

Schools Forum 11 December 2007

Report of the Director of Children's Services

Review of Deprivation Funding

Purpose of Report

1. The purpose of this report is to advise Schools Forum of the progress regarding the DCSF review of deprivation funding, and to advise of the next stages, in particular, the requirement to achieve a target set by the DCSF for funding applied to address deprivation during the period 2008-11.

Budget Working Group Discussed

2. Yes

Actions for Schools Forum

3. To note the progress so far regarding the requirement to achieve the DCSF target during the funding period 2008-11, and to advise the DCS Forum regarding the proposals made.

Attachments:

4. Appendix A – Deprivation Funding Review template for 2007/08.

Sue Coates
Senior Principal Accountant
21 November 2007

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Background

2. A report was presented to Schools Forum on 2 October 2007, which provided background and the latest position regarding the DCSF review of deprivation funding.
3. LA officers, a representative from Schools Forum and the Children's Services Advisor (CSA) met on 5 October to consider Dudley's current position regarding allocation of funding for deprivation and our plans to achieve the 100% target during the period 2008-11.
4. The template data for 2007/08 (attached at Appendix A) indicates that of the £19.0m allocated to the Local Authority via the DSG for deprivation, **77%** (or £14.6m) is currently targeted directly by Dudley for deprivation. This leaves a shortfall of approximately £0.63m against the **minimum target** identified by the DCSF of **80%**.
5. The attached template has been submitted to the DCSF via the CSA. Whilst this data reflects a marginal shortfall against the 80% target, the CSA accepted that Dudley has plans in place to increase this figure in both the short and long term.

6. The current shortfall against the **100%** target is **£4.5m** based on 2007/08 funding. The LA has confirmed to the CSA that *“we expect to achieve the 100% target in the next three years”*.
7. A consequence of this is that the Authority, in conjunction with Schools Forum, will be required to consider how the 100% target can be achieved by 2011. The majority of the current £14.6m budget is allocated via the LMS funding formula. There is a need therefore to review the current formula factors in order to identify the options available to increase the amount of funding targeted to address the needs of pupils from deprived backgrounds. The DCSF will expect to see some immediate changes for the 2008/09 schools delegated budgets albeit this timescale is very tight now that we are already into the autumn and any formula changes would usually be consulted upon.
8. Local authorities will be asked to complete this template again in May 2008 after confirmation of 2008/09 budgets so that the DCSF can see the changes and progress being made in targeting funding for deprivation to Dudley pupils.
9. For information the proposed timescales issued by the DCSF are listed in Table 1 below:

Table 1

LA's to complete financial template	By 31 st August 2007
CSA's to discuss with local authorities	August – Oct 2007
CSA's feedback to DCSF	Mid August – ongoing
Discussion with Authorities of early concerns	Sep/Oct 2007
LA's to amend funding formulae and consult.	Sep – Oct/Nov 2007
Implementation of revised formulae	April 2008
Revised Statements from authorities (based on 08-09 budgets)	Summer 2008
Directions to authorities to make changes for April 2009 (if required)	Winter 2008

10. Dudley is already reviewing a number of areas within the LMS formula which may have a positive impact on Dudley's deprivation statistic if they are implemented at a future date. For example, a report to Schools Forum on 2 October 2007 identified the need to increase the reimbursement for

free school meals in line with the cost. If funding for free school meals is increased to cover the current cost of a meal at £1.60 from 2008/09, this would increase Dudley's deprivation statistic to just over 80%. However, the impact of this would possibly mean diverting school funds to free school meals away from the AWPU if there is no headroom growth in the DSG for 2008/09. The issue of free school meals is elsewhere on the Schools Forum agenda.

11. Additional areas of formula funding are currently under review and could potentially be re-directed towards deprivation from 2009/10 onwards. A summary of the potential funding identified that could be redirected is shown in Table2 below.

12. **Table 2 – Possible Redirections of Budget**

<u>Formula Factor</u>	<u>2007/08 budget £k</u>	<u>Timescale</u>	<u>Comments</u>
Small School Protection	661k	2008/09 - 2009/10	See separate report. (DCSF Regs April 2008)
Class Size Supplement	552k	2009/10	Due for review. No time limit originally set on this funding.
Cradley High School closure	300k	2009/10	Premises costs released assuming building disposed by this date

13. The items in Table 1, together with the free school meals option, discussed in paragraph 11, would divert £2m towards the deprivation target of £4.5m if approved. The balance of £2.5m would then need to be found from either headroom growth from the DSG, or if there is still a shortfall remaining, then funds diverted from AWPU.

14. All changes to the LMS formula should be subject to a full consultation process in line with the Dudley protocol however, Schools Forum do have the authority to approve changes without consultation

15. Due to the financial turbulence caused to some schools as a result of proposed changes, an approach phased over the period 2008-11 to implement any change is recommended.

Proposals

16. To increase the unit of resource from £1.20 to £1.60 for 2008/09 to fund free school meals at a level which fully covers costs (paragraph 11 refers). In order to achieve this increase, it is proposed that any DSG headroom is allocated in the first instance, and thereafter, a redirection from AWPU. This would increase the deprivation statistic to 80%.
17. That an 'in principle' agreement is given to direct any funds which might be made available after the funding formula review of small schools protection and/or class size initiative, estimated to be available 2009/10. There would be a further opportunity for detailed discussion at the time of the formula review.
18. That a review of other LMS formula funding factors is undertaken to identify any areas that need to be reviewed. This should form part of the review already planned during 2008/09, as discussed in paragraph 17.
19. That future 'headroom growth' within the ISB (individual schools budget) is made available for funding the needs of pupils from deprived backgrounds
20. That an 'in principle' agreement is given that by 2010/11 the balance of funding required to reach the DCSF deprivation target of 100% will be found by a re-direction from AWPU, as a last resort. There will be a further opportunity to discuss this in detail during 2009/10.
21. Schools Forum consider the LMS formula funding methodology to be used to allocate the £4.5m funds to recognise deprivation in Dudley and advise the Director of Children's Services accordingly.

HTCF-BWG recommendations to the proposals outlined in paragraphs 16-21

22. HTCF-BWG discussed this report at their meeting on 13 November 2007 and recommend the following in respect of the proposals referred to in paragraphs 16 to 21:
 - Paragraph 16 – HTCF-BWG deferred a decision to Schools Forum pending presentation of further information regarding the Catering Service to Schools Forum on 11 December.
 - Paragraph 17 – HTCF-BWG endorsed the "in principle" agreement that consideration be given to diverting any funds available from the review of small schools protection and class size supplement to deprivation factors.
 - Paragraph 18 – agreed.
 - Paragraph 19 – agreed that deprivation be considered along with any other spending pressures identified for allocation of funding from any headroom identified within the DSG.

- Paragraph 20 – agreed.
- Paragraph 21 – agreed.

Finance

23. From 1st April 2006, the Schools Budget is funded by a direct DCSF grant: Dedicated School Grant (DSG).
24. The funding of schools is prescribed by the DCSF through the School Finance (Amendment) (England) Regulations 2007.
25. 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.

Law

26. 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

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

Recommendation

28. Schools Forum note the report in respect of funding for deprivation and advise the Director of Children's Services in respect of the proposals identified in paragraph 16 to 21, noting HTCF-BWG recommendations in paragraph 22, to increase funding to target deprivation between 2008 and 2011.



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Director of Children's Services

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