

SCHOOL FINANCE REGULATIONS 2011 SUMMARY OF CHANGES

1. The current school finance regulations cover the 2008-11 funding period and therefore expire at 31st March 2011. This note summarises the main changes for 2011-12, following the consultation. Where these are different from those in the consultation, they are shown in italics.

Early Years Single Funding Formula (EYSFF)

2. Local authorities will be required to implement an Early Years Single Funding Formula from April 2011. The changes include requirements to fund mainly on numbers of actual hours, to use at least three counts during the year and to have a deprivation supplement. More detail is shown at Annex A.

Mainstreaming of grants

3. Following the decision to mainstream grants into the Dedicated Schools Grant (DSG), LAs will be allowed, if they wish, to use a formula factor which replicates part or all of the previous level of grant, either as a cash amount or using the grant methodology, to avoid undue turbulence at school level. The addition is at **Schedule 3 paragraph 36**.
4. The mainstreamed grants will also need to be taken into account in the calculation of the Minimum Funding Guarantee (MFG) so that the budget comparison is on a like for like basis, as they will be appearing in formula budgets in 2011-12. The best way of doing this is to permanently adjust the 2010-11 baseline to include allocations for the grants which are to be mainstreamed in 2011-12. This is reflected for primary and secondary schools in **Schedule 4 paragraph 1(d)**
5. For special schools, there are separate MFG calculations for place-led funding and the remainder of the budget. As the grant allocations are not based on places, and the level of place funding is usually based on existing assessments of need, the baseline should be adjusted for the part of the budget excluding place funding. This is shown at **Schedule 4 paragraph 5(2)**.

Central expenditure

6. Mainstreaming grants will also affect the calculations for the central expenditure limit (CEL), so there will again need to be an adjustment to the 2010-11 baseline to ensure like for like comparisons. The total of relevant grant allocations in 2010-11 will, therefore, need to be added to the 2010-11 Schools Budget for each LA. This is given effect in **Regulation 7(6)**.

7. As a result of the Ethnic Minority Achievement Grant (EMAG) being mainstreamed into DSG, LAs will be able to retain funding centrally within DSG for services which support schools in narrowing achievement gaps for under-performing ethnic groups and in meeting the specific needs of bilingual learners. The revised wording is at **Schedule 2 paragraph 40**.
8. The current regulations on the central expenditure limit require LAs to obtain further approval from schools forums if the proposed central expenditure for future years exceeds the indicative budgets originally set for those years at the start of the funding review **period**. This does not, however, cover the position at the start of a new funding review period. We wish to ensure that, if there is a brought forward overspend on DSG, any funding of this from *the schools budget* central DSG is properly considered by schools forum. We have therefore added a new regulation which states that, where there is an overspend on central Schools Budget expenditure from the 2010-11, *which reduces the schools budget available in 2011-12*, then the funding of this overspend must be approved by schools forum. The wording is at **Regulation 7(4)**.

Minimum Funding Guarantee (MFG)

9. The wording of the regulation and schedule has been amended to reflect the MFG level of -1.5% in 2011-12 and to clarify the circumstances in which schools forums can approve a disapplication of the MFG without reference to the Secretary of State (**Regulation 25 and Schedule 4**). These have already been communicated to LAs.

Special Educational Needs (SEN)

10. We have revised the wording in Schedule 2 to make it clearer that SEN support services are an allowable item within the central schools budget (**Schedule 2 paragraph 8**). The Academies Act amendment, which reclassified budgets for pupils with low incidence SEN in academies, has not been continued in these regulations because we have made changes to the way in which the Local Authority Central Spend Equivalent Grant (LACSEG) is recovered from LAs. Funding for SEN support services will not be recouped from LAs in 2011-12.

Exclusions

11. The ability of LAs to have a formula factor (**currently Schedule 3 paragraph 34**) which takes account of exclusions has been removed. LAs currently using such a factor will need to remove this from their formula from 2011-12. The deductions of age-weighted pupil funding will continue (these are set out in Regulation 23).

Federations

12. There is a new regulation (**regulation 22**) which will allow LAs to calculate a single budget share for schools in a federation with a single governing body within section 24 of the Education Act 2002. This would mean that the data would be entered into the formula as if they were a single school. *This would, however, be conditional on the federation receiving a budget which was no lower than would have happened if the schools had received separate budget shares. In other words, any formula savings resulting from paying fewer lump sums would have to be fully compensated by an addition to the budget share. We envisage the benefit of this arrangement to federations will therefore be mostly in the way they manage and account for the single budget share.*
13. We are also allowing LAs to have a formula factor for federations. This could be used to support federations, for example as a temporary pump-priming measure, *as well as to ensure a federation with a single budget share was no worse off (see paragraph 12 above).* This is set out in **Schedule 3 paragraph 37**.

Carbon Reduction Commitment

14. There will be a new class of expenditure within the central part of the Schools Budget *for the purchase of carbon allowances relating to schools and academies within the LA's Carbon Reduction Commitment calculation* (**Schedule 2 paragraph 39**).

