

Education Walsall

School Forum

11 September 2007

Members of the Schools Forum are requested to receive this report for information

DCSF response to the School, Early Years and 14 -16 funding Consultation

Summary of key decisions announced for funding arrangements 2008-2011

Overview

The government's decisions on the future funding of schools, following the national consultation process, provides the broad framework for the funding arrangements for 2008-2011, the period of the 2007 Comprehensive Spending Review (CSR) settlement. The decisions cover:

- the distribution of the **Dedicated Schools Grant (DSG)** to local authorities.
- refinements to the way local authorities fund schools, ready for the introduction of **three year school budgets** from April 2008.
- development of the funding arrangements for early years education to support the extension to 15 hours and increased flexibility of the **free entitlement to early years education** and care from 2010.
- funding arrangements to support the introduction of the entitlement to **diplomas at key stage 4**.

In the autumn term announcements will be made about the national school funding totals for 2008-11, individual local authorities' funding allocations for the three years, and the level of the Minimum funding Guarantee.

Key Decisions

A full guide to the decisions for local authorities and Schools Forums was to be published in July, however DCSF has apologised and stated that it is hoped to provide fuller guidance early in September.

Early years funding reform

The reforms are designed to bring the funding systems for the private, voluntary and independent (PVI) and maintained sectors into better alignment to enable local authorities to shape the market more effectively in response to parental demand.

By April 2010 all LAs will be required to use a single local formula for funding the free entitlement in maintained and PVI sectors. However, the DCSF will be encouraging LAs to introduce earlier where possible.

The DCSF are taking a staged approach toward the introduction of the single formula and currently the timeline suggests:

- As of now, in the run up to agreeing our local budgets for April 2008 onwards, the DCSF expect each LA to **analyse the cost of delivering the free entitlement in PVI settings.**
- As of now the DCSF expect all LAs to **establish a mechanism to consult with providers about local changes to early years funding.** This can be through a sub group of the Forum. There will be a change in regulations so that **at least one early years provider from the PVI sector is amongst the non-school membership of the Forum.** It is suggested that LAs may wish to get a head start on this and arrange for PVI representation now.
- April 2009 – The DCSF see a consistent count method across both sectors as an important precursor to a single formula. Therefore, from April 2009, school funding regulations will change to require all LAs **to count and fund children in maintained settings according to the amount of provision they use.** This new count will also be used in our MFG calculations. There will still be some flexibility for LAs to fund some of their providers (both schools and PVI setting) on places – but mainly to help protect and sustain small or rural settings and those nursery schools that need it. LAs will need to start considering the impact of the change well in advance of April 2009 and there is an expectation that finance and data collection staff will need to identify appropriate data to conduct **an impact assessment** of this change for discussion with the Forum.
- As these reforms are implemented, the DCSF will be looking for LAs to consider options for **increasing budget stability for PVI settings.** As there were mixed views in the consultation responses, and as the DCSF feel this needs to respond to local circumstances and individual providers, examples of practical ways to do this will be provided, but no requirement of a specific approach will be made.
- A decision has been made **not to implement the option of a separate identification of early funding within the DSG for the time being.** The wider review of the DSG system, with the view to having a single formula, will mean early years funding will be clearly identifiable in future.

14-16 Funding

The key points for the funding of diplomas at key stage 4 are:

- **Funding for 14-16 years olds taking diplomas** will be distributed to local authorities through a specific formula grant, on the basis of a formula reflecting the diploma lines being offered, take-up, the higher cost of provision in high wage areas and the additional costs in sparsely populated areas.
- How the **funding is delivered to providers** will be for local decision, building on existing successful partnership models. But the DCSF will set out in guidance the benefits of a partnership-level approach with schools able to draw on a central pool of funding, rather than meeting all diploma costs from their delegated budget.
- The DCSF will set out a **framework for the costs that schools should be charged** for diplomas. This will be based on the LSC funding methodology but with local flexibility to reflect different levels of funding for 14-16 pupils across local authorities.

Quantifying Diploma funds

Formula grant will be issued to LAs at the end of November and the assumptions on which the grant is based will be provided, and will include adjustments to take account of earmarked Practical Learning funds allocated in 2007/2008 and a reduction to avoid double funding, linked to volume of take up.

The level of grant payable to each school offering Diploma provision will be based on:

- The number of pupils and Diplomas lines/levels being undertaken, based on initial options in October/November
- LSC base funding rates for Diploma level/lines, including any uplifts within the 'provider factor'.

The contribution from cost reductions at school level will be estimated on the basis of volumes taking up Diplomas from each school. It is expected that schools will make some contribution to minimise double funding and that this contribution will increase in proportion to numbers of pupils taking up Diplomas.

