

**TO: SCHOOLS FORUM
28 JANUARY 2010**

**2010-11 SCHOOLS BUDGET PROPOSALS
AND OTHER FINANCIAL MATTERS
(Acting Director of Children, Young People & Learning)**

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek views from members of the Schools Forum on preliminary proposals from the Council for the 2010-11 Schools Budget. Initial views of the Schools Forum are now being sought so that a budget package can be amended if necessary in advance of the February Forum meeting where final recommendations will need to be made to the Executive Member in order to meet the statutory deadline for setting the budget.
- 1.2 The proposals in this report build on the outcomes from the financial consultation undertaken with schools in the autumn and now provide updated cost estimates for a number of the potential new developments.
- 1.3 Whilst the Executive Member is responsible for making most of the budget decisions, a number are for the Forum to determine, and these are also identified now, together with an initial assessment as to whether a request will be made for them to be exercised in February.

2 RECOMMENDATIONS

- 2.1 **The estimated increase in income of £2.895m as set out in Line 13 of Table 2 (paragraph 5.19) is NOTED.**
- 2.2 **By applying the agreed budget objectives to the estimated level of available resources, that funding for the following budget proposals are SUPPORTED:**
- i. **the unavoidable budget pressures estimated at £2.053m as set out in Table 3 (paragraph 5.23);**
 - ii. **the economies and new budget developments estimated at £0.841m as set out in Table 4 (paragraph 5.29);**
 - iii. **the £0.036m budget pressure relating to the Education Health Partnership and families facing domestic abuse at line 9 of Table 4 be classified as a Combined Services Budget (paragraph 5.32);**
 - iv. **the inflation allowances set out in Annex F, the cost of which is included in the pressures and developments listed in Tables 3 and 4;**
 - v. **That the annual uplift in payment to Early Years providers be set at the average increase in per pupil funding received by schools through the Funding Formula, currently estimated at 3.3% (paragraph 5.33).**
- 2.3 **That to set the proposed budget, it is NOTED that the Council is likely to seek permission to exceed the central expenditure limit (paragraph 5.53).**

- 2.4 That the following changes to school funding arrangements are AGREED:**
- i. Funding allocated to secondary schools based on test results moves over time to use 5 years of Key Stage 2 data (paragraph 5.45);**
 - ii. Funding allocated to secondary schools based on pupil eligibility to a free school meal continues to be based on January 2008 data, pending review from the 2010 census which may indicate a further amendment (paragraph 5.47);**
 - iii. That funding adjustments be made to the Kennel Lane Special School budget at the point of any changes in Band 5 pupils occur, rather than adjusting only from the termly census returns (paragraph 5.49);**
 - iv. That the Minimum Funding Guarantee payment to Brakenhale, currently estimated at £0.171m, be phased out in equal amounts over the next three years, with the savings re-distributed within the Schools Budget (paragraph 5.52).**
- 2.5 That the arrangements in place for the following are AGREED as appropriate (paragraph 5.59):**
- a. provisions for statemented pupils.**
 - b. pupil referral units and other education out of school.**
 - c. arrangements for insurance.**
 - d. administrative arrangements for the allocation of central government grants.**
 - e. arrangements for free school meals.**
- 2.6 That the extent to which the Forum is expected to be requested to exercise its statutory powers be NOTED (paragraph 5.61).**
- 2.7 In order that final budgets reflect the most up to date data, it is NOTED that there will be a need to revisit any preliminary budget decisions agreed now in February (paragraph 5.68).**
- 2.8 Any further work required by the Forum in respect of the 2010-11 budget is AGREED now (paragraph 5.68).**
- 2.9 NOTES the potential budget pressures that could arise in 2011-12 (paragraphs 5.62 to 5.66).**

3 REASONS FOR RECOMMENDATIONS

- 3.1** Statutory Regulations require the Schools Forum to be consulted on relevant budget proposals and arrangements in place for the provision of services to schools.
- 3.2** Initial views of the Schools Forum are now being sought so that a budget package can be finalised in February and recommended to the Executive Member for a final decision on the 2010-11 Schools Budget within the statutory deadline.
- 3.3** The Schools Forum also needs to consider whether any request to exercise their statutory decision making powers will be agreed.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 These were set out in the finance consultation documents and previous reports to the Schools Forum.