Service children

15. We already allow LAs to have a formula factor where armed forces movements lead to a reduction in pupil numbers of at least 20% within one year. We have removed reference to a threshold, so that LAs can make provision as they see fit to support schools affected by this turbulence (**schedule 3 paragraph 26**)

Academies

16. We are giving a clearer definition of funding for individually assigned resources (IAR) for academy pupils with special educational needs (SEN). Where these resources are delegated through formula budgets, then the allocations are not included in the General Annual Grant (GAG) calculated by the Young People's Learning Agency (YPLA) and recouped from the LA. Instead, the payments are made directly by the LA from the central part of the schools budget. The current wording in **Schedule 2 paragraph 7** only refers to expenditure which it would be "unreasonable" to be met from a school's budget share, and does not properly reflect the differences in funding of academies. We have therefore amended the wording to cover this.

Notification of budget shares

17. There is at present no formal requirement to notify schools and early years private, voluntary and independent (PVI) providers of their budget shares, only of the overall schools budget. While there is no evidence this is not being done, it makes sense to formalise this. We, have, therefore, added a new regulation -**regulation 10(2)**.

Technical changes

18. There are various technical changes which are needed to ensure regulations are consistent with other proposals relating to school funding. References to funding periods 1, 2 and 3 have been replaced as the regulations will cover a single funding period (2011-12).
19. References to the Learning and Skills Council (LSC) have been removed as 2011-12 post-16 allocations will have been wholly determined by the YPLA.
20. Termination of employment costs can be charged to the schools budget if schools forum agree and provided that there is a saving to the schools budget greater than the annual costs. The previous wording did not adequately recognise that there may be ongoing costs approved in previous funding periods. Reference to a start date has, therefore, been removed. The wording has also been amended to clarify the need for schools forum approval at the time the costs are first incurred – in other words, costs cannot be charged to the schools budget retrospectively. We have taken into account comments during the consultation in finalising this wording. (**Schedule 2 paragraph 37b**).

ANNEX A – Early Years Provision

Definitions: revised definitions of early years provision, prescribed early years provision, and relevant early years provider to bring them in line with the Childcare Act 2006.

- **Part 2, reg 5(1);** addition of sub paragraph (d) to allow the Schools Budget to cover all expenditure on early years provision not in maintained schools or other specified providers (eg non maintained special schools, pupil referral units).
- **Part 2, current reg 7 (3);** amending the wording of the calculation of the Central Expenditure Limit given that the funding for early years will now all be part of the ISB. The change does not affect the calculation of the CEL because the current regulations add the centrally retained PVI funding to the ISB as part of the calculation, but the revision to where the funding is placed (in the ISB) means this adjustment will no longer be needed.
- **Part 2, reg 9 (3):** which requires a local authority to consult their schools forum about and decide upon an EYSFF which they must use in 2011-12.
- **Part 3, current reg 15 (4) (c)** Removal of allowable weighting for under 5s admitted in excess of the admission number agreed with the LA – because it would not be lawful for a school to do this.
- **Part 3, reg 16** provides a replacement regulation for current regulation 17 for 2011-12. This says that LAs:
 - must provide budgets for early years provision using the most recently available data;
 - must review the data during or after the year using either attendance data collected during three sample weeks (census week for example) or total actual hours of attendance;
 - must recalculate the provider's budget as appropriate;
 - and must implement the redetermination when they consider it appropriate – which may be different for different providers;
 - They must notify providers within 28 days of redetermining the budget;
 - This regulation also removes the option for local authorities to provide funding based upon places, except where there are places specifically reserved for pupils with SEN in any setting or for children in need, (although there is a later option to provide an additional formula factor in support of maintaining sufficient places for children in an area in Part 2 of Schedule 3);
 - It does allow the LA to weight the hours depending upon whether pupils have been admitted in excess of the admission number (for PVI providers only), or for SEN.

- As with sixth forms, authorities are allowed to reduce funding to affected schools within their main formula to avoid any overlap with the new EYSFF.
- **Part 3, reg 17 (4)**; allows differential funding to types of providers to reflect unavoidable costs.
- **Part 3, reg 18 (1) (2) and (3)**; Specify which parts of schedule 3 may be used for respectively the school funding formula and the EYSFF. It also requires that the EYSFF must (as is currently the case for the schools funding formula) have a factor that takes the incidence of deprivation into account.
- **Schedule 2**; the schedule that specifies what may be centrally retained from the schools budget does not allow the retention of funding for the provision of early years funding for provision of the free entitlement, but does allow a contingency budget for that provision (to enable adjustments to funding to be made in year)
- **Schedule 3**; the schedule that provides the heading under which formula factors may be provided is split into two parts, part 1 applicable to all maintained schools and PVI providers and part 2 applicable to the EYSFF only. Part 2 allows factors for
 - the improvement of quality,
 - to take account of flexibility in hours of attendance the provider makes available and
 - to allow LAs to secure or sustain a sufficiency within an area

In general, we wish to give LAs flexibility in the factors used in the EYSFF, and we are therefore allowing most factors which appear in the main school funding formula. The only exceptions are the factors for infant class sizes and the factor protecting schools whose budget shares would otherwise be reduced by 3% or more.