

SCHOOLS BUDGET 2011/12

Cabinet Member	Councillor David Simmonds
Cabinet Portfolio	Education and Children's Services
Officer Contact	Amar Barot, Finance and Business Services
Papers with report	Consultation Document – Schools, Early Years and 14-16 Funding Arrangements 2011/12 Report to Schools Forum – Schools Budget Consultation 2011/12 Draft Minutes of Schools Forum 25 January 2011 NOTE: A3 larger size versions of the tables in Annexes A-D will be made available to Members.

HEADLINE INFORMATION

Summary	The purpose of the report is to seek Cabinet's approval of the size and distribution of the schools budget for 2011/12 following consultation with schools and the advice of the Schools Forum.
Contribution to our plans and strategies	Schools are a key frontline service in the borough, and are the largest service providing investment in residents' children's and young people's future life chances, and delivering on the Our People theme in the Council's Vision, and the Improving Aspiration Through Education and Learning priority in the Sustainable Community Strategy. The distribution of funding to schools supports these strategic aims.
Financial Cost	No impact on the Council's budget requirement – schools budgets are provided through the ringfenced Dedicated Schools Grant and Pupil Premium grant.
Relevant Policy Overview Committee	Education and Children's Services Policy Overview Committee
Ward(s) affected	All

RECOMMENDATIONS

That Cabinet:

1. Note that the final Schools Budget for 2011/12 cannot be determined until the data from the January 2011 pupil censuses become available later in February 2011, but agree that the total Schools Budget for 2011/12 will equate to the total of the Dedicated Schools Grant and Pupil Premium grant provided to the Council.

2. **Endorse the decision of Schools Forum that the Minimum Funding Guarantee be set at the levels contained at Table 1 in the report.**
3. **Approve the introduction of the Early Years Single Funding Formula on the basis set out in the report.**
4. **Approve the treatment of the addition of former specific grants into the mainstream Schools Budget on the basis contained at Table 3 in the report.**
5. **Delegate authority to the Cabinet Member for Education and Children's Services to approve the basis on which remaining former specific grants are mainstreamed into the Schools Budget after further consideration by the Schools Forum.**
6. **Approve that in all other respects the method of distribution of the Schools Budget for 2011/12 be as agreed for 2010/11 at the Cabinet meeting on 18 February 2010.**
7. **Note that the Schools Forum has agreed to allow a breach of the Central Expenditure Limit that results from their preferred treatment of the addition of former specific grants into the mainstream Schools Budget, amounting to around £2.5 million. The exact amount of the breach can not be confirmed until the final Dedicated Schools Grant for 2011/12 is announced in June 2011.**
8. **Note the views of schools and of Schools Forum on the proposed funding arrangements as contained at Appendices 2 and 3.**

INFORMATION

Reasons for recommendation

Cabinet is the decision making body for school funding issues and decisions are required on the arrangements to allow indicative funding allocations to be provided to schools by early March 2011 and to ensure that final 2011/12 funding allocations for schools are in place and published as soon as practical and certainly no later than 31 March 2011.

The Council is required to consult the Schools Forum on a range of financial matters prior to making decisions on them - this process has been followed and the results of this consultation are reflected in the recommendations of the report.

Alternative options considered / risk management

A range of alternative options for the distribution of funding within the schools budget for 2011/12 were included in the consultation document on Schools, Early Years and 14-16 Funding Arrangements 2011/12 which is reproduced at Appendix 1.

Cabinet could decide to recommend that Schools Forum reconsider the level of the Minimum Funding Guarantee, or alter the basis on which the Early Years Single Funding Formula is introduced, and the treatment by which former specific grants are added into the mainstream Schools Budget. However, such decisions are not recommended as the proposals contained in the report are the result of a significant consultation process with Schools Forum, schools and other stakeholders.

Cabinet could decide not to delegate further decisions to the Cabinet Member for Education and Children's Services and instead receive a further report to the Cabinet meeting on 17 March 2011.

