

**Open Report on behalf of Peter Duxbury, Executive Director of Children's Services**

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| Report to:          | <b>Cllr Mrs P A Bradwell, Executive Councillor</b> |
| Date:               | <b>18 February 2011</b>                            |
| Subject:            | <b>School Funding Arrangements 2011/12</b>         |
| Decision Reference: | <b>01788</b>                                       |
| Key decision?       | <b>Yes</b>   |

**Summary:**

The purpose of this report is to seek approval to proposals for school funding arrangements for 2011/12.

Cllr Mrs Bradwell, Executive Councillor for Children's Services including post-16 education, is responsible for the decisions on school funding arrangements.

The key Proposals are:

To introduce a new early Year Single Funding formula from 1 April 2011.

To introduce a new special schools funding formula from 1 April 2011.

To make minor modifications to the special educational needs funding formula that was introduced in 2010/11, from 1 April 2011.

To alter the charging mechanism for redundancy costs in schools from 1 April 2011.

To amend centrally held budgets within the Dedicated Schools Grant from 1 April 2011.

To allow decisions on the use of any remaining or 'headroom' funds to be made by the Assistant Director for Children's Services in consultation with the Executive Councillor, once the figure is known.

To deal with the streamlined grants as outlined below.

**Recommendation(s):**

The Executive Councillor is asked to approve the proposals set out in this report.

**Alternatives Considered:**

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

Failure to comply with the statutory duty to introduce a new Early Years Single Funding Formula (EYSFF).

The continuation with a funding formula for special schools which is no longer fit for purpose.

The non-resolution of a number of outstanding issues that were highlighted following the introduction of the new SEN formula for statemented and other pupils.

The prospects that school planning will not be encouraged to further reduce the cost of school redundancies.

The setting of unrealistic central budgets and the risk of overspending in 2011/12.

All available funds will not be issued to schools, thereby exacerbating their financial situation due to an already tight budget settlement.

Streamlined grants could be delivered in an alternative way, but there is little time to develop sensible plans and they could give rise to losses in some schools' budgets.

**Reasons for Recommendation:**

The proposals will help the Local Authority (LA) to address a number of key strategic issues including the introduction of the new EYSFF and a new funding formula for special schools.

**1. Background****Introduction**

This report sets out proposals for changes to a number of key aspects of school funding arrangements for 2011/12.

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 2011/12 is not yet known. That is because the DSG is calculated by reference to the number of eligible children recorded on the January 2011 schools' census and the amount of funding per eligible child published by the DfE in December 2010. Although schools were due to complete their returns in mid January 2011, 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 2011/12 have been developed, having regard both to DfE' regulations and the LA's priorities.

### **Early Years Single Funding Formula (EYSFF)**

The DfE requires the LA to introduce a new EYSFF from 1 April 2011. This will apply to early years children in all nursery schools, primary schools with nursery classes, and private, voluntary and independent providers. It will require modification to the existing funding formula for schools. In developing its formula, the LA has followed best practice and guidance offered by the DfE. The LA's proposals have been subject to consultation with interested parties over a two year period.

More detail behind the proposal can be found in the attached Appendix A which was presented to the Schools Forum on 26 January 2011. The Schools Forum supported the proposals. These include offering one year's protection to nursery schools.

### **Special School funding**

The LA proposes to introduce a new special schools funding formula from 1 April 2011. The LA has worked very closely with schools and other interested parties to develop a new system of funding that will be simpler and more transparent and give rise to improved value for money. Inevitably, a new system of funding will create gains and losses in some school budgets and it is proposed that transitional arrangements apply, in a manner that is consistent with the approach taken with the introduction of a new system of funding for statements in 2010/11. More detail behind the proposal can be found in the attached Appendix B which was presented to the Schools Forum on 26 January 2011. The Schools Forum supported the proposals. Should this proposal be agreed, it may be prudent to seek, shortly, the Secretary of State's approval to this, as that may be required from 2012/13 as transitional funding is phased out.