5 SUPPORTING INFORMATION

Introduction

- 5.1 By 31 March 2010, all Local Authorities (LAs) have a statutory duty to provide each of their schools with an actual budget for 2010-11. Unlike in previous years, there are no forecast budgets available for the future as this is the last year of the current spending review cycle and the Government has yet to publish future funding allocations for LAs that can then be passed on to schools.
- 5.2 At its meeting on 22 October 2009, the Forum agreed that the Acting Director of Children, Young People and Learning be authorised to distribute a consultation paper to schools seeking views on potential budget pressures for 2010-11 and their relative importance. This would then be used to inform the calculation of indicative 2010-11 budgets that would be distributed to schools in December to aid with their initial budget planning. The outcomes from this consultation are set out in Annex A of which Table 1 below shows a summary. The calculation of available funding to set this total is summarised below in Table 5 at paragraph 5.38.

Table 1: Budget changes included in indicative 2010-11 individual school budgets

Item	Delegated £000
Unavoidable pressures: As agreed with schools (includes inflation at 2.1%) changes in pupil numbers, SEN needs and other data used for funding purposes.	1,538
School priority developments:	
Administrative pressures	80
Additional 0.5% inflation (total now 2.6%)	236
ICT hardware replacement	90
Reduced primary school meals subsidy	-20
Total identified school priorities	386
Unallocated balance – distributed on a per pupil and fixed lump sum amount per school	175
Total proposed increase	2,099
Cash	4.10%
Per pupil	3.30%

Proposals for the 2010-11 Schools Budget

Overview of the Schools Budget

- 5.3 The Schools Budget is funded by a 100% ring fenced government grant called the Dedicated Schools Grant (DSG) which provides LAs with up to three year budget allocations linked to central government Spending Review cycles, of which the current cycle ends at 31 March 2011. Any under or overspending in a year must also be ring fenced and applied to a future Schools Budget. LAs can add to this grant from their own resources, but are not allowed to plan to spend at a lower amount. The strategy of the Council is to plan for the Schools Budget to be funded to the level of external funding and to have a net nil balance at the end of the three year period. This anticipates the DSG and other income for the period being fully spent and any under or overspending from previous years being absorbed in the financing of the final year's budget. In addition, where there is a brought forward deficit at the start of a three year funding period, there should not be a planned increase to this.
- 5.4 The Department for Children, Schools and Families (DCSF) requires the DSG to fund delegated school budgets and certain pupil related budgets that the Council manages on behalf of schools. Annual increases in spending on budgets managed by the Council are ordinarily limited to the average percentage increase on both delegated school budgets and payments to private, voluntary and independent sector early years providers. However, if there are unavoidable cost increases on Council managed budgets that require a greater percentage rise, or new developments are considered desirable, the Forum has the power to agree to larger increases.
- 5.5 Each school is guaranteed a minimum per pupil increase through the Minimum Funding Guarantee (MFG) which for each of the three years in the current spending review cycle will be a headline 2.1%. For the first time, this has been set below the estimated level of unavoidable national cost pressures, with a 1% efficiency saving built into the calculation.
- 5.6 Whilst the MFG is headlined as a 2.1% increase in annual per pupil funding, this is misleading, as the calculation has to be made after deducting funding for rates, statemented pupils and Newly Qualified Teachers (approximately 6% of the total budget). The 2.1% guarantee is then only applicable to schools with no change in their number on roll, and there were no schools in this position on indicative 2010-11 data. Where there is a change in number on roll, the incremental per pupil increase or decrease has to be calculated on a marginal cost basis i.e. schools with rising rolls only get a reduced share of their average per pupil funding to reflect the fact that some of their costs are fixed and don't change directly in proportion to pupil numbers. The same applies for schools with falling rolls in that they only get a marginal per pupil deduction. For the current spending review cycle, the marginal rate of funding is 80% for primary schools and 87.5% for secondary schools. These amounts reflect average proportions of per pupil funding in LA Funding Formulas. Therefore, in general, the MFG for schools with rising rolls is expected to be lower than 2.1% and for those with falling rolls, greater than 2.1% with the lowest possible increases being experienced at schools with the biggest percentage change in pupil numbers.