The recommended Schools Budget 2011/12 contains contingency items to provide revenue funding for additional reception classes required for September 2011 beyond those expansions of places already approved by Cabinet in November 2010, as well as for expected increases in free nursery provision in the borough. It does not, however, contain contingency funding to manage the impact on the centrally retained schools budget of funding adjustments when schools transfer to Academy status, as the Schools Forum did not endorse the proposal to retain a contingency item for this issue.

Comments of Policy Overview Committee(s)

The Education and Children's Services Policy Overview Committee has not commented on this report.

Supporting Information

- 1 Since 2006/07, expenditure which falls within the Schools Budget has been funded by the ring-fenced Dedicated Schools Grant (DSG). No cost falls upon the General Fund and the Council Tax payer unless the Council chooses to supplement the DSG from local funds. The Schools Budget consists of all budgets devolved to individual maintained schools, plus a number of budgets which are 'centrally retained' but relate directly to the education of children – examples are spending on admissions arrangements, special educational needs (SEN), specialist schooling out of borough, and out-of-school education including pupil referral units (PRU).
 - 2 The coalition Government has for 2011/12 made the most significant changes to schools funding since the introduction of the DSG in 2006/07. Although the way the DSG is allocated across England is fundamentally the same, a significant number of specific grants have been transferred into the DSG, that were in 2010/11 mainly paid through the now defunct Standards Funds. In addition, the Government has introduced the new ringfenced Pupil Premium grant as an additional source of funding for schools with disadvantaged pupils. The only revenue funding for schools that will not be processed through either the DSG or the Pupil Premium grant will be where schools have Children's Centres previously funded through Sure Start grant.
 - 3 The schools funding settlement for 2011/12 was announced by the Secretary of State for Education on 13 December 2010. The main revenue funding headlines for the Schools Budget for 2011/12 are:
 - The per pupil unit of funding in the DSG has been frozen at the same level as for 2010/11
 - The Minimum Funding Guarantee (MFG) has been set nationally at negative 1.5% for 2011/12
 - Confirmation of the Standards Fund grants that have been rolled into the DSG, most of which have also been preserved at the current 2010/11 levels per pupil for next year (with the exception of Primary and Secondary National Strategies)
 - A cut in the total amount of DSG available implemented through the removal of funding for dual subsidiary registrations in PRUs
 - The level of the Pupil Premium confirmed at £430 per pupil currently eligible for Free School Meals and per Looked After Child of school age
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- An additional amount of £200 per pupil in the Pupil Premium for the children of members of the armed forces
- 4 The total amount of funding available for the Schools Budget in 2011/12 is determined by the number of children on the Schools Census and on various other census returns completed on 20 January 2011. The Council will be funded for each full-time equivalent pupil up to Year 11 through the DSG to the value of £5,419.62 (the Guaranteed Unit of Funding). Sixth form funding is determined separately by the Young People’s Learning Agency (YPLA) – no indicative allocations have been released yet although it is understood that the funding unit will reduce by 3% per learner for 2011/12.
 - 5 The estimated DSG for Hillingdon for 2011/12 including mainstreamed former specific grants is £211.8 million, based on the Council’s projection of pupil numbers of 39,078. The estimated Pupil Premium grant for 2011/12 is £3 million. The actual cleansed census data will not be available until later in February 2011, which will enable estimates of indicative individual school budgets to be produced in early March 2011. The final DSG allocation for 2011/12 will be confirmed by the Department for Education (DfE) in June 2011.
 - 6 The key recommendations affecting the distribution of the Schools Budget for 2011/12 concern:
 - The level of any local variations to the Minimum Funding Guarantee (MFG)
 - The introduction of the Early Years Single Funding Formula (EYSFF)
 - The treatment of the addition of former specific grants into the mainstream Schools Budget

7 Minimum Funding Guarantee

The MFG is the damping protection rule within the Schools Budget that ensures that no school can receive less than a certain percentage change in its per pupil amount of funding compared to the previous financial year. For 2011/12 the national MFG has been set at negative 1.5%, however there is discretion locally to increase the MFG above this level subject to the approval of Schools Forum. The consultation document at Appendix 1 included various options to increase the MFG up to zero in Hillingdon. Schools Forum has agreed that the MFG should be set in accordance with the criteria in Table 1 below, with a higher MFG of negative 1% being set for the secondary sector to provide greater MFG protection, as schools in this sector are most exposed to real terms reductions in funding as a result of the national funding settlement. Schools Forum decisions on the MFG also include not applying the MFG to nursery school pupils in order to facilitate the introduction of the EYSFF, which has been allowed as a general exception to the MFG nationally.

