



Walsall Council

Walsall Children's Services

Report to: Schools Forum

Date: 19 October 2010

Subject: Consultation on the School Finance (England) Regulations 2011.

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Purpose of the report: To appraise the Schools Forum of the Government's proposed amendments to the regulations governing the funding of schools for the 2011 -12 financial year.

Recommendation: To note the content of the report and comment on any proposals as appropriate.

1. Introduction

- 1.1** the current school finance regulations cover the 2008 – 11 funding period, and therefore expire on 31 March 2011. This report summarises the draft regulations which will be valid for the 2011-12 financial year only.
- 1.2** The Coalition Government is considering changes to the national system for funding schools, and it is expected that these changes will be implemented with effect from 1 April 2012.

2. Proposed Regulation Changes

2.1 Early Years Single Funding Formula (EYSFF)

- 2.1.1** All local authorities will be required to implement an EYSFF from 1 April 2011. The proposed funding regulations are consistent with previous proposals and include a requirement to fund on actual hours, to use at least three counts during the year and to have a deprivation supplement.
- 2.1.2** Walsall is already operating the proposed system under an approved pilot scheme.

2.2 Mainstreaming of Grants

- 2.2.1** Subject to the spending review it is proposed that a number of grants should be mainstreamed into Dedicated Schools Grant (DSG). It is likely that as a minimum the School Development Grant, School Standards Grant and School Standards Grant (Personalisation) will be mainstreamed into the DSG.
- 2.2.2** The School Development Grant is an amalgamation of a number of former Standards Fund grants, some of which were not distributed on a formulaic basis, such as Excellence in Cities funding, therefore the distribution of per pupil funding across the range of schools is lumpy.
- 2.2.3** Local Authorities will be allowed to distribute the mainstreamed grants through existing or new formulae, or, use a factor which replicates all or part of the previous grant, either as a cash amount, or continue with the grant methodology in order to avoid major financial turbulence for some schools.
- 2.2.4** The mainstreamed grants will be taken into account in the calculation of the Minimum Funding Guarantee (MFG), so that the budget comparisons will be on a like for like basis. This will be achieved by adjusting the 2010-11 baseline to include allocations for the grants which are to be mainstreamed in 2011-12.
- 2.2.5** The MFG for special schools is calculated in two separate component parts, place led funding and the remainder of the budget. It is proposed that the sum in respect of the mainstreamed grants should be added to the non-place led budgets for MFG purposes.

2.3 Central Expenditure

- 2.3.1** The mainstreaming of grants will also affect the central expenditure calculations, therefore the relevant grant allocations will need to be added to the 2010-11 baseline Schools Budget, to provide a like for like comparison.
- 2.3.2** There is no proposal to amend the 2010-11 baseline for central expenditure in respect of centrally retained sums from maintained grants. Where an LA wishes to continue to utilise central elements of mainstreamed grants, and this causes a breach of the central expenditure limit, then Schools Forum approval would be needed.
- 2.3.3** If the Ethnic Minority Achievement Grant (EMAG) is mainstreamed into DSG, following the spending review, then the draft regulations propose that LAs can retain funding centrally for services which support schools in narrowing achievement gaps for under-performing ethnic groups and in meeting the needs of bi-lingual learners. The purpose of this regulation is to allow more cost-effective central services to be retained, and involve the Schools Forum in the decision.
- 2.3.4** A new regulation is also proposed that would require the approval of Schools Forum to fund overspend on central expenditure in 2010-11, that would reduce the sum available to schools in 2011-12.

2.4 Exclusions

- 2.4.1** Where a local authority has a factor that takes account of exclusions, this would need to be removed from the formula in 2011-12. Walsall has no such formula factor.
- 2.4.2** For clarification, the above proposal does not refer to the deduction of age weighted pupil funding following permanent exclusion. Also local agreements outside of the formula may continue, such as penalties, which once again are not applicable to Walsall.

2.5 Federations

- 2.5.1** The proposals are asking local authorities to consider how federations of schools should be funded, by considering the appropriate balance between allowing the savings to accrue to individual schools against the Individual Schools Budget, without removing the attractiveness of federation as an option.
- 2.5.2** The proposed regulation changes will allow the LA to calculate a single budget share for schools in a federation with a single governing body. In addition LAs will also be allowed to have a federation factor, which could be used either to pump prime a federation or it could be a negative factor in recognition that savings are being achieved which could be redistributed within the ISB.

2.6 Carbon Reduction Commitment

- 2.6.1** The Forum has already received a report outlining the impact of the Carbon Reduction Commitment (CRC) on the Schools Budget. The proposed regulations allow for any potential funding implications, that is bonuses or penalties, to be dealt with either at an individual school level or through the central expenditure element of the Schools Budget.

- 2.6.2** Academies are included in the CRC calculation for their local authority area. By adopting either method of accounting for the CRC, academies will be equally affected under the current academy funding methodology. However, this is a factor that will need to be taken into consideration as part of the wider review of academy funding.

2.7 Academies

- 2.7.1** The proposed regulations clarify funding for named pupils with high level SEN attending academies. This proposal will have no impact at a local level for Walsall, which is already compliant with the reworded regulation.

2.8 Community Facilities

- 2.8.1** At present schools may use certain grants, including the Schools Standard Grant (SSG) to provide community facilities. From 1 April 2011 it is likely that SSG will be mainstreamed into the DSG and allocated as part of schools' delegated budget shares.
- 2.8.2** Section 4 of the Children, Schools and Families Act 2010 has relevant sub-sections that will allow schools to use their delegated budgets for community facilities. The Act does allow for regulations to restrict the scope of spending, but there is no intention to regulate at this stage. There is in existence a prohibition in schools using their community facility power (2002 Education Act) where it would interfere with their primary focus of raising standards.
- 2.8.3** Consistent Financial Report and Schemes for Financing Schools will also be amended to reflect this change.

3. Summary

- 3.1** There are a number of proposals included in this document, some of which may have a short life of one year. It is difficult to predict what will happen from April 2012 until the impact of the Comprehensive Spending review on schools is known, along with the proposals in the anticipated White Paper that will outline the future roles and responsibilities of local authorities and schools.