Estimated income from the DSG and accumulated balances

- 5.7 Income for each financial year from the DSG is based on actual pupil numbers in schools at the January prior to the start of each financial year multiplied by per pupil amounts as set by the DCSF. A relatively accurate assessment of pupil numbers will not be available for budget setting purposes until the middle of February, after school returns have been collated and verified. Per pupil DSG values are available now and have been set at £4,017 for 2008-09, £4,177 in 2009-10 and £4,367 in 2010-11. These represent annual increases in per pupil funding of 4.7%, 4.0% and 4.6%. These increases are considerably lower than the 7.3% and 6.8% increases received in 2006-07 and 2007-08.
- 5.8 The DSG allocation for the next year includes a guaranteed increase in per pupil funding for each LA of 2.9%. Extra funding has been included for the key Ministerial priorities of personalised learning and funding for LAs previously spending below the level expected by the government. This results in all LAs receiving higher increases in funding than needed to meet the MFG, thereby providing "headroom" for LAs and their Schools Forum to direct funding to national and local priority initiatives.
- 5.9 For 2010-11 the Council will receive extra funding for Ministerial priorities of £0.828m in respect of expanding personalised learning and £0.177m as an LA previously spending below the expected level.
- 5.10 The DCSF financial settlement also included information relating to deprivation funding. Forum members will recall that the DCSF has indicated that LAs allocating less than 80% of the proportion of deprivation funding included in their DSG to schools through deprivation measures will be required to make changes in order to meet the target.
- 5.11 Deprivation measures allocate 5.8% of the funding received by the Council through the DSG. A part of the budget strategy is to maintain the current level of funding schools through deprivation measure at 90% of the DSG proportion, and this may require greater use of deprivation measures when allocating new funds to schools, although initial calculations based on the proposals in this report indicate that the 90% target should be met without any specific actions.
- 5.12 For information, Annex B sets out highlight financial information for the current spending review cycle from 2008-11.
- 5.13 As stated above, the final amount of DSG is unknown at this stage as it will be determined by multiplying the guaranteed per pupil amounts by the actual number of pupils on roll, which the DCSF does not confirm until June each year which is after the start of the relevant financial year. As there is a statutory requirement to publish the Schools Budget before the start of each year, it will always be set on provisional data, and may therefore be subject to change when final DSG amounts are confirmed.
- 5.14 It is worth reminding members of the Forum that this calculation is not just based on pupil numbers in maintained schools, but also those on roll in private special schools, those receiving education out of school, e.g. in a pupil referral unit, and early years pupils in the private, voluntary and independent sectors, which means that a sizeable element of head count data (around 700 out of 15,000 pupils) is subject to estimation.
- 5.15 For current planning purposes, the October maintained school census has been used as a projection for January 2010 pupil numbers in BFC schools. We do not have any

up to date data for DSG pupils in other settings, so at this stage are using the numbers on roll in January 2009.

- 5.16 In terms of the estimated balances available to the Schools Budget, based on monitoring information available at August, a forecast underspend of £0.128m was reported to the Forum. Subsequent to this, additional unplanned expenditure has been necessary, mainly around Special Educational Needs placements and an over spend of £0.017m is the revised estimated outturn, based on information available at December.
- 5.17 A contingency has been built into the pupil forecasts used to estimate the level of DSG income to cover a possible over estimation of numbers or an under estimation of costs. This has initially been set at £0.240m and reflects the uncertainty around the exact number of pupils on roll, and therefore level of income to be received, and needing to manage high cost, volatile central budgets, mainly around Special Educational Needs. As set out above in paragraph 5.16, the balance in the Schools Budget at the end of 2009-10 is also forecast to be a minor over spend, but this is also subject to change, and therefore, at this stage, £0.240m is considered a prudent amount of contingency.
- 5.18 Taking account of current information, Table 2 below sets out the initial estimate of likely income from the DSG and accumulated balances together with the annual increase available to allocate to new cost pressures and developments.

Table 2: Breakdown of estimated DSG and available balances for 2010-11

Ref	Item	2010-11
1	DSG pupil numbers in maintained schools	14,245
2	DSG pupil numbers other than maintained schools	700
3	Contingency for overstatement of pupil numbers and unforeseen cost increases	-55
4	Total estimated pupil numbers	14,890
5	Annual change	0.3%
6	Guaranteed DSG per pupil funding	£4,367.28
7	Annual change	4.6%
8	Total Estimated DSG Income	£65.027 m
9	Current base budget for DSG in 2009-10	£62.115 m
10	Change in DSG	£2.912 m
11	Annual change	4.7%
12	Estimated balances (over spend)	-£0.017 m
13	Change in funding	£2.895 m

Budget strategy

- 5.19 Following consultation with schools, the Forum has agreed a budget strategy to be adopted in setting the Schools Budget for each year and this has been applied throughout this report. Annex C details the strategy in full.

