisation costs in schools.
- The Excess Balance Reserve of £136,934 is also used for this purpose.
- The increase in contributions to combined budgets including Harmonisation back pay £450,000, Local Children's Safeguarding Board £6,000, School Sports Partnership £25,000 and Discretionary Rate Relief £270,000 are noted.
- The budget for schools includes provision for pay harmonisation "going forward" for support staff totalling £1,057,000.

2.2 Changes to the local funding formula are agreed for:

- Grants estimated at £32.2 million, which are to be consolidated into the formula using the previous grant make up and the latest data available.
- An Early Years Single Funding Formula be introduced from 1 April 2011 using a single base rate for all providers together with a number of specific supplements for deprivation, quality, flexibility and a headteacher supplement (for Nursery Schools only).
- That the operation of the formula be reviewed during 2011/12.

3.0 REASONS FOR RECOMMENDATION/S

- 3.1 The Council is required to set a Schools Budget for 2011-12. The Schools Budget is allocated to schools using a formula, which must be updated to take account of changes in the distribution of grants to schools.
- 3.2 Local Authorities must implement an Early Years Funding Formula for all providers of Early Years Education.

4.0 BACKGROUND AND KEY ISSUES

4.1 Schools Budget 2011/12

The overall schools funding settlement is for one year only. Funding will be maintained at "flat cash" per pupil without any inflationary increases until 2014/15. This as expected is a significant move away from the real terms growth in funding of recent years.

4.1.1 Pupil Premium

The Pupil Premium is a new and separate grant to be allocated in full to schools. The Premium will provide additional funding for deprived pupils. It is set at £430 for each pupil eligible for free school meals. A similar premium is also payable in respect of Looked After Children and Service Children (although the latter group will be funded at £200). An initial estimate calculates the premium to be £5 million for Wirral Schools in 2011/12.

4.1.2 Dedicated Schools Grant (DSG)

The estimated level of DSG for Wirral is:

Guaranteed Unit of Funding (GUF)	GUF	GUF	Estimated Pupil	DSG
2010/11	Grants	Total	Numbers	2011/12
£	£	£	£	£
4,268.56	759.83	5,028.39	45,621.7	229,403,700

The current distribution method for the DSG has been maintained. In addition many grants that were previously paid separately have been mainstreamed within DSG. The inclusion of grants requires changes within the local schools funding formula. Grants included within the ISB total £32,173,200 and held centrally total £2,373,700.

4.1.3 Minimum Funding Guarantee (MFG)

The Secretary of State announced that the MFG would continue in 2011/12, protecting schools from changes in funding resulting from fewer pupils and formula changes. The MFG has been set at minus 1.5% per pupil.

4.1.4 Reduced Central Expenditure £1,462,000

Central SEN costs are reducing. Budgets for 2011/12 have been reduced by £639,000. Part of these reductions will be used to fund the outreach work at Gilbrook and also a Complex Social Care Team. Other reductions include:

- Behaviour Support £185,000.
- School Meals Service £102,000.
- Standards Fund £32,000.
- Early Voluntary Retirement/Severance £442,400.

4.1.5 Increased Central Expenditure £1,139,000

Area Based Grants (£493,200 in 2010/11) supporting a wide range of Education and Children's Services initiatives have ceased in 2011/12. Where programmes are required to continue within the Schools Budget they have been funded from DSG. Other increases include:

- Pay Harmonisation Back Pay £450,000.
- Local Safeguarding Children's Board £6,000.
- School Sports Partnerships Coordination £25,000.
- Contribution to Discretionary Rates Relief £270,000.

4.2 Schools Funding Formula

The local funding formula for schools needs to be amended with effect from 1 April 2011 for the consolidation of grant funding. Schools and academies were asked for their views in the Autumn Term on proposed changes. The vast majority of schools would prefer to keep the existing grants within the formula, without any redistributive changes. This is proposed initially for one year, using Regulations that permit the previous grants to be used as new elements within the local formula.

Other changes to the formula include:

- A lump sum factor for Gilbrook Outreach Behaviour Support Service within the Special School Formula.
- Adjustment to all formula factors for additional funding for schools to contribute to Pay Harmonisation costs.
- Updating the formula for elements fixed over the last three-year funding period e.g. Free School Meals, using the most recent data available and maintaining the percentage of the budget allocated to each element.
- Removal of Nursery schools and Primary school nursery classes. These will no longer be funded from the LMS formula but will receive funding described below.

4.3 Early Years Single Funding Formula (EYSFF)

Authorities are required to introduce a single funding formula covering all providers of early education for the free 15-hour entitlement for 3 and 4 year olds. The EYSFF will apply to maintained nursery schools (3), nursery classes (43), and private, voluntary and independent providers (120).

