

REPORT REFERENCE: **7.0**

REGULATORY AND OTHER COMMITTEE REPORT

NAME OF COMMITTEE:	Schools' Forum
DATE OF MEETING:	12 October 2011
SUBJECT:	Streamlining of Grants
REPORT BY:	Tony Warnock (Head of Finance – Children's and Specialist Services)
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IS REPORT CONFIDENTIAL?	No
IS REPORT EXEMPT?	No

SUMMARY

The purpose of this report is to provide an update and seek the views of the Schools' Forum on the work undertaken so far to respond to the Government's streamlining of grants in to the Dedicated Schools Grant (DSG) in 2011/12.

DISCUSSION

Background

As reported to the Schools Forum on 26th January 2011, the Government decided to press ahead with the streamlining of grants in to the 2011/12 DSG. Although the regulations allowed Local Authorities (LAs) to distribute those funds in a different way, the Schools Forum supported the LA's proposal to replicate the 2010/11 funding arrangements in 2011/12, then conduct a thorough review in the summer of 2011, with a view to altering the distribution of those funds from 2012/13. A review was

considered necessary because the value of the grants is considerable (i.e. £67m) and some have been locked in place for many years and may no longer be appropriate in the current era.

Working party

At the meeting in April 2011, Schools Forum members were asked to volunteer to join the working party. The group met on 22 September 2011 and the representatives are shown in Appendix 1. The LA wishes to place on record its gratitude for their support.

Purpose of the working party

Given that the value of streamlined grants represents a significant element of the total DSG (£466m), and the fact that the Government's current consultation on the future of schools funding has implications for all schools, it was considered appropriate to review all aspects of Lincolnshire's schools funding formula, not just the streamlined grants. Of particular importance, was consideration of a number of more strategic issues including:

- The funding of small schools.
- The funding of deprivation.
- The possible need for additional support for children in earlier years and hence the relative funding between each sector.

It is accepted that transitional arrangements will be important and, whilst it is acknowledged that the Minimum Funding Guarantee (MFG) is likely to continue to apply at a national level, Lincolnshire's underspending on the DSG at 31 March 2011 could be used to support transition. This therefore provides a unique opportunity to alter the funding formula for schools in Lincolnshire, so that it is fit for purpose and able to improve outcomes for children in the years ahead.

The Streamlined Grants

The grants that were streamlined in to the DSG are:

Grant	£000	%
Schools Standards Grant (SSG)	19,380	28
Schools Standards Grant (Personalisation)	4,461	6
School Development Grant (SDG)	22,165	32
Specialist Schools	6,244	9
High Performing Specialist Schools	1,712	2
School Lunch Grant	1,087	2
EMAG	265	4
1-2-1 Tuition	3,376	4
Extended Schools Sustainability	2,882	4
Extended Schools Subsidy	2,299	3
National Strategies (Primary)	2,115	3
National Strategies (Secondary)	1,331	2
Diplomas.	451	1
Total	67,778	100

The SSG and SDG are clearly the largest elements.

Working party views

To put the development of the funding formula in to context, the following issues were considered:

- The current funding arrangements in Lincolnshire
- Lincolnshire's projected performance
- The Government's vision of future school funding arrangements
- Children's Services emerging priorities
- Principles that should underpin a new funding formula
- How statistical neighbours fund their schools
- How school funding is expected to change over the next three years due to the Pupil Premium.

The views expressed by the working party were quite varied. There was broad consensus on some issues, but disagreement on others. The key conclusions may be summarised as follows:

