

Schools Forum 11 December 2007

Report of the Director of Children's Services

School, Early Years and 14-16 Funding Arrangements 2008-11

Purpose of Report

1. The purpose of this report is to advise Schools Forum on the detailed changes to the school funding arrangements for 2008-11 as set out by the Department for Children, Schools and Families (DCSF) following the ministerial announcement in June 2007.

Budget Working Group Discussed

2. No.

Action for Schools Forum

3. To note the report. Any actions results from the DCSF guidance will be presented as a separate agenda item.

Attachments to Report

4. School, Early Years and 14-16 Funding Arrangements 2008- Explanatory note for local authorities – Appendix A.
5. The Ministerial statement, dated 30 October, regarding redistribution of school balances – Appendix B.
6. The Ministerial statement dated 12 November – Appendix C.
7. LGA briefing statement – 12 November, School Funding settlement 2008-11 – Appendix D.

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26 November 2007

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Purpose of Report

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Background

2. On 25 June Jim Knight announced the Government's decisions on the broad framework for the school, early years and 14-16 funding arrangements for 2008-11.
3. On 13 September the DCSF published an explanatory note to the school and early years elements of the new framework. This is a technical guide for local authorities and Schools Forums and can be accessed at www.teachernet.gov.uk/schoolfunding2008to11/. A copy is attached at Appendix A.
4. On 12 November the DCSF announced the School Funding settlement for 2008-11. The full details can be accessed at <http://www.teachernet.gov.uk/management/schoolfunding/schoolfunding2008to11/>. A copy of the Minister's statement and the LGA briefing paper is attached at Appendices C and D.
5. The decisions announced on 25 June covered the following six main areas:
 - the distribution of the **Dedicated Schools Grant** (DSG) to local authorities;
 - refinements to the way local authorities fund schools, ready for the introduction of **three year school budgets** from April 2008;
 - development of the funding arrangements for early years education to support the extension to 15 hours and increased flexibility of the **free entitlement to early years education** and care from 2010;
 - funding arrangements to support the introduction of the entitlement to **diplomas at key stage 4**;
 - changes in the membership of **Schools Forums**, to put them in the best possible position to support the programme of changes to school funding – particularly for early years and 14-16 provision; and

- changes to **specific grants**.
6. The DCSF explanatory note to the school and early years elements of the new framework is attached at Appendix A, a summary of the key decisions is listed below.
7. **Dedicated Schools Grant**

Calculation of DSG

Ministers have decided that DSG will continue to be allocated for 2008-11 by the spend plus methodology. This will function in broadly the same way as for the past two years:

- a. the baseline will be local authorities' DSG guaranteed unit of funding per pupil for 2007-08;
- b. all authorities will receive the same basic percentage increase per pupil as an addition to this baseline; and
- c. the remaining funding will then be distributed for Ministerial priorities according to other formula based criteria.

Timing of Pupil Counts

The pupil counts used to calculate DSG for 2008-11 will remain at January: so for 2008-09 allocations of DSG the DCSF will use January 2008 pupil numbers. The DCSF has decided not to go ahead with using the autumn count until possibly 2011-12. This will mean that for 2008-11, as presently, Dudley will not know their final allocations of DSG until early June, after the commencement of the new financial year.

Under 5 Pupil Numbers and DSG

The current system of counting children under 5 for the purposes of allocating DSG is a hybrid: children in maintained settings count as 0.5 fte; whereas children attending Private, Voluntary and Independent (PVI) settings count from 0.1 to 0.5 fte, proportional to the number of sessions they take up.

One of the key DCSF milestones is the introduction at local level from 2009-10 of a consistent method of counting and funding children in maintained and in private, voluntary and independent settings.

From 2009-10 onwards, the presumption will be that, at local level, funding for children under 5 in maintained settings is calculated on the basis of provision taken up, rather than places, as now. That will bring maintained settings into line with PVI settings, and it will require local authorities to collect more detailed data on the provision taken up by all children under 5 in maintained settings from January 2009. Authorities are also being encouraged to fund maintained settings

and PVIs under a common formula from 2009-10, and this will be required from 2010-11. The Early Years Reference Group has already commenced work on this area for Dudley. A separate report covering this area is included elsewhere on the Schools Forum agenda.