Table 1: Minimum Funding Guarantee 2011/12

School Sector	MFG (%)
Primary (Reception to Year 6)	Negative 1.5%
Secondary	Negative 1.0%
Special	Negative 1.5%
Nursery	Dis-applied

8 Early Years Single Funding Formula

The EYSFF aims to fund statutory free nursery provision for 3 and 4 year old children on an equal basis for all sectors, whether in school nurseries, private and voluntary day nurseries, playgroups or independent schools. The Government requires that a locally developed EYSFF is implemented from April 2011. Proposals for the EYSFF have been under development for more than two years through a Council-led steering group (the Free Entitlement Reform Group (FERG)) including representatives from both the maintained school sector and private and voluntary providers nominated by the Schools Forum. The proposed formula was finalised by the FERG in the autumn of 2010 and included in the consultation document. Schools Forum has no decision making powers over the EYSFF which instead rest with the Council. However, the comments from the consultation exercise showed overwhelming support from all sectors for the formula that had been developed, and is now recommended for implementation.

- 9 The EYSFF is funded by combining the elements of funding for school nurseries previously distributed through the funding formula to primary schools, with the budget for funding private and voluntary sector providers and the Standards Fund grant for expanding nursery provision, to create a new sub-block within the Schools Budget. This funding will then be distributed by the EYSFF formula consisting of the following elements:

Table 2: EYSFF Formula Elements

Formula Element	Percentage Share (%)	Basis
Base Rate	82	Forecast hours of provision
Maintained Nursery School lump sum	2	Lump sum
Deprivation	8	Split between IDACI score of pupils attending setting (75%), and IMD score of setting location (25%)
Quality	4	Contribution to costs of employing graduate level staff
Contingency for in-year increases in demand	4	Not distributed
Total	100	

- 10 The EYSFF is participation-led in that nursery providers will be funded on the number of hours that a child participates in free provision. The broad structure of the formula is built around a base hourly rate of funding with additional supplements to top-up funding, including a mandatory supplement for deprivation. Full details of the structure of the formula are contained in section 7 of the consultation document at Appendix 1.

11 Specific Grants Transferred Into Dedicated Schools Grant 2011/12

In the schools funding settlement released on 13 December 2010, the Government confirmed the Standards Fund grants that have been rolled into the DSG, most of which have been preserved at the current 2010/11 levels per pupil for next year. These specific grants are not ringfenced within the schools budget and the allocations are now part of schools' mainstream funding. A key issue in the consultation with schools and Schools Forum was the basis on which these former specific grants should be added into the mainstream Schools Budget.

- 12 In the current year these specific grants have generally been distributed to schools, with less than 5% of the total value of the grants retained centrally by the Council. The method of distribution falls into one of three categories:
- Funds already devolved to schools and allocated by local formulae, where it was proposed that funding continue to be devolved and allocated on the same basis, but form part of the mainstream budget of each school and be subject to the MFG
 - Funds retained at the start of the current year and allocated to schools in year, where it was proposed that funding be retained initially as unallocated Individual Schools Budget and then allocated to schools during the course of next year
 - Funds currently retained by the Council where it was proposed that funding continue to be retained as central expenditure within the DSG.
- 13 Schools that responded to the consultation proposals were generally in favour of moving to full devolution in the funding formula for funds where it was proposed to hold initially as unallocated Individual Schools Budget, and then allocate during the year. However, a key consideration for the Schools Forum was the interaction between this methodology and the operation of the MFG. Schools Forum wanted to ensure that all schools benefited from the mainstreaming of these former specific grants, which would not be the case for some schools where additional funding would simply replace MFG funding protection. As a consequence for most of these funds the Schools Forum supported the initial proposal of holding funding centrally at the start of the year, with the intention that funding is allocated to schools in year, thereby ensuring that they are outside the scope of the MFG.
- 14 The level of funding in each former specific grant and the basis on which Schools Forum recommended that they be added to the Schools Budget is set out in Table 3.

