

Open Report on behalf of the Executive Director Adults and Children's

REPORT TO:	Executive Councillor for Children's Services and Adult Learning
DATE:	6 February 2012
SUBJECT:	School Funding arrangements 2012/13
DECISION REFERENCE:	01963
KEY DECISION?	Yes

Summary:

The report seeks approval to proposals for changes to school funding arrangements from 2012/13.

Cllr Mrs Bradwell, Executive Councillor for Children's Services and Adult Learning, is responsible for the decisions on school funding arrangements.

Recommendation:

That the Executive Councillor for Children's Services and Adult Learning approves the proposals set out in this report.

Alternatives Considered:

Not to proceed with the proposals. The consequences would include:

- Failure to respond to government changes relating to the mainstreaming of grants.
- The continuation with a funding formula for mainstream schools which is unfair and no longer fit for purpose.
- Failure to address a number of issues which have emerged as a result of the introduction of the Early Years Single Funding Formula (EYSFF) and the special schools formula in April 2011.
- The setting of unrealistic central budgets and the risk of overspending in 2012/13.
- All available funds will not be issued to schools.

Reasons for Recommendation:

The proposals will help the Local Authority (LA) to: respond to Government changes to funding arrangements; address a number of key strategic issues, and; deliver a fairer system of funding to schools, whilst offering important protection arrangements.

1. Background**Introduction**

This report sets out proposals for changes to a number of key aspects of school funding arrangements for 2012/13.

The Dedicated Schools Grant (DSG) was established by central government in 2006/07. Regulations prescribe the purposes for which the DSG can be used and, essentially, these comprise the funding of Individual School Budgets and centrally managed budgets. The total DSG available in 2012/13 is not yet known. That is because the DSG is calculated by reference to the number of eligible children recorded on the January 2012 schools' census and the amount of funding per eligible child published by the DfE in December 2011. Although schools and academies completed their returns in mid January 2012, the need for data validation means that the number of eligible children, and therefore the total DSG available next year, is not known at the time of drafting this report. Nevertheless, proposals for use of the DSG in 2012/13 have been developed, having regard both to DfE' regulations and the LA's priorities.

Individual Schools Budget

The DfE requires the LA to ensure that all schools receives no less than 98.5% of their 2011/12 'per pupil' funding in 2012/13.

Schools Contingency

The LA must set aside sufficient funds within the Schools Contingency, to finance the in-year adjustments to school budgets, as required under the approved funding formula.

DSG Centrally held budgets

A number of changes are proposed to central budgets held within the DSG in 2012/13, to reflect increasing or decreasing pressures. Further details are set out in Report 1 (attached), which was presented to the Schools Forum on 25 January 2012. The most significant changes are set out below:

School Redundancies

It is proposed that the budget is reduced from c.£2m to £1.3m to reflect the fact that there are now a significant number of academies in the county and the LA is not responsible for meeting any of their redundancy costs; the level of overspendings on maintained schools has been falling, and; there are fewer structural re-organisations planned.

It is also proposed that the percentages that schools are required to contribute towards redundancy costs is reduced for those taking effect after 31 March 2012, to 2.5% of their budget for nursery, primary and special schools, and 5% of their budget for secondary schools. With the mainstreaming of grants in to the DSG this year, the financial contributions that schools have to make will thereby remain comparable with 2011/12.

Early Years

It is proposed that the budget is increased by £1.6m. This budget funds the payments to private, voluntary and independent providers. Government initiatives are driving growth and the LA cannot limit or control that growth.

Broadband

It is proposed that the budget is left unchanged but c.£0.7m from the DSG underspending at 31 March 2012 is earmarked to help meet some of the additional costs that will arise from the replacement of the current contract for Broadband connectivity at 31 October 2012.

Other budgets

All central DSG budgets are being scrutinised and much more modest changes to other budgets may be necessary.

Headroom

The 'headroom' or uncommitted DSG cannot be quantified until pupil data from the schools and academies' January 2012 census has been verified; centrally managed budgets have been set, and; an appropriate level of Schools Contingency has been established.

It is expected that an uncommitted sum of c.£6m may be available. It is proposed that:

- Up to £3.6m is set aside to help create sustainable collaborative partnerships within the primary sector.
- The block allocation for secondary schools with less than 700 on roll is increased by 50%, to better reflect the level of fixed costs in those schools. This may require funding of c.£1.7m.
- Any remaining sum is added to the SEN factor. Currently, 80% of that funding is targeted at low prior attainment.