Routing and management of Diploma funds

When these factors have been determined the routing of funding would operate as under one of the following options:

- **Option 1** the Diploma funds will be held by the 14-19 partnership on behalf of the local authority. The contributions from cost reductions can be secured through a top slice of all participating schools' budgets either at an average rate or in direct proportion to numbers taking Diplomas in each school. All payments to Diploma providers will be arranged centrally by the partnership
- **Option 2** the grant would be held and paid at partnership level. Each school would need to make a contribution to partnership provision from their budgets, either at an average rate or in proportion to the provision purchased for their pupils. In this scenario the partnership would be responsible for paying the grant, and the 'home' school the required contribution from its AWPU.
- **Option 3** the grant would be delegated to participating schools through an uplift to their AWPU proportionate to planned take up by numbers/line/level by their pupils. The uplift would be reduced to take account of the agreed contribution from the school's budget to the cost of provision. The total payment for Diploma provision would be made to partnership providers direct, and not through the 14-19 partnership.

Decisions on which option will be used will be taken at local level, including the clearance of proposals through Forum. However, regardless what current arrangements are in place, the DCSF are expecting LAs to give 'very serious consideration' to adopting the partnership approach, option 1. They believe this to be the option most likely to maximise control and stability and minimise the risk during the roll-out phase.

Early information suggests that there will be an expectation that Diploma funds are to be reconciled to spend and there will an element of claw back.

16-18 funding

Announcements have also now been made in regard to the future funding for sixth forms and colleges. These are that, subject to the necessary changes in legislation, from 2010/2011 funding for post 16 will be delivered through the local authority. In the interim, 08/09 and 09/10, the LSC will remain responsible for the allocation of funds.

The Dedicated Schools Grant (DSG)

- The DSG will be distributed to local authorities in 2008-11 by the **Spend Plus** method used in 2006-08 rather than a single formula, to guarantee stability in the system for the next three years.
- But the long-term aim is to move back to a single, transparent formula. The government launched a major **formula review** in July

which will develop a single formula which will be available for use in the DSG distribution from 2011-12.

- The government will use new tax credit data in the distribution of any additional **funding for deprivation** across the CSR period to local authorities. This will better reflect the circumstances of the children in an authority's schools.
- There will also be extra funding for **children from deprived backgrounds** who go to school in authorities where the overall level of deprivation is low.
- There will be an **exceptional circumstances grant** to local authorities to deal with exceptional pupil number growth in-year and significant influxes of pupils with English as an additional language during the three year funding period.

School funding

- The **Minimum Funding Guarantee (MFG)** will continue to give schools a minimum increase in their per pupil funding each year. However the level of the guarantee for the next three years will incorporate an expectation that schools will make significant improvements in efficiency. This balances continued stability for schools with greater flexibility to target new resources to key priorities like personalisation.
- The government is taking further action to ensure that more of the £1.6bn in **school revenue balances** is used for the education of today's pupils. Therefore, in addition to the current claw-back mechanism operating on excessive balances (the Balance Control Mechanism), **local authorities will be required to redistribute to schools in their area 5% of all surplus balances**. There will be consultation on the detailed implementation, but authorities and their Schools Forums will decide how this money is to be reinvested locally.

Schools Forums

- **Schools Forums' membership** will be broadened to include non-school members from the early years sector and 14-19 partnerships so that they can play a full part in discussions on the development of the funding arrangements to support these priorities.
- Local authorities will also be expected to **consult a group of early years providers** as they develop their proposals on local implementation of the early years funding arrangements.
- The **limit on non-school members** will be raised from one fifth to one third to accommodate the broader membership, but schools will continue to have at least a 2 to 1 majority.

- The headteachers on the Schools Forums will be able to elect other members of school senior management teams with finance responsibilities and will also be able to have **named substitutes** who could attend meetings as observers and represent the headteacher when necessary.
- Schools Forums will be able to agree **variations to the Minimum Funding Guarantee** affecting 50% of pupils in the authority rather than 20% of schools as at present.
- There are no other changes to Schools Forum decision-making processes (such as separate majority voting for primary and secondary schools on the Forum).
- A wider **review of the role of Schools Forums** was launched in July to look at how Forums should relate to the developing arrangements for Children's Trusts, and the wider Every Child Matters agenda.

Specific grants

- **School Standards Grant and School Standards Grant (Personalisation)** will not be merged from 2008-09. The DCSF estimate that the transitional protection that would be needed to proceed with this proposal would cost £30m, which is better spent on other priorities.
- Local authorities will have flexibility to move **School Development Grant** away from its historic distribution to reflect the most up to date data on deprivation, with a view to further streamlining in the longer term. It will be a condition of grant that local authorities retain the focus of the grant on deprivation. The DCSF will monitor this through section 52 statements. If an authority does not maintain the deprivation focus, they will lose the right to make further changes to the distribution.
- There will be a **0% cash floor** for School Development Grant in each of the three years to ensure that schools get at least the same level of funding per pupil each year as the previous one.