Table 3: Specific Grants Transferring Into Dedicated Schools Grant 2011/12

Former Specific Grant	Hillingdon Allocation 2011/12 (£000s)	Basis of Transfer
School Development Grant (including Specialist Schools)	10,137	Not decided.
School Standards Grant (including Personalisation)	8,662	Devolve per current year arrangements
Diploma Delivery Grant	32	Retain centrally then allocate in-year
London Pay Addition Grant	954	Devolve per current year arrangements
Standards Funds:		
1.2 School Lunch Grant	463	Devolve all except £104k as per current formula. Retain £104k centrally then allocate in-year
1.3 Ethnic Minority Achievement	1,896	Devolve fully based on existing formula distribution method
1.5 1-2-1 Tuition (formerly Making Good Progress)	1,425	Split between sectors and retain secondary element centrally then allocate in-year. Defer decision on primary element.
1.6 Extended Schools – Sustainability	961	Retain centrally then allocate in-year
1.6a Extended Schools – Subsidy	857	Retain centrally then allocate in-year

1.7 National Strategies (Primary)	883	Retain centrally then allocate in-year to primary sector
1.8 National Strategies (Secondary)	428	Retain centrally then allocate in-year to secondary sector
Total	26,698	

- 15 From Table 3 it is evident that Schools Forum were unable to reach decisions on the treatment of the School Development Grant and elements of 1-2-1 Tuition, due to the complex nature of the funding in these specific grants. Therefore decisions of these items were deferred until the next meeting of Schools Forum in early March 2011 where they can be considered in more detail. Given the investment in the consultation process so far, and the partnership developed with the Schools Forum, it is recommended that approval of the treatment of these funding allocations be delegated to the Cabinet Member for Education and Children's Services once Schools Forum has reached a confirmed view.
- 16 The position taken by Schools Forum on the treatment of the former specific grants relies to a certain extent on the interpretation of DfE guidance on the application of the MFG. In some areas this is unclear but allows for exclusions from the MFG under certain circumstances. This is being clarified with the DfE, however it is possible that the approval of the Secretary of State for Education may be required in order to fully implement Schools Forum's recommended approach.
- 17 The recommended treatment of the former specific grants in Table 3 will also lead to a technical breach of the Central Expenditure Limit (CEL). The CEL is the rule in the Schools Budget that the centrally retained element can not increase in cash terms by more than the cash increase in the Individual Schools Budget. Currently around 8% of the existing DSG is retained centrally, and in order to maintain this proportion no more than £2.2 million of the transferred specific grants can be retained. However, Schools Forum have recommended at that at least £4.7 million is centrally retained, at least initially, leading to a temporary or technical breach of the CEL of £2.5 million (as most of this funding will eventually be delegated to individual schools). Schools Forum exercised their powers to approve this breach of the CEL at the meeting on 25 January 2011.

Financial Implications

This is a financial report dealing with funding issues affecting schools. The financial impact is explained throughout the report, and does not affect the budget proposals for the rest of the General Fund considered elsewhere on this agenda. The Schools Budget is fully funded from ringfenced Government grants, and is not further subsidised by the Council.

EFFECT ON RESIDENTS, SERVICE USERS & COMMUNITIES

What will be the effect of the recommendation?

Approval of the report's recommendations will allow confirmation as far as possible of the funding arrangements for schools for 2011/12, subject to further consultation with Schools Forum on certain former specific grants identified in Table 3 in the report. This will enable the Council to provide indicative funding allocations to schools, so that schools can begin the process of managing the impact of real terms reductions in funding, in order to minimise the effect of reduced funding on teaching and learning in Hillingdon's schools.