Academies Funding and DSG

For new academies that are established from April 2008, the amount of DSG deducted from a local authority's allocation will be based on the recouptment model.

This will remove anomalies which have been identified within the current funding arrangements for Academies. There is no impact for Dudley for 2008/09.

Reflecting Deprivation in DSG Allocations

The schools, early years and 14-16 funding consultation sought views on the use of geographically based indicators such as ACORN and MOSAIC, to reflect deprivation in the distribution of DSG.

The DCSF analysis has used data at local authority level, and shows that an indicator based on tax credit data gives broadly the same results as other indicators of income deprivation. It also shows a strong negative correlation with results at Key Stage 4. This strongly suggests that such an indicator is a plausible new deprivation indicator for use in distributing funding for 2008-11 for those Ministerial priorities which require a deprivation factor. Decisions on the precise methodology will be taken at the same time as decisions on Ministerial priorities within DSG, and announced with the school funding settlement in the autumn.

The DCSF will also be targeting funding at deprived children in less deprived authorities – described in the school, early years and 14-16 funding consultation as funding for pockets of deprivation.

8. School Budgets

Use of Centrally Retained Schools Budgets and ECM

From 2008-09 onwards it will be easier for local authorities and Schools Forums to approve contributions from the centrally retained Schools Budget to joint working funded through local authority combined services budgets, many of which may be in support of ECM outcomes. In approving such an arrangement they will still have to assure themselves that there is an educational benefit but no longer have to decide that the benefit gained is at least proportionate to the contribution made from the Schools Budget.

The revised arrangements will work as follows, for the CSR period:

- a. The Schools Forum must agree to any increase in the deduction from the Schools Budget – and the local authority will need to demonstrate to the Schools Forum that there are clear benefits to pupils and schools from the increased contribution;
- b. If there is no increase in the deduction from the Schools Budget, there is no need for the authority to seek the Schools Forum's formal agreement to the continuation of the deduction, but local authorities should report to their Schools Forums on the progress of the joint working.

For 2007/08 Schools Forum agreed a contribution of £246k from DSG in respect of the CAF (Common Assessment Framework) under this regulation.

Central Expenditure Limits

From 2008/09 the CEL will be simplified.

Operation of the MFG

From 2008/09 the MFG calculation will be simplified in respect of the marginal multipliers.

MFG Headroom

Pupil numbers are forecast to fall over the CSR period, but less rapidly in 2009-10 and 2010-11 than in 2008-09. In the light of this, and because the MFG will now be less costly to implement for schools with rising rolls, the DCSF has decided that MFG headroom should be set at 1% in 2008-09, but reduced to 0.8% for 2009-10 and 2010-11.

In order to assess the cash impact of the MFG headroom for Dudley schools, we need to be able to calculate the DSG for the period 2008-11. Dudley pupil numbers are still predicted to fall in line with previous years; this will have the impact of reducing the cash increase to a sum much lower than the DCSF headline increases. An estimate has now been made and this is detailed on a separate report elsewhere on the agenda.

MFG Level

The DCSF will continue to assess average cost pressures on schools using three groupings of expenditure: Teachers' Pay; non-teaching staff pay; and general non-pay pressures. In addition to looking at particular pressures by sector, so that if there were general policy pressures particular to primary schools (like workforce reform) or secondary schools (like increases in exam invigilation costs) these would be reflected in our assessment of cost pressures.

The MFG has now been confirmed at 2.1% for the three years 2008-11, that is substantially lower than the 3.7% set for 2007-08. This reflects the DCSF estimate of average cost pressures, including an assumed efficiency gain of 1% for each of the next three years, reflecting the substantial improvement in efficiency which the DCSF expect to be achieved across the schools sector and the public sector as a whole. It is based on a cautious but realistic assessment of the wide range of pay and non-pay pressures that schools will face across the next three years.

MFG and Early Years Reforms

The DCSF has decided not to amend the operation of the MFG nationally to adjust for the change from 2009/10 where local authorities will be required to fund early years provision in both maintained and PVI settings on the basis of an hourly count, but recognise that local authorities may want to put in place transitional measures for schools that may be adversely affected by the change in counting methodology.