Budget pressures, inflation allowance, economies and new developments

Background

- 5.20 As set out above, financial information relating to delegated school budgets, the largest and most significant element of the Schools Budget, was distributed to schools on 16 December via a financial modelling spreadsheet.
- 5.21 Whilst the indicative school budget notifications reflect current data, they will be subject to further amendment once the School Census data is available in the middle of February as this provides the actual pupil numbers and other data used for funding purposes such as pupil eligibility to free school meals, which taking account of the current economic climate are expected to increase. In advance of the School Census, as individual schools gather more up to date data themselves, such as pupil transfers, they can amend the key elements of the initial data included on their indicative budget spreadsheet to automatically generate a revised forecast budget. The spreadsheet can undertake 'what if?' scenario modelling, so provides important and flexible financial planning information to schools.
- 5.22 Taking account of the forecast level of income and likely costs, the following paragraphs set out proposals for a balanced budget that ensures unavoidable cost pressures are fully funded, new budgets are allocated to high priority developments and that all schools see a reasonable and consistent increase in their budget, provided their pupil numbers and other data used for funding purposes, such as pupil eligibility to a free school meal, remain fairly stable.

Unavoidable budget pressures

- 5.23 Responses to the finance consultation agreed that a number of budgets, both delegated to schools and centrally managed by the LA were unavoidable and should be a first call on any increase in funding. These items are listed in Table 3 below, with updated estimates from the consultation with schools where relevant. Annex D provides more information.

Table 3: Summary of estimated unavoidable budget pressures –2010-11

Ref	Item	Amount £000
<u>Delegated school budgets:</u>		
1	Inflation (up to level of MFG):	£1,064
2	Mainstream pupil number changes	£250
3	New Jennetts Park School	£20
4	KLS pupil number changes	£83
5	Mainstream statements number / needs changes	£40
6	Non pupil data changes e.g. extra free school meals	£72
7	Fee to Independent Safeguarding Authority	£9
	Sub total delegated school budgets	£1,538

Ref	Item	Amount £000
<u>LA managed budgets:</u>		
8	Inflation (up to level of MFG)	£170
9	SEN provisions and support (net of LSC grant)	£243
10	SIMS license fee costs	£40
11	Early Years pupils in private sector settings	£40
12	Full year effect of 2009-10 budget decision to fund occupational therapy service for schools	£21
	Sub total LA managed	£515
	Grand total unavoidable pressures	£2,053

- 5.24 In the light of more up to date data, there are two changes in the presentation of data compared to the consultation with schools. The £0.020m pressure on delegated school budgets from increases in SIMS licence fees arising from an upgrade required from the software provider has now been identified as relating to Council managed items and has therefore been moved to this area of the budget (line 10). There was also a provisional £0.040m pressure around statutory changes in arrangements from elective home education which is expected to include a registration scheme that will require additional resources and additional support for parents and carers. This has been removed from the budget proposals as the DCSF has indicated that additional resources will be provided to LAs to fund this new requirement.

Inflation Allowance

- 5.25 Basic inflation allocations have also been agreed as unavoidable, and therefore included in Table 3. The budget strategy for funding inflation on delegated school budgets has previously been to apply the MFG rate of 2.1% to most items, the main exception being to fund budgets allocated to schools on an actual cost basis, such as rates, insurances and other services bought back from the LA, which are funded at the level of anticipated cost increase.
- 5.26 In terms of inflation allowances for budgets managed by the LA, it is proposed that the same principles be applied as those to delegated school budgets. Again, for most items it is proposed to allow the MFG rate. For support to schools in financial difficulty, no inflation is proposed, whilst SEN budgets are proposed to be inflated by 1.0% which reflects the rates the Council expects to be able to negotiate with providers based on initial discussions.
- 5.27 As the 2.1% MFG rate is below the November 2009 increase in Retail Prices Index of 0.3%, it is appropriate to re-consider this element of the budget strategy. A 2.3% increase in Teachers Pay has already been agreed for next year, and this represents around 65% of total school expenditure. Assuming a Local Government Pay award of 0.5% to the 23% of spend this represents, and a general increase of 0.75% on all other items implies an average inflation rate of 1.7% for schools next year.