The formula proposed will make payments based on the attended hours of each child at each setting. Place funding or funding based on one census count will not be permitted in future. The formula recommended to the Schools Forum uses a single base rate for all, together with a number of specific supplements for deprivation, quality, flexibility and headteacher costs (nursery schools only). Overall there are only 5 providers (including 3 nurseries) who would lose funding compared to current levels. The formula contains a Minimum Funding Guarantee and a 3 year transitional protection provision for 90%, 85% and 80% of previous funding. The hourly rates payable and estimated budgets are shown in the Forum Report.

5.0 RELEVANT RISKS

- 5.1 These formula changes enable budgets to be distributed to schools in a way that maximises stability and takes account of DFE regulations.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 Consideration was given to distributing grants using other formula factors, these are not recommended at this time, since they would introduce turbulence and uncertainty into the budgets schools would receive.

7.0 CONSULTATION

- 7.1 Schools and academies were consulted on changes to the local funding formula. Nursery and Primary Schools and PVI Providers were consulted in the introduction of the EYSFF.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 All Providers of Early Years Education will be paid using a single funding formula.

9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 9.1 The financial implications are described in the report. IT, staffing and asset implications may arise from changes in pupil numbers and the level of funding.

10.0 LEGAL IMPLICATIONS

- 10.1 The formula changes described meet the requirements to introduce an EYSFF.

11.0 EQUALITIES IMPLICATIONS

11.1 There are none arising from this report.

11.2 Equality Impact Assessment (EIA) is not required for this report.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising from this report. It should be noted that schools will incur carbon reduction charges from 2011/12.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising from this report.

REPORT AUTHOR: Andrew Roberts
Interim Head of Branch – Planning and Resources
telephone: (0151) 666 4249
email: andrewroberts@wirral.gov.uk

APPENDICES

Appendix 1 Schools Forum Resolutions items 6,7,8,9

REFERENCE MATERIAL

School Funding Allocations 13 December 2010.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Wirral Schools Forum	
Proposed changes to LMS Funding Formula to Schools 2011/12 Future funding of Gilbrook Outreach Implementation of the Early Years Single Funding Formula Schools Budget 2011/12	25 January 2011
Early Years Single Funding Formula Update Consultation on proposed changes to LMS Funding Formula to Schools	29 September 2010

WIRRAL SCHOOLS FORUM

TUESDAY 25 JANUARY 2011

Extract of Draft Minutes

6. PROPOSED CHANGES TO LMS FUNDING FORMULA FOR SCHOOLS 2011/12

Mr Roberts summarised his report on the proposed changes to the LMS funding formula.

The Government consultation in September required some local changes. Wirral schools were consulted on these changes, and the outcome of the consultation is recorded in the paper.

Mrs Cogan commented that harmonisation is difficult for Foundation Schools who directly employ their staff as this has not gone through as law yet. These schools who also have very few TAs do not wish to contribute to harmonisation costs.

Resolved

(With 1 abstention) That the Forum agree the referral of these local formula changes to Cabinet for approval.

7. FUTURE FUNDING OF GILBROOK OUTREACH SUPPORT

Mr Bulmer presented his report on the future funding of the outreach service from Gilbrook School.

Following the agreement of the Forum in September that the outreach service should be funded centrally, schools were consulted on the proposals. All except one supported the scheme.

As there will be no additional headroom money in the 2011/12 settlement, the central SEN budget will be used.

Staff at Gilbrook will now define their service to all schools, detailing the support available and the eligibility threshold for children. The service will be visited by the Ofsted team next week who are currently inspecting children's services in the local authority.

Mr Armstrong reported that Gilbrook School has been relocated to the Arrowe Hill Primary site, providing outdoor space for pupils and space to locate the new service.

8. IMPLEMENTATION OF THE EARLY YEARS SINGLE FUNDING FORMULA

Mr Roberts presented his report of the Early Years Single Funding Formula.

The single formula was delayed for 12 months in April 2010 following national and local concerns about the level of funding that nursery schools would receive. The LA has worked closely with the 3 nursery schools to address their concerns, the outcome of which is detailed in the report.

The proposed formula is that same as that presented 12 months ago, with a single base rate and several supplements. The supplements for nursery schools and transitional arrangements have been adjusted.

A flexibility supplement is available for all settings offering provision other than the standard 5 3-hour sessions. So far take-up in Wirral has been limited and this supplement will be reviewed over the next 12 months. Many other local authorities have not included a flexibility factor.

The single formula will be reviewed at the end of the financial year. This will conclude the work of the Steering Group.

Mr Potter queried what would happen at the end of the 3-year transitional period, and whether nursery schools would experience a sharp drop in funding. Mr Roberts confirmed that nursery schools would move to formula funding after the transitional period, and that this should not represent a sharp drop in funding by this point.

Mr Armstrong thanked the Steering Group for their work in developing the formula.

Mr Roberts recorded a correction to the report on page 23 of the papers – the figures for the 3 nursery schools included a grant which had been included twice. Accurate figures will be provided to the nursery schools.

Resolved

- (i) That for Forum note the report.
- (ii) That the views of the Forum on the proposed formula be referred to Cabinet on 21 February 2011.