Schools Forum will need to consider this area when the outcomes of the Early Years Reference Group have been reported.

Redistribution of Balances

There was a proposal for all local authorities to redistribute annually 5% of all surplus revenue balances. However, a ministerial statement was made to Parliament on 30 October setting out the Ministers' decision not to proceed at this time with the proposed redistribution of school balances. A copy of the Minister's statement is attached at Appendix at B.

A report in respect of Dudley's LMS Scheme for surplus balances is included elsewhere on the Schools Forum agenda.

Deprivation Funding

This sets out the timetable for the local authorities actions on deprivation funding. A detailed report updating Forum members in respect of Dudley's latest position is included elsewhere on the Schools Forum agenda.

9. Reform of Early Years

This chapter sets out the background to and rationale for the reforms, and offers guidance on implementation.

All three and four year olds are entitled to 12 and a half hours free early learning and care per week for 38 weeks a year. This will be extended to 15 hours per week by 2010. There will be a staged approach to the reform of early years funding - the aim is to support better outcomes for children at age five and the extension of the free entitlement by September 2010.

The funding reforms are designed to support the extension of the free entitlement and address historic inconsistencies in how different settings are funded, so that the system becomes fairer and more transparent and all children can receive free provision.

At the last Schools Forum meeting, it was agreed that the this work be undertaken by an Early Years Reference Group. This Group has now met and a

separate report updating Forum members is included elsewhere on the agenda.

10. 14-19 Reforms and Diplomas

Details of the changes to the arrangements for funding at 14-16 were set out in the statement on the 14-19 reform programme issued by the Department on 9 August. That statement brought together the decisions taken in response to the schools, early years and 14-16 funding consultation, and the joint DfES/LSC consultation – “Delivering World-class Skills in a Demand-led System”.

This part of the new arrangements is subject to a separate, more detailed report on the Schools Forum agenda.

11. Schools Forums

The Government is undertaking two reviews of Schools Forums: in the short term, to determine whether further changes are needed during the CSR period; and for the longer term, to consider how Schools Forums will relate to the developing arrangements for Children’s Trusts and the wider Every Child matters agenda.

This chapter of the explanatory note sets out the programme for Forums, the changes to MFG methodology and the Forums Membership. A separate report on the constitution of the Schools Forum membership is included elsewhere on the agenda.

12. Specific Grants

This chapter of the explanatory note gives further details on the arrangements for specific grants across the CSR period. It covers: School Development Grant (SDG); School Standards Grants; and Specific Grant Payments to Academies.

For SDG – the changes are proposed are in relation to the headroom for distribution over and above the MFG. The distribution must be on a fair and transparent basis and it will be a condition of grant that the differential in per pupil funding between the most and least deprived schools in a local authority must not be narrowed from its 2007-08 level.

The SDG has now been announced with an increase in line with the MFG at 2.1%. Further detailed calculations will be necessary to determine the level of the headroom. As Dudley pupil numbers are still predicted to fall in line with previous years; this will have the impact of reducing the cash increase to a sum much lower than 2.1%.

Finance

13. The funding of schools is prescribed by the DCSF through the School Finance (Amendment) (England) Regulations 2007.
14. Schools Forums are regulated by the School Forums Regulations 2002 as already amended by the Schools Forums (Amendment) Regulations 2004 and the Schools Forums (Amendment) 2005 Regulations.
15. From 1st April 2006, the Schools Budget will be funded by a direct DCSF grant: Dedicated School Grant (DSG).

Law

16. Councils' LMS Schemes are made under Section 48 of the School Standards and Framework Act 1998. The Education Acts 1996 and 2002 also have provisions relating to school funding.

Equality Impact

17. The Council's Equal Opportunities Policy is taken into account when considering the allocation of resources.

Recommendation

18. Schools Forum to:

- Note the detailed changes to the school funding arrangements for 2008-11 as set out in the explanatory note recently issue by the Department for Children, Schools and Families (DCSF) which followed the ministerial announcement in June 2007.



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