### **Special Needs funding**

As indicated above, the LA introduced a new formula for special educational needs in April 2010. There were a number of outstanding issues that officers had identified at the time. Officers have since worked with school representatives to consider those issues and consultation has taken place with all schools. Further detail is contained in the attached Appendix C which was presented to the Schools Forum on 26 January 2011. Most notably, this included proposals for phasing out the full transitional protection that had been given in 2010/11. The Schools Forum supported the LA's proposals.

### **Financing of School redundancies**

The LA has been reviewing the charging policy that requires schools to meet some of the costs of school redundancies from their own budgets. The objective is to further encourage schools to develop workforce plans and, in so doing, help minimise the number and cost of school redundancies. Details are set out in the attached Appendix D which was presented to the Schools Forum on 13 October 2010. The most significant proposal was that school contributions would increase from 25% to 50% for all redundancies that take place from 1 April 2011, although a percentage cap will continue to apply to restrict the financial contribution from a school in a single year to a manageable level. The Schools Forum supported this proposal.

### **Individual Schools Budget**

The DfE requires the LA to ensure that all schools receives no less than 98.5% of their 2010/11 'per pupil' funding in 2011/12.

### **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 2011/12, to reflect increasing or decreasing pressures. Further details are set out in the attached Appendix E which was presented to the Schools Forum on 26 January 2011. The most significant changes are set out below:

#### **SEN**

- **Out of County**  
In view of continued success in reducing expenditure on Out of County placements, it is proposed that the budget is reduced by £0.3m in 2011/12.
- **Designated Support Units**  
It is proposed that two new Designated Support Units for special school children are developed in Lincoln. This is estimated to cost £0.090m in 2011/12.
- **Special schools outreach**  
In response to the special school review recommendations, it is proposed to develop the outreach offer from special schools through a two year pathfinder. This will develop practice in each of the 7 districts using £0.325m annually, for two years. This will include the establishment of a primary BESD satellite in the south of the county and will provide a buy back service for academies to access the outreach offer, to offset the cost.

#### **Redeployment budget**

It is proposed to reduce this budget by £0.2m. Funding will remain for the redeployment officer, but there will be much less flexibility to facilitate redeployments through financial incentives to schools.

#### **Carbon scheme**

The Government is planning to introduce a carbon reduction scheme for all large organisations in the country. It is proposed that instead of schools being asked to meet their own costs, which are likely to vary tremendously, it would be fairer and less bureaucratic to meet those costs from a centrally held budget. The cost for 2011/12 is estimated to be £0.650m.

#### **Broadband**

The Government reduced the Harnessing Technology Grant by 50% after the election and this has been removed entirely for 2011/12. The grant had been used to support Broadband costs in schools. The shortfall in budget is estimated to be £3.456m. To ensure stability in school budgets, it is proposed that if sufficient resource is available within the DSG to meet the MFG and other central budgets, this cost is met from a central DSG budget. The LA has contractual commitments until October 2012 and the intention is to consult all schools on potentially different arrangements from 2012/13 onwards.

#### **Audit**

In view of the Government's ending of the Financial Management Standard in Schools, it is proposed that £0.060m of the DSG continues to be used to enable internal audit to continue to offer support and challenge to all schools through a high level review of key documentation. This was the subject of a report to the Schools Forum on 26 January 2011. A copy is attached as Appendix F. The proposal was supported by the Schools Forum.

#### **Academies**

The contribution that the LA has to pay to the YPLA to finance some of the costs for LA services no longer provided to academies will increase as more schools convert, and a prudent estimate will have to be made.

#### Other budgets

All DSG central budgets have been scrutinised and more modest changes to other budgets are planned.

### **Headroom**

The 'headroom' or uncommitted DSG cannot be quantified until pupil data from the schools' January 2011 census has been verified; centrally managed budgets have been set, and; an appropriate level of Schools Contingency has been established.