- The funding formula for schools is important and it can impact positively on performance. The quality of leadership and teachers is also important however.
- Small schools need a minimum level of funding to cover their fixed costs. For primary schools, funding needs to be sufficient to ensure both that appropriate salaries can be offered to attract high quality Headteachers and that their teaching commitment is not too high. Small secondary schools also need additional financial support in recognition of their fixed costs and the limited flexibility they currently have to manage their budgets.
- The funding for deprivation is important. It has and can make a difference in helping narrow the attainment gap and it can be used to help raise children's aspirations.
- The expected growth in the pupil premium over the next three years is not expected to make a material difference to the budgets of most county schools.
- The Local Authority's (LA) vision:
'That every child in every part of the county should achieve their potential.'
is the right one. However, there should be strong emphasis on the word 'every' and this should include gifted and talented children as well as children from deprived areas.
- There are a number of important principles that should underpin the school funding formula. The list includes equity, transparency, effectiveness, simplicity, responsiveness, objectivity, stability, predictability, affordability, value for money and accountability. The working party appeared to place greatest emphasis on equity and stability in funding.
- Evidence suggests that Lincolnshire is directing less of its DSG in to deprivation factors compared to other LAs and its attainment gap is wider than many others.
- The need to keep open small school sites and fund them at an appropriate level was acknowledged. To work effectively, schools ideally need four good teachers. Closer collaboration is therefore critically important and the idea of introducing a formula factor that encourages formal partnerships should be pursued. The block allocation could also vary according to the size of each school.
- The funding for Leadership Incentive Grant and the Behaviour Improvement Programme was not distributed fairly at the outset. The funding had a positive impact in some schools, but it should in future be targeted at a broader range of schools serving the most deprived pupils.
- Both the primary and secondary sectors have been the subject of increased demands and expectations from Government over the past decade and both sectors can make claims for additional funding. The relative funding between the two sectors is in line with the county's statistical neighbours.
- The LA's 2011/12 budget cuts are already having an impact upon the support services available to schools.
- There may no longer be Government expectations for specialist schools to continue their previous work, but stability in those schools' budgets is important, especially for those with more than one specialism.
- Advanced Skills Teachers (ASTs) help drive up the quality of teaching in the county and it is important that this is preserved. There will be contractual issues to consider if this funding is removed. However, it is not clear whether the current distribution of ASTs, or the accessibility of all schools to them, is equitable.
- The funding of Threshold payments is an administrative burden for schools and the LA (Mouchel). This funding stream should be retained but schools should only receive funding for those staff that are actually paid on the upper pay scale, not those that are simply eligible for it.
- The SSG should be redistributed using the block and the age weighted pupil unit (awpu) values, to try to mirror current allocations.
- The Infant Class Size funding formula should be removed because of the increased risk of this being exploited as a result of possible changes by Government to rules on planned admission numbers and associated matters. This funding should probably be distributed through awpu to try to mirror, broadly, the current allocations to primary schools.
- The qualifying level for access to funding for English as an Additional language (EAL) is too high, as the impact upon schools with one or two children is considerable. However, given

that EAL affects many schools and currently few qualify, the cost of lowering the qualifying level may be significant.

- The one to one funding stream introduced by the Government several years ago can be added in to the SEN factor introduced in April 2010, to simplify funding arrangements.

Due to time constraints, the working party was unable to consider all of the current formula factors and the proposals for change (most of those proposals were intended to help simplify the funding system). However, the key issues were debated.

In summary, although there wasn't a consensus of opinion on all of these issues, there was broad agreement on a number of them. The funding of deprivation is considered to be very important and a redistribution of some streamlined grants appears appropriate. Keeping small school sites open is also important, and work should be undertaken to promote formal partnerships. Those and the other views expressed by the working party will help the LA with the development of this work in the months ahead.

Next Steps

The proposed next steps include:

- The DMT to consider the views of the working party and the Schools Forum.
- Modeling work to be undertaken in the period up to Christmas.
- An outline of the direction of travel to be communicated to schools, perhaps through the area headteacher and governor partnership meetings.
- The Children and Young People Scrutiny Committee to be consulted.
- Formal proposals to be presented to the Schools Forum on 25 January 2012.
- The DMT and Executive Member to consider feedback from the Schools Forum.
- Formal decisions to be made by the Executive Member in early February 2012.
- Changes to the funding of schools to be introduced in April 2012, with appropriate protection arrangements put in place.

RECOMMENDATIONS

The Schools' Forum is asked to:

- a. Note the contents of the report;
- b. Comment on the work undertaken so far.

APPENDICES (If applicable) - these are listed below and attached at the back of the report.
Appendix 1 – Working party representatives

BACKGROUND PAPERS			
PAPER TYPE	TITLE	DATE	ACCESSIBILITY
Report to Schools Forum	School Funding Arrangements 2011/12	26 January 2011	County Offices, Newland, Lincoln, LN1 1YQ
Report to Schools Forum	School Funding 2011/12	27 April 2011	County Offices, Newland, Lincoln, LN1 1YQ

Working party representatives – 22 September 2011

The working group comprised:

Nursery		
Heather Steed*	Headteacher	Boston Nursery School
Primary		
Jenny Wheeldon *	Headteacher	Scothern Ellison Boulters CoE Primary School
Andy Craven	Headteacher	Horncastle Community Primary School
Dominic Loyd*	Headteacher	Boston Tower Road Academy
Secondary		
Roger Hale *	Headteacher	Caistor Grammar Academy
Jeremy Newnham *	Headteacher	Caistor Yarborough Academy
Adrian Reed	Executive Headteacher	Boston The Haven High Technology College
Special		
Bill Bush *	Headteacher	Grantham The Phoenix School
Governors		
John Beswick *	Secondary School Governor	Louth Cordeaux School
Michael Follows *	Special School Governor	Boston John Fielding Community Special School
CfBT		
Paul Snook	Strategic Director BIP & Excellence Clusters	School Improvement Service (CfBT)
Elaine Radley	Principal School Improvement Adviser Primary	School Improvement Service (CfBT)
Keith Batty	Principal Adviser 11-19	School Improvement Service (CfBT)
Mouchel		
Julie Hulme	Senior Accountant	Mouchel
LCC		
Mark Popplewell	Assistant Head of Finance, Children's Services	Lincolnshire County Council
Michelle Grady	Assistant Head of Finance, Children's Services	Lincolnshire County Council
Tony Warnock	Head of Finance, Children's Services	Lincolnshire County Council

* denotes Schools Forum representative