15. DISCRETIONARY RATE RELIEF

This item was brought forward because it informs the next item on the Schools Budget 2011/12.

Mr Roberts explained that it is proposed to end discretionary school rate relief from April 2011 – this is 12 months earlier than recorded in the report. 80% mandatory rate relief is paid by the government. The remaining 20% is discretionary relief, of which 75% is paid by the local authority and 25% comes from a government grant. Wirral's DRR costs are out of step with those of other local authorities and the Director of Finance has recommended that these should cease.

If DRR is abandoned, the government grant would also cease, and it would cost more to cover the cost of rates. The alternative is for the schools budget to make a contribution to cover the council costs, therefore retaining the government grant.

Mr Armstrong advised that the Forum could vote against this but that the Director of Finance would end DRR next year and the additional costs would have to be paid. By choosing to contribute now there will be less impact on the schools budget.

Resolved

(With 4 abstentions) That the Forum agrees to a contribution to the Discretionary Rate Relief Budget with effect from 2011/12.

9. SCHOOLS BUDGET 2011/12

The settlement for 2011/12 is a one-year settlement as transition to a possible new funding mechanism in 2012/13. It is a flat cash settlement – LAs will receive the same amount per pupil in cash terms as last year. This will apply to 2014/15. In real terms, the value will erode over time – a 10% cut in real terms over the next 3 years.

Pupil premium details have been confirmed and will be paid to schools from 1 April 2011. / The premium is for pupils eligible for Free School Meals, Looked After Children and Service Children. For Wirral, this is an estimated £5million in additional funding. There is likely to be both an increase in the amount of the premium and a broadening of the entitlement in future years.

Mrs Cogan asked if the pupil premium was over and above the current budget or whether deprivation funding would decrease as the pupil premium increased. Mr Roberts advised that the pupil premium is totally separate and there are no proposals to change the formula.

The inclusion of grants within the DSG leaves a balance because equivalent grants allocations now includes Early Years pupils. This additional balance can be used to fund the deprivation supplement in the early years formula.

The MFG is set at -1.5%. It is possible to set a higher MFG, but this is not recommended, as there is no additional headroom money.

The Post-16 budget is expected to decrease by 5%. Funding is on an academic year, so this will have a partial effect in the 2011/12 financial year. Mrs Cogan commented that this would severely affect secondary schools with 6th forms.

Harmonisation costs are estimated at £2.6 million. £2.3 million has been identified so far. There are likely to be additional costs not included in the £2.6 million and there are no further resources to meet these costs. Mr Armstrong reported that discussions are taking place with Finance and the trades unions regarding covering the cost of harmonisation and that a report would be brought to the Forum when the picture was clearer.

The amount retained centrally for ethnic minorities was queried. Mr Roberts explained that this is targeted in specific areas and that historically there has only been a requirement to delegate this to schools when the LA grant reaches a certain level.

Mr Reilly noted that the pupil premium would increase the gap between the highest and lowest funded schools in Wirral. Those secondaries with the lowest levels of Free School Meals would also be losing post-16 funding. There is concern in these schools over jobs. Mr Reilly felt that we should not allow the gap to widen in secondary schools where the costs of delivering an education are similar.

Mr Reilly also commented that the issue of harmonisation is taking a long time to resolve, it was discussed at the September meeting and is still being discussed today. Mr Armstrong agreed, but pointed out that with the potential cost being so significant, discussions needed to be thorough and a lot of effort was being made by all involved.

Mrs Cogan queried the amount set aside for the CLCs when secondary heads at the WASH meeting had voted not to fund them. Mr Armstrong explained that the views of the WASH meeting had been taken into account, but that he had also listened to the views of all schools in requesting stability in budgets for the next year. Stability is needed in all areas pending review. The City Learning Centres are used by pupils in primary and secondary and a proper debate must take place about their future and the potential impact on pupils. The CLCs contain high quality equipment and if the decision is taken not to continue to fund them there must be a plan in place for what will happen to these resources.

Mrs Cogan also queried the centrally retained diploma money. Mr Roberts explained that this is spent by the 14-19 team to provide additional uplift for pupils engaging in the programme.

The Forum were asked to specifically approve items relating to harmonisation, safeguarding and sports partnership.

Resolved

- (i) That the views of the Schools Forum are sought on the Schools Budget for 2011/12 and the level of central costs. The Chair asked for any additional comments to be forwarded to him.
- (ii) (1 against) That the DSG Reserve of £745,025 is used to meet backdated harmonisation costs in schools.
- (iii) (2 against) That the Excess Balance Reserve of £136,934 is also used for this purpose.
- (iv) That the contributions to combined budgets are agreed and increased for (2 against) Pay Harmonisation back pay £450,000, Local Children's Safeguarding Board £6,000, School Sports Partnerships coordination £25,000.
- (v) (2 against) That budgets for schools include provision for pay harmonisation of support staff totalling £1,057,000.
- (vi) That the Schools Budget and the views of the Schools Forum be referred to the budget meeting of Cabinet on 21 February 2011.