The extent of any headroom is likely to be affected significantly by various decisions set out in this report, including that relating to Broadband. However, if a sum remains uncommitted, a decision is needed as to how that should be allocated. A report to the Schools Forum suggested that it could be directed to one or more sectors, or alternatively through specific formula factors such as the block, age weighted pupil unit values, deprivation and SEN, etc. All have different impacts. The feedback from the Schools Forum is that it should be used to help provide stability in school budgets at this difficult time and should not be targeted (especially through deprivation, as the pupil premium is targeting new money through that route). As the level of headroom is expected to be modest, and possibly even negative, 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.

### **Streamlining of Grants**

The DfE confirmed in December that a number of grants would be streamlined in to the DSG in 2011/12. This will add a further £699 per pupil to the DSG. It is expected that DfE' regulations will be changed to allow all LAs to distribute those funds in a different way, or continue as before. In principle, it would be beneficial undertake a thorough review. However, there is too little time to do that effectively and so it is proposed that the funding continues to be distributed as before, with plans developed for a more detailed review and consultation process with schools, starting in the summer of 2011.

### **Central Expenditure Limit (CEL)**

The CEL is intended to ensure that the percentage growth in the centrally held budgets does not exceed the percentage growth in individual school budgets. The final position will be known until the end of March 2011 when the s251 budget statement for 2011/12 is completed. The LA may breach the CEL if a decision is taken to fund Broadband and the Carbon management scheme centrally, and this would then require retrospective approval from the Schools Forum in April 2011.

## **2. Conclusion**

The proposals in this report will help address a number of longstanding and fundamental issues and respond positively to a number of recent Government announcements.

### **3. Legal Comments:**

Subject to the fact that the change to the funding of special schools may only be implemented following receipt of Secretary of State approval, the options detailed in the report are lawful and within the remit of the Executive Councillor for Children's Services and post-16 education.

#### **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 paper has not been presented to a Scrutiny Committee. However, the Children and Young People Scrutiny Committee was given an overview of Children's Services 2011/12 budget proposals at its meeting on 14 January 2011. This proposal is attached at Appendix G.

##### **d) The Schools Forum**

The Schools Forum was consulted on these proposals on 13 October 2010 and 26 January 2011. A number of proposals have also been subject to extensive consultation with school and other interested parties, although that hasn't been possible with respect to issues arising from more recent Government announcements.

##### **e) Policy Proofing Actions Required**

n/a

#### **6. Appendices**

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| These are listed below and attached at the back of the report |  |
| Appendix A  | Early Years Funding Arrangements from 2011/12 dated 26 Jan 11                                      |
| Appendix B  | Review and Reconfiguration of Special Schools and Mainstream Unit Provision Report dated 26 Jan 11 |
| Appendix C  | Special Educational Needs Funding Review dated 26 Jan 11   |
| Appendix D  | Managing Change Policy and School Redundancies Report dated 13 Oct 10                              |
| Appendix E  | School Funding Arrangements Report dated 26 Jan 11   |

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| Appendix F | Financial Management Standard in Schools Report dated 26 Jan 11 |
| Appendix G | Children's Services Core Offer dated 14 Jan 11                  |

## 7. Background Papers

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

| Document title  | Where the document can be viewed                     |
|---|--|
| Early Years Funding arrangements from 2011/12 dated 26 January 2011                               | Committee Services, County Offices, Newland, Lincoln |
| Review and Reconfiguration of Special Schools and Mainstream Unit Provision dated 26 January 2011 | Committee Services, County Offices, Newland Lincoln  |
| Special Educational Needs Funding Review dated 26 January 2011                                    | Committee Services, County Offices, Newland, Lincoln |
| Managing Change policy and School Redundancies dated 13 October 2010                              | Committee Services, County Offices, Newland, Lincoln |
| School Funding Arrangements 2011/12 dated 26 January 2011   | Committee Services, County Offices, Newland, Lincoln |
| Financial Management Standard in Schools dated 26 January 2011                                    | Committee Services, County Offices, Newland, Lincoln |
| Children's Services Core Offer dated 14 January 2011  | Committee Services, County Offices, Newland, Lincoln |

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