

Dudley Metropolitan Borough Council

Schools Forum

7 February 2006

Report of the Director of Children's Services

School Finance Regulations (England) 2006

Purpose of Report

1. To advise Schools Forum of the DfES School Finance Regulations 2006.

Background

2. The School Finance Regulations (England) 2006 have now been finalised and are to be laid before Parliament. They will come into force once they have been approved by a resolution in each House.
3. The regulations cover the multi-year budget period 2006-2008 and bring together and replace the current sets of regulations governing LEA and school funding: The LEA Budget, Schools Budget and Individual Schools Budget (England) Regulations and the Financing of Maintained Schools (England) Regulations.
4. The regulations are attached at Annexe A. Also attached is an accompanying note at Annexe B.
5. For Dudley's LMS Scheme the main changes to note are:
 - a) Regulation 14 - The Single Pupil Count
 - b) Regulation 23 – Permanently Excluded pupils
 - c) Regulation 10 – Unallocated Individual Schools Budget (ISB)
6. Due to the timing of the issue of these Regulations, Budget Working Group colleagues have not had an opportunity to discuss the content of this report.
7. **Regulation 14 – The Single Pupil Count**
From April 2006, all local authorities LMS Schemes will be required to use a single pupil count, based on numbers in January before the financial year, in the calculation of school budget shares from 2006-07.

8. Any system which uses a combination of two or more pupil counts can result in budget changes for schools which can be disruptive, and are not easy to predict. Using a single pupil count to calculate school budgets means that they will be fixed at the start of the year and will not be subject to further in-year or prior-year re-determination. All pupils at the school will count for funding but the funding will flow in the financial year after the count. This is a key component of the delivery of more predictable school budgets within the new school funding arrangements from April 2006.
9. The use of a single pupil count will also make the Minimum Funding Guarantee (MFG) more transparent and straightforward: it will simply be based on the difference between one year's fixed budget and the next. Where the minimum per pupil increase between the two fixed budgets is lower than the level of the Guaranteed Funding Level, the school will receive an MFG allocation as a top up.
10. The school funding regulations already allow local authorities to give appropriate funding to new schools who, over a period of years, gain a new year group each September, or who, as a result of area reorganisations, gain (or lose) new class groups. This will continue to be the case. Many authorities take account of additional classes or year groups by including a lump sum to meet the cost for seven months of the extra pupils. For Dudley this refers to the pupil Published Admission Numbers (PAN). Where the local authority asks a school to increase its PAN from September then additional funding is provided for 7/12th of the year. This funding is allocated from the School Specific Contingency.
11. As well as allowing local authorities to recognise these planned changes to school sizes, the regulations recognise a need for some flexibility to reflect exceptional pupil number growth during a year which was neither the result of a planned reorganisation nor due to a new school. Such pupil number growth cannot be predicted at the start of a financial year. For Dudley this relates to the 5% trigger; whereby additional pupils are funded from September or January where the total pupil count is in excess of the January PLASC data by 5 %.
12. Local authorities are currently allowed to retain funding centrally to allocate to schools that are faced with exceptional cost pressures, where it would be unreasonable for them to meet such pressures from their existing budget share. Under the new school funding arrangements, local authorities will have to seek approval from their Schools Forum to retain additional funding of this kind within their centrally retained budget. For Dudley in 2005/06 the budget allocation is £20k and is held within the Schools Specific Contingency. £16k of this has been allocated to Hillcrest the remainder may be allocated out to those primary schools whose admission numbers increase by 5% or more in January 2006.
13. Local authorities may therefore use this type of centrally retained funding to support exceptional and unplanned pupil number growth. It must be stressed that the need for this should be exceptional. All schools which recruit extra pupils will receive funding for those extra pupils through their budget for the following year. In most cases, where there are not one or more additional

classes, there should only be a marginal change in cost pressures in-year. The trigger for exceptional funding should be cost pressures

14. In light of the DfES regulations which promote 'predictable' school budgets from April 2006 and indicate that any centrally retained funding should be to support 'exceptional' and 'unplanned' pupil number growth, it is proposed that the Dudley LMS Scheme is amended from April 2006 to **remove the provision** of funding in respect of pupil increases in year in excess of 5%. (Reference paragraph 11 and 12). The current £20k budget would be added to the Individual Schools Budget (ISB) and distributed via the Age Weighted Pupil Unit (AWPU) to all schools.
15. The regulations allow for the continuation of the funding where pupil number changes are 'planned' (paragraph 10); it is proposed that the Dudley LMS Scheme **retains this provision**. In order to comply with the 2006 regulations however, the budget will need to be added to the ISB from 2006/07. This will mean that the equivalent 7/12 allocation would be distributed to schools when their delegated budget was issued in March instead of allocating funds in September. A draw back to this proposal is that the funding will need to be based on assumed PAN pupil increase rather than actual intake. It is proposed that a review of actual admissions compared to planned admissions is undertaken in September, this data would be reported to Schools Forum for a decision on future methods of funding the PAN increases.
16. The Table below indicates 2006/07 PAN increases for information. The cost in 2006/07 is approximately £250k and this provision will be ongoing for five years until each year group is complete.