- 5.28 Whilst the average increase in costs that schools face may well be below the 2.1% MFG rate, one of the key elements of the budget strategy is that all schools receive a reasonable increase in budget each year. Furthermore, if any schools receive lower than the MFG required increase an appropriate addition will have to be made anyway, and therefore the existing policy of funding inflation at the MFG rate is proposed to continue.

Economies and new developments

- 5.29 In addition to agreeing that a number of budget pressures were unavoidable and needed to be funded, school responses to the financial consultation also agreed an order of priority for developments relating to delegated school budgets which the Forum is recommended to agree. These meet the objectives set out in Annex C with the latest costing information summarised below in Table 4. Table 4 also includes developments proposed to budgets managed by the Council. This Table also includes an additional 0.5% inflation allowance, in accordance with the wishes of schools. Annex E provides more information on economies and developments.

Table 4: Estimated economies and developments for 2010-11

Ref	Item	Amount £000
<u>Delegated school budgets:</u>		
1	Caterhouse school meals contract	-£20
2	Additional 0.5% inflation	£236
3	IT hardware replacement	£90
4	Administration hours	£80
5	Balance allocated; 85% pupils, 15% lump sum	£175
	Net developments to school budgets	£561
<u>LA managed budgets:</u>		
6	Additional 0.5% inflation to standard 2.1%	£27
7	Fee increase to private sector Early Years Providers	£47
8	School contingency (will be allocated to schools)	£125
9	To fund loss of grants	£76
10	Emergency procedures to support schools	£5
	Net developments to LA managed budgets	£280
	Total net new developments	£841

- 5.30 Subsequent to the closure of the consultation period, the December Head Teachers meeting raised concerns around pressures arising from increased administrative burdens, and whilst this was not raised through the consultation process, due to the comments at this meeting, it is proposed to add this item to the list of pressures as the highest priority. A pressure has therefore been added at £0.080m which duplicates the new funding added to school budgets in 2009-10 for increased administrative support.
- 5.31 The development at line 7 of Table 4 when added to the 2.6% standard inflation allowance ensures that private sector early years providers receive the same overall increase in per pupil funding as the average proposed for maintained schools (currently estimated at 3.3%). This funding policy has been agreed for the last two years and is proposed to be applied again in 2010-11. A separate paper on the agenda seeks agreement from the Forum to changes to the way that early years providers are funded from April 2010.
- 5.32 Within line 9 there are two items that are proposed to be classified as combined service budgets as they relate to the Every Child Matters Agenda and current funding provisions are no longer available. This relates to the Education Health Partnership (£0.030m) and support to families facing domestic abuse (£0.006m). The Schools Forum has to agree to any budgets categorised in this way and a separate recommendation on this has been included.
- 5.33 Table 4 above also has two further changes from the initial consultation document with schools. Line 10, emergency procedures to support schools was initially set out to be an item to be added to delegated school budgets for schools to choose whether they purchased the Forestcare Service. From a strategic point of view, for the Council to be able to promptly and effectively manage school emergencies, and to reduce the risk of problems arising, it is now proposed that the service is bought for all schools and paid from a centrally managed budget thereby ensuring one set of policies and procedures are adopted in all schools. The second change relates to the £0.050m budget development proposed around maintaining strategic leadership of the 14-19 agenda once a time limited grant expires. It is now expected that sufficient funds are available to maintain this post in 2010/11 and the pressure has been removed.
- 5.34 Two budget developments were identified by schools through the consultation, neither of which are proposed to be taken forward at this stage. The first related to allocating funds to the two secondary schools that are not being resourced to maintain a pupil inclusion unit which is aimed at reducing pupil exclusions. Due to very low rates of exclusions at the schools concerned, this development is not considered necessary. The second relates to additional costs at voluntary aided schools who undertake their own admissions arrangements rather than have them processed by the Council. Relevant schools have been asked to provide information to support any cost pressures and once this has been received, depending on the outcome, a proposal may be made to allocate funds at the February meeting of the Forum.
- 5.35 Table 4 also indicates that all identified pressures against school budgets have been funded, with line 5 showing that £0.175m of funding is unallocated, and in accordance with the budget strategy will be distributed 85% on the basis of number of pupils and 15% as an equal lump sum allocation.
- 5.36 Taking account of the proposals above regarding inflation, Annex F sets out a list of proposed rates to be funded in each next year's budget. This includes the 2.1% standard MFG element and also the proposed additional 0.5%.