Consultation Carried Out or Required

Schools Forum is the principal institution established for the Council's consultations with schools on financial matters. The Schools Forums (England) Regulations 2010 require that the Council consults annually with Schools Forum on the:

- arrangements for the education of pupils with special educational needs
- arrangements for the use of pupil referral units and the education of children otherwise than at school
- arrangements for early years provision
- arrangements for insurance
- administrative arrangements for the allocation of central government grants paid to schools via the authority
- arrangements for free school meals

Although Schools Forum has decision-making powers with regard to certain aspects of the Council's proposals for schools funding, most other aspects of the consultation process are to enable Schools Forum to advise the Council on the decisions that rest with Cabinet. In order to ensure that Schools Forum makes informed decisions, the proposed funding arrangements are also issued to schools inviting responses that are subsequently considered by Schools Forum in making their decisions and advice.

Schools were therefore consulted on a range of funding issues which were set out in a consultation document that was released on 10 January 2011. The Consultation Paper is included at Appendix 1.

Two consultation information sessions were held on 11 January and 14 January 2011. In total, 65 school representatives attended these sessions. In addition, an information session for private and voluntary nursery providers was held on 13 January 2011. 72 responses to the consultation paper were received by officers, including one from each of the Primary Forum and the Hillingdon Association of Secondary Heads. A summary of these was reported to the School Forum and is included at Appendix 2.

School Forum met to consider the issues and outcomes from the consultation process on 25 January 2011 and the draft minutes of the meeting are reproduced in Appendix 3.

CORPORATE IMPLICATIONS

Corporate Finance

Since 2006/07, the minimum level of resources for the Schools Budget, including the amount distributed to Individual Schools Budgets, has been provided through the ring-fenced Dedicated Schools Grant (DSG) from the Department for Education (DfE). Whilst the DSG allocation remains largely unchanged, as part of the Schools Funding Settlement for 2011/12, many of the previous specific grants, mainly paid through the Standards Fund, were transferred into the DSG and now form part of that allocation. The Council may add to the amount of the Schools Budget from resources funded by general Government grant or Council Tax from the General Fund, but may not set the Schools Budget below the level of the DSG. The coalition Government also introduced the new ringfenced Pupil Premium grant as an additional source of funding for schools with disadvantaged children.

The funding proposals for the Schools Budget 2011/12 set out in this report are fully consistent with the report on the General Fund revenue budget and capital programme for 2011/12 contained elsewhere on this Cabinet agenda.

Legal

The funding system for schools maintained by local authorities is based on the legislative provisions contained in sections 45–53 of the School Standards and Framework Act 1988 (as amended) and regulations made in exercise of powers conferred by those sections. A maintained school is defined as (a) a community, foundation or voluntary school, (b) a community or foundation special school, or (c) a maintained nursery school.

By section 45, every maintained school shall have, for each funding period, a budget share which is allocated to it by the local authority which maintains it. Section 52 requires the local authority to publish each year the amounts that will be centrally retained, the budget share for each school, the formula used to calculate those budget shares and the detailed calculation for each school.

The local authority must consult its Schools Forum annually in respect of its functions relating to the schools budget covering the following matters:

- (a) arrangements for the education of pupils with special educational needs;
- (b) arrangements for the use of pupil referral units and the education of children otherwise than at school;
- (c) arrangements for early years provision;
- (d) arrangements for insurance;
- (e) administrative arrangements for the allocation of central government grants paid to schools via the authority;
- (f) arrangements for free school meals;
- (g) such other matters concerning the funding of schools as it sees fit.

School Forums were set up by section 47A of the 1988 Act. Their purpose is to advise the local authority in relation to the matters immediately specified above. They must inform the governing bodies of maintained schools of any consultation carried out by the local authority.

Under the Council's Constitution the Cabinet has the appropriate powers to agree the recommendations proposed at the outset of the report. Subject to the Cabinet being satisfied that the required consultation has taken place, there are no other significant legal implications arising out of this report to bring to Cabinet's attention.

BACKGROUND PAPERS

Report to Cabinet 18 February 2010 – Schools Budget and Funding Arrangements for 2010/11

Schools Funding Settlement 2011/12 and Pupil Premium located online at:

www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/settlement2012pupilpremium