At its meeting on 25 January 2012, the Schools Forum unanimously supported the first two proposals, but expressed concern at the last proposal as some members felt that sufficient funding was already available for special educational needs and this could duplicate funding available through the pupil premium. As the level of remaining headroom is expected to be modest, it is proposed that a decision is made by the

Assistant Director for Children's Services in consultation with the Executive Councillor once the figure is known.

Mainstreaming of Grants and the schools funding formula

The DfE mainstreamed a number of grants in to the DSG in 2011/12. The LA decided to distribute them in a similar way for 2011/12, then conduct a review. That review has been completed alongside a broader review of school funding arrangements. A number of proposals to alter the distribution of those grants and changes to the funding formula are proposed. The Government's Minimum Funding Guarantee has been set at minus 1.5% per pupil and so will offer a degree of protection. Should the funding allow, it is proposed that protection is offered against losses in year one. The Schools Forum unanimously supported these proposals. Details of the proposals are set out in Report 2.

Central Expenditure Limit (CEL)

The CEL is intended to ensure that the percentage growth in centrally held budgets does not exceed the percentage growth in individual school budgets. The final position will not be known until the end of March 2012 when the s251 budget statement for 2012/13 is completed. It is not expected that the LA will breach the CEL. That would require retrospective approval from the Schools Forum in April 2012.

Early Years Single Funding Formula

The EYSFF was introduced on 1 April 2011. In accordance with established practice, a review has taken place and a number of relatively minor changes to the funding arrangements are planned to ensure equity and fairness. The changes relate to Nursery schools and inclusion of the following within their hourly rate:

- an SEN allowance;
- a TLR2 payment to cover duties undertaken in the headteacher's absence;
- the grants mainstreamed in to the DSG in 2012/13.

In addition, it is proposed that Nursery schools are able to access the Inclusion fund which supports children with special educational needs, in the same way as early years settings.

Further details behind the proposals can be found in Report 3 (attached) which was presented to the Schools Forum on 25 January 2012. The Schools Forum unanimously supported the proposals

Special School funding

The special schools funding formula was introduced on 1 April 2011 and the LA has reviewed this too. The children in each school have been assessed to ensure that their funding band is appropriate and some minor changes are proposed following discussion with the respective headteachers. Proposals have also been made for transitional arrangements in Years 2 and 3, and these are consistent with the approach adopted for the new SEN factor introduced in mainstream schools in April 2010. A new formula has been developed for the two hospital special schools and transitional arrangements are again proposed. For grants mainstreamed in to the DSG it is proposed that these be allocated to special schools through the block allocation and the band values. Proposals have been made for the funding of residential special schools in 2012/13, although further work on this is planned next year.

More detail behind the proposal can be found in Report 4 (attached) which was presented to the Schools Forum on 25 January 2012. The Schools Forum unanimously supported the proposals.

2. Conclusion

The proposals in this report will deliver a fairer system of funding to schools and academies.

3. Legal Comments:

The options detailed in the report are lawful and within the remit of the Executive Councillor for Children's Services and Adult Learning.

4. Resource Comments:

This report primarily concerns the distribution of the Dedicated Schools Grant and therefore has limited financial implications for other County Council budgets.

5. Consultation

a) Has Local Member Been Consulted?

n/a

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

This report has not been presented to Scrutiny Committee. However, the Children and Young People Scrutiny Committee was given an overview of Children's Services 2012/13 budget proposals at its meeting on 5 January 2012.

The Schools Forum was consulted on these proposals on 25 January 2012.

d) Policy Proofing Actions Required

No

6. Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

PAPER TYPE	TITLE	DATE	ACCESSIBILITY
1. Schools Forum Report  FRG260.DOC	School Funding Arrangements 2012/13	25 January 2012	Committee Services, County Offices, Newland, Lincoln
2. Schools Forum Report  FRG257.doc	Mainstreaming of Grants	25 January 2012	Committee Services, County Offices, Newland, Lincoln

<p>3. Schools Forum Report</p>  <p>Schools Forum Paper - EYSFF.docx</p>	<p>Early Years Single Funding Formula (EYSFF) – Nursery schools</p>	<p>25 January 2012</p>	<p>Committee Services, County Offices, Newland, Lincoln</p>
<p>4. Schools Forum Report</p>  <p>FRG263.doc</p>	<p>Update on Special Schools Funding Formula</p>	<p>25 January 2012</p>	<p>Committee Services, County Offices, Newland, Lincoln</p>

This report was written by Tony Warnock, Head of Finance for Children's & Specialist Services. He can be contacted on 01522 553250 or at tony.warnock@lincolnshire.gov.uk