Summary of provisional Schools Budget position

- 5.37 The budget proposals set out above have been formulated in accordance with responses from schools to the financial consultation, the objectives set out in Annex C, paying particular attention to consistent increases in per pupil funding, and the Council's strategy for the Schools Budget which requires a net nil balance at the end of the three year funding period and no increase in brought forward deficit.
- 5.38 Table 5 below sets out a summary of the budget proposals, divided between those relating to delegated school budgets and those managed by the LA.

Table 5: Schools Budget proposals for 2010-11

Table / Annex X ref	Item	2010-11 £000
	<u>Income:</u>	
2	Change in income	£2,895 4.7%
	<u>Expenditure:</u>	
	<u>Delegated school budgets:</u>	
3	Total pressures (unavoidable)	£454
3	New Jennetts Park Primary School	£20
3	Total inflation (unavoidable)	£1,064
4	Total economies	-£20
4	Total new developments	£406
4	Total unallocated balance	£175
	Total increase in delegated school budgets	£2,099
	Cash	4.1%
	Per pupil	3.3%
	<u>LA managed budgets:</u>	
3	Total pressures (unavoidable)	£344
3	Total inflation (unavoidable)	£170
4	Total economies	£0
4	Total change in contingency	£125
4	Total other new developments	£120
4	Total combined services	£36
	Total increase in LA managed budgets	£796
	Cash	7.1%
	Total overall increase	£2,895

Potential for further changes

- 5.39 The main area that could still be subject to significant change relates to updating the January 2010 forecast pupil numbers with actuals. This is the single most significant variable in terms of both the level of DSG income and budget allocations to individual schools and early years providers.
- 5.40 A view on the level required for the schools contingency will need to be taken in February and at this stage a provisional amount of £0.125m growth has been included. Agreeing this budget is a responsibility of the Forum, and will in particular need to take account of the likelihood of in-year growth allocations to schools experiencing significant increases in pupil numbers (which are defined as an increase of 20 or more statutory aged pupils between January and September) and changes arising from the new funding arrangements for Early Years Providers. There could be a number of in-year allocations if the significant housing developments at Jennetts Park and the Staff College and Met Office sites progress.
- 5.41 More up to date information on the financial effect of the above items will be available for the next meeting of the Forum in February.

Other items

Test results

- 5.42 Test results are used in Formula Funding for Personalised Learning and Educational Need and are an important element as they allocate around £1m of funding, split roughly half and half between primary and secondary schools. In Secondary schools a combination of KS2 and KS3 results are used representing Years 7-11. This comprises three consecutive years of KS2 results for Years 7-9 and 2 consecutive years of KS3 results for Years 10-11 and funds both low and high attainers, in the ratio 90:10.
- 5.43 To ensure this reflects current attainment, each new financial year, test results are updated by adding in the latest results at KS2 and KS3 and removing the oldest sets of results, so retaining 3 sets of results at KS2 and 2 sets of results at KS3. However, the change in government policy, which ceased testing at KS3 after May 2008, now means that one set of the data used for funding purposes is no longer available and an alternative is required.
- 5.44 Teacher assessments at KS3 are available, but these are not considered sufficiently robust for Formula Funding purposes due to their subjective nature. Existing data could be fixed, but over time this is likely to become unrepresentative of a school's changed population. Therefore it is proposed that from 2010-11, KS3 results start to be phased out in favour of over time using KS2 tests only. This means that 4 consecutive years of KS2 test results plus 1 year of KS3 results will be used for Formula Funding in 2010-11. For 2011-2012, 5 consecutive years of KS2 results will be used with no KS3 input at all. This returns Formula Funding for attainment to that used up to 2008-2009.
- 5.45 The Forum is recommended to agree this approach to future funding attainment in secondary schools, subject to endorsement by the Executive Member.

Free school meals (FSM) data

- 5.46 In light of unexpected outcomes from the January 2009 census around pupil eligibility to FSM, where if the normal budget build approach had been adopted, there would have been a £0.064 million increase in funding to primary schools (+31%), and a £0.131 million reduction in funding for secondaries (-48%), with one school losing £0.056 million, equivalent to 1.5% of budget, the Schools Forum agreed that secondary schools would continue to be funded on their January 2008 data. This is at a time when pupil eligibility has increased by 14% in primary schools and decreased by 12% in secondaries. The intention was to review this during 2009, however, to avoid funding turbulence during the last year of the current spending review cycle, no change is now proposed for indicative budgets.
- 5.