



Walsall Children's Services

Report to: Schools Forum

Date: 7 December 2010

Subject: 2011-12 Schools Funding

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Purpose of the report: To appraise Schools Forum of the funding implications arising from the Schools White Paper, 'The Importance of Teaching'.

Recommendation: To note the content of the report.

1. Introduction

- 1.1** The government has just published its Schools White Paper, 'The Importance of Teaching' <http://www.education.gov.uk/schools/teachingandlearning/schoolswhitepaper/a0068673/schools-white-paper-published>, on 24 November 2010. This is an important document which clearly defines the future role of the local authority, and the increasing autonomy and accountability of schools.
- 1.2** Although there is no detailed financial information in the White Paper (this information will be published in the local authority and school funding settlement), it sets out a future funding framework.

2. The Future of School Funding

- 2.1** The main features of the proposed funding reforms included in the White Paper are detailed in this section of the report. Importantly, the government has protected school budgets from significant reductions, at a time when most public sector services are facing cuts of 25% - 30%.
- 2.2** The government intends to distribute the funding for schools through a more transparent and fairer system. Its long term aim is to have a single, national funding formula, to be introduced in such a way so as to minimise disruption and ensure schools' resources are not subject to significant financial turbulence.

This is a highly complex proposal and transitional arrangements will be necessary to support these radical funding changes, which will seek to remove the disparities in funding at local authority level, included within some specific grants and those which are generated by the different formulae applied at local level.

There will be consultation on the new funding system in Spring 2011. The consultation will focus on

- Merits of a national funding formula
- How the transition should be managed and when
- How to take into account pupil needs in the funding formula

- 2.3** The 'Pupil Premium' will be introduced to target resources of £2.5 billion to disadvantaged pupils by 2014-15. The premium will go with eligible pupils to the school that they attend, and will be distributed in addition to the basic school funding. The premium is intended to provide pupils from disadvantaged backgrounds with an excellent education and encourage schools to admit less affluent pupils.

Schools will be held accountable for the progress of pupils eligible for the premium. Data will be published as to how well they achieve.

- 2.4** The paper confirms that there will be simplified schools funding by abolishing ring-fences and giving schools a single funding stream – the Dedicated Schools Grant.
- 2.5** The government intends to replace the Young People's Learning Agency with a new Education Funding Agency (EFA) as an executive agency of the DfE. The EFA will fund academies and Free Schools and all 16-19 provision.
- 2.6** Academies and Free Schools will continue to receive funding for services which maintained schools receive from their local authorities. The DfE is reviewing the calculation of this additional funding to ensure that it is fair for local authorities, Academies and Free Schools.

- 2.7** The local authority is ultimately responsible for the needs of the most vulnerable pupils, that is pupils with complex Special Educational Needs and pupils not in mainstream education. The funding reforms will take into account the needs of these pupils, in line with the forthcoming Green Paper on Special Educational Needs and Disability.
- 2.8** A pilot project will be undertaken to test a new approach to providing for excluded pupils. Pilot schools will receive funding directly and will be expected to source and fund full-time education for any pupil that they exclude. The plan is to eventually roll out this model to all schools. Schools will also be accountable for the achievement of their excluded pupils.
- 2.9** All young people will be expected to remain in education and training to age 18 by 2015. This extension of provision will be underpinned by a simple, fair and transparent funding system.

In practical terms, this change will remove the current funding disparity between general FE colleges and sixth form colleges with school sixth forms. At present a young person attending a school sixth form is funded at a higher rate than a peer attending one of the other establishments.

The transition towards equitable post-16 funding will begin in 2011-12 and will be completed by 2015. Transitional protection will be provided to schools facing significant changes to their funding.

- 2.10** The government has given a commitment to direct as much funding as possible to schools. This will be achieved by reducing DfE's other activities and programmes by more than half over the next four years.
- 2.11** Going forward, value for money will be a key driver for schools. Data will be published by the government about how much each school spends and on what, alongside data about how well pupils achieve. This will provide schools with contextual benchmarking information as well as providing parents with information.
- 2.12** The government has removed the need for local authorities to have a Balance Control Mechanism for 2011-12, pending a review of the current system, it is proposed that a changed clawback mechanism be implemented in April 2012.
- 2.13** The Financial Management Standard in Schools (FMSiS) will be replaced with a simpler standard during the 2011-12 academic year. FMSiS is deemed to be complex, burdensome and bureaucratic, process driven and not an effective way of assuring good financial management in schools.

Schools which have not yet achieved FMSiS will not be required to do so, but will be expected to be among the first schools expected to achieve the new standard. In the interim, Walsall's Internal Audit team will continue with their programme of school audits using the Audit Commission, Keeping Your Balance framework.

- 2.14** The role of the School Business Manager is promoted in the White Paper. To support this, a new service is currently being developed for delivery on a traded basis within Walsall.
- 2.15** Good procurement and energy efficiency are also promoted in the paper in order for schools to achieve the £1bn of efficiency savings included within the DfE budget for schools. A procurement toolkit will be made available to schools in Walsall via The WELL.
- 2.16** Future capital investment in schools will reduce by 60% over the next four years. Priority will be given to poor condition of the existing school estate and ensuring there are enough places for the predicted increase in the number of school age children, particularly at primary level.

The review of the education capital is due to be published by the end of the year, and will set out how capital should be allocated in the future in the most targeted and cost effective way. At this stage the future of Devolved Formula Capital is not confirmed.

2.17 Other funding sources mentioned in the White Paper are:

- Education Endowment Fund £110m – schools and local authorities will be able to bid for funds to support underperforming schools with disadvantaged pupils
- New Collaboration Incentive £35m – financial rewards for schools supporting weaker schools and improving their performance

3. Summary

3.1 The White Paper funding proposals confirm the government's policy of creating an autonomous school system, with reduced regulation and bureaucracy.

3.2 Although the number of Academies is increasing it will take years before all schools are ready to make the conversion to Academy status. For these schools, the local authority will continue to provide budgets and financial information as it does now.

3.3 The introduction of a national funding system and the Pupil Premium, the mainstreaming of grants into a single funding stream, the standardisation of post-16 funding and the increasing number of Academies impacting on centrally provided service to schools, present the local authority, the Schools Forum and individual schools with a set of challenges to understand and manage over the next few years, without causing major disruption to the education of pupils in Walsall..