School	Published Admission Number Increase	Date of PAN Increase
Castle High	+5	Sept' 03
Coseley	+45	Sept' 03
Holly Hall	+29	Sept' 03
High Arcal	+27	Sept' 03
Earls	+10	Sept' 06
Windsor	+20	Sept' 06
Hillcrest	+28	Sept' 06

17. Regulation 23 – Permanently excluded pupils.

Regulation 23 relates, in the main, to the adjustment of a school's budget share to account for the removal from a school's roll, or admission, of a permanently excluded pupil. Regulation 23(6) is a new provision and has the effect of applying the same adjustment to a school's budget share for a pupil who is the subject of a 'managed move' as is applied for the removal of a permanently excluded pupil. This provision has been added to support the inclusion agenda for those young people whose school career 'breaks down' but who is not permanently excluded and who then either finishes their compulsory schooling, or has a period of schooling provided, either at a college, PRU, training provider or, as is increasingly the case, through some form of 'virtual' educational provision provided in whole or in part via the internet.

18. At present, in line with requirements of Regulation 23 a school's budget is adjusted for exclusion of a pupil, or the admission of a pupil that has been previously excluded. The adjustment represents the proportionate share of Age Weighted Pupil Unit (AWPU) funding and is calculated as follows

$A \times (B/52)$ where-

A is the amount to distribute in accordance with the Fair Funding Formula as it applies in the financial year in which the exclusion takes place and,

B is the number of complete weeks remaining in the financial year calculated from the relevant date.

19. Dudley does not currently operate a system which incorporates "managed moves" so the provision to adjust a school's budget under Regulation 23(6) does not apply.

20. The local authority is in the process of consulting with headteachers on the second phase of its "Hard To Place Pupil Protocol" (consultation period ends 28 February 2006). If this is adopted, it incorporates procedures for the operation of "managed moves" for pupils from 2006/07. These would then be subject to Regulation 23(6) and adjustment to a school's budget would be applied accordingly as referred to in paragraph 18.

21. The Hard to Place Protocol is attached at Annexe C.

22. Regulation 10 – Unallocated Individual Schools Budget (ISB)

Regulation 10 requires a local authority, before 31 March 2006, to allocate the total ISB for both funding period 1 and 2 in the form of budget shares for schools. There is no longer provision to enable local authorities to retain and unallocated ISB.

23. For Dudley the Unallocated ISB for 2005/06 is £1.283m and is held as the Schools Specific Contingency (SSC) in respect of the items shown in the Table overleaf:

<u>Schools Specific Contingency Budget</u>	Budget 2005/06 £
Special Schools growth 2005/06	£320,698
Union Duties	£138,554
SEN Statements – in year adjustments	£338,689
Premises Costs	£255,621
INC funding withdrawn 2005/06	£57,120
Safeguarding 2005/06 7/12	£7,441
Interest on school balances	£165,600
Total	£1,283,723

24. Whilst the Regulations do not allow the local authority to hold any unallocated ISB from April 2006, a School Specific Contingency budget is permissible. The SSC will cover the allocations to schools in respect of formula changes which arise in year, such as increase in floor area, budget adjustments in respect of the uniform business rates and amendments to statements of SEN.

25. It is proposed that for 2006/07:

- a) The school specific contingency of £1,283,723 is reallocated from the ISB to the new line detailed on the S52 budget statement 'School Specific Contingency';
- b) The Union Duties budget of £138,554 is re-allocated from the school specific contingency and reported via the Staff Costs - supply cover (not sickness) element within the S52 budget statement, if the CEL calculation permits;
- c) The premises costs of £255,621 budget is delegated to cover the PAN adjustments and the 5% trigger.
- d) The resulting school specific contingency would be £889,548 before inflation and adjustments.

Proposals

It is proposed that Schools Forum:

26. Note the Schools Finance Regulations (England) 2006 and the impact in respect of Dudley's LMS Scheme.

27. Approve that the existing provision within the LMS Scheme in respect of the 5% trigger is removed from April 2006 (paragraph 14).

28. Approve that the existing provision within the LMS Scheme in respect of the increase in PAN is retained from April 2006 (paragraph 15).

29. Note that should the LA adopt the Hard to Place Pupil Protocol (managed moves), then Regulation 23 (6) would become effective (paragraph 20).

30. Approve the principles of the schools specific contingency from April 2006, as detailed in paragraph 25.

Finance

31. The funding of schools is prescribed by the DfES through School Finance (England) Regulations 2006.

32. From 1st April 2006, the Schools Budget will be funded by a direct DfES grant: Dedicated School Grant (DSG).

Law

33. 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.

Equal Opportunities

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

Recommendation

35. That Schools Forum note the contents of this report, and advise the Director of Children's Services in respect of the proposals detailed in paragraphs 26 to 30.



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