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please ask for Moira Curran

Dear Colleague

SCHOOL FUNDING – 2009/10

In January 2008 Cabinet agreed the funding of schools for the period of the Chancellor's Spending Review April 2008 to March 2011. There were, however, a small number of issues identified that, if implemented, would require changes to be made during this three year period.

I am writing to you now to alert you to some potential changes and to seek your views regarding them. Your comments along with my proposals will be taken to the Schools Forum when it meets in January 2009.

CONSULTATION ITEMS**Observatory School**

The Observatory School was opened in 2005 with an admission number of 40. The school makes provision for secondary age pupils with social emotional and behavioural difficulties (SEBD). Although another school, Kilgarth School, existed at this time the number of pupils involved meant that the Authority regularly had to purchase additional places in the independent sector. The intention was that the new provision at the Observatory would provide an alternative to purchasing such places.

The plan has been very successful, the Authority has significantly reduced the number of placements in out of borough schools and the new school is making excellent provision for pupils. However, there is continued pressure on the need for specialist placements for pupils with SEBD. There are currently 41 pupils on roll at the Observatory School and 50 at Kilgarth School (admission number 50). Inevitably there will be pupils currently under assessment who will require placements and pupils who may move into Wirral with statements for SEBD provision.

The Authority has discussed with the Headteacher and Governors the possibility of increasing the admission number at the Observatory School. They fully support an increase in the admission number to 50.

The Schools Forum was asked to consider a proposal to increase the admission number to 50 when it met in October. Such an increase would take effect from September 2009.

The Schools Forum has also convened a working group to consider trends in provision for pupils with SEBD and to examine strategies for meeting the needs of such pupils at school action plus. This group has met on two occasions and will report its findings to the Schools Forum in the Spring Term.

Do you agree that the funded places at the Observatory School be increased by 10 with effect from September 2009?

Excess Balances

The Scheme for Financing Schools is required to have a school balance control mechanism. The control restricts school year-end balances to 8% of the budget share for Primary, Special and Nursery schools and 5% for Secondary schools. A number of adjustments may be taken into account before a deduction is made, for example, contributions to capital or planning for falling rolls. Amounts deducted from schools must be applied to the Schools Budget.

At 31st March 2008 twenty schools had balances in excess of the permitted 5% or 8% threshold, totalling £1.4m. Of this sum adjustments were made for capital schemes totalling £750,000, falling rolls £464,000 and ICT £107,000. Excess deductions will shortly be made from four schools totalling £36,299.

The above system is complex and lengthy. It requires judgements regarding the validity of proposals and it is impossible to arrive at a conclusion before schools set their budgets for the year. We have therefore looked at an alternative approach, which will be recommended for balances from 31st March 2009.

Outlined below is an extract from a report to Lancashire Schools Forum describing a scheme that would claw back a fixed percentage of schools balances in excess of the 5 and 8% recommended guideline. The percentage clawback would escalate as follows:

Year 1 of the scheme 2% of balances in excess of 5 or 8%

Year 2 of the scheme 5% of balances in excess of 5 or 8%

Year 3 of the scheme 8% of balances in excess of 5 or 8%

The increases would be implemented if school balances did not reduce as expected.

This scheme has a number of advantages:

- It is simple to implement and administer
- It will be applied equally over all schools
- It would discourage non essential spend plans
- It is a more acceptable version of the national levy proposed (and deferred) in 2007.

The Lancashire scheme also describes arrangements that could be put in place to deal with specific cluster or Standards Fund allocations.

If introduced in Wirral, an amendment is recommended to take account of contributions to capital schemes. A number of schools have accumulated significant revenue reserves for capital. This has become an important feature within the capital programme and is a means of enhancing capital priorities. It is proposed that in future agreed sums for capital should be transferred from revenue into an earmarked reserve. These amounts would then be removed from the excess calculation and only used for agreed capital purposes.

The impact of the scheme is illustrated below on 2007-08 balances.

	Excess deduction No adjustment £	Excess deduction With Capital adjustment £
2%	28,000	14,000
5%	70,000	35,000
8%	112,000	56,000

Do you agree that the changes outlined above be implemented with effect from 31st March 2009?

INFORMATION ITEMS

Insurance

The budget for insurance was first delegated to schools in 2001/02. At that time, each school was given a share of the total schools insurance budget that reflected the floor area of the buildings and the number of pupils. The sum charged to each school was the same as the amount delegated. In each subsequent year, the figure has risen (or fallen) by the same percentage as the overall change in the department's premiums.

The corporate Risk & Insurance Team is planning to put into effect a DCSF 'risk ranking' initiative. This comprises a process of surveying and ranking schools according to how well they are managing their risks. As well as working directly with schools to improve risk management the initiative includes a 'weighted' premiums element, under which information on how well schools manage their risks would influence their insurance premiums. In this way schools would have a financial incentive to manage their risks effectively.

In order to introduce the initiative, it is necessary to have baseline school insurance charges that are robust and more accurately reflect the risk presented by each individual school. The existing basis of calculation cannot satisfy these criteria.

An alternative methodology has been developed which creates an individual charge for each class of insurance for each school. These individual charges are based on relevant exposure data (such as building values or staff payroll) and, where appropriate, the claims experience for the school.

However, this also results in greater insurance charges for schools. Overall insurance premiums will increase by 35% in 2009-10, although this will be significantly more in some schools with higher risks. It is considered that the alternative formula is more accurate and equitable and the conclusion is that schools overall have been charged less than should have been in the years since insurance costs were first delegated. It is estimated that the costs for schools insurance will increase in 2009-10 in total by £400,000. To manage the increase it will be phased with schools liable for the first 50% in 2009/10 and the remainder in 2010/11.

Early Years

There are no changes proposed to the funding arrangements for early years in maintained settings in the 2009/10 financial year. However you need to be aware of the implications of the Government proposals to bring the funding of maintained and private voluntary and independent settings in line in the financial year 2010/2011. This will mean that in future sessions rather than places will form the basis of the pupil count.

There are three areas of change which are explained briefly below.

Summary

- (a) From 2009-10 all local authorities are required by regulations to change how children are counted in the maintained sector so that there is a consistent approach to pupil counting across maintained and PVI providers. To enable this change in counting arrangements to happen the pupil census has been revised.
- (b) From 2010-11 local authorities are required to use a single local formula for funding early years provision in the maintained and PVI sectors. The introduction of a single local formula for funding the free entitlement at local level is intended to ensure consistency and fairness in the way that all providers of free nursery education and care are funded. It does not necessarily mean that providers will all be funded at the same level, but that the same factors should be taken into account when deciding on the level of funding. However the calculation will be based on numbers not places.
- (c) All three and four year olds are currently entitled to twelve and a half hours free early learning and care per week for 38 weeks a year. This will be extended to fifteen hours per week by 2010. Arrangements will need to be put in place so that children can access their full entitlement at more than one setting. It will also affect the funding arrangements for settings.

The Schools Forum has established a working group that is considering the implications of the regulatory changes as they are released and the lessons that have come from the pilot authorities. Officers are working to establish a funding baseline for both the maintained and PVI settings and you may be contacted during the coming year regarding this. Formula options are also under consideration. Once this work is complete I will write to you again and I will of course consult you regarding any proposed funding changes.

14-19 Diplomas

In September 2009, eight diploma lines will be offered by Wirral consortium schools and colleges at Foundation, Higher and Advanced levels. This will mark the beginning of a process that will expand to seventeen diplomas by 2013. Discussions regarding funding have been agreed in principle by the 14-19 Partnership and the Schools Forum – funding will be based on diploma grant being held and paid at the Partnership Level and each home school contributing to costs using delegated funds for practical learning.

The exact contributions and charges have still to be agreed by the Partnership. Further information will be provided as it becomes available.

16-18 Funding – LSC

In September 2010 funding for 16-18 provision across schools and 6th Forms will transfer from the LSC to Wirral. The current national funding formula will continue to operate and depending on decisions taken centrally by the DCSF this may be extended to cover 14-16 at a later date.

Commissioning of 6th Form provision will be undertaken by Wirral in partnership with other Merseyside authorities. This will include discussions with all providers to plan local 16-18 provision. Detailed arrangements and shadow structures are still being developed and the 14-19 partnership will consult more widely during the coming year.

OTHER ISSUES

The financial year 2009/10 is the second year of the three year Chancellor's Spending Review (CSR) funding period. In terms of the allocations to schools this means that you will receive a budget for 2009/10 based on the units and unit values that appear on the allocation summary you received in March 2008. The only changes you will see are to

- calculations that rely on actual pupil numbers,
- the number of looked after children on roll,
- rates
- and if it has been necessary to recalculate your minimum funding guarantee as a result of changes that have occurred at the school during this financial year, for example, the closure of an Education Inclusion Base.

You will also receive an indicative budget for 2010/11, however this will be subject to change as a result of the introduction of the Early Years Formula and the LSC transfer as explained above.

It is not possible to say at this time whether any of the discussions taking place in the Council regarding budgets will have an impact on the Schools Budget. Should any issues emerge before the final budget is set for 2009/10, I will contact you again to alert you to any proposed changes and to seek your views. However, the time for responding to any such proposals will be limited.

If you have any queries regarding this letter please do not hesitate to contact me. If you wish to respond to this letter please forward your comments to Moira Curran either in the post or by e-mail to moiracurran@wirral.gov.uk by 19th January 2009.

Yours sincerely

A handwritten signature in cursive script that reads "Moira Curran".

ppHoward Cooper
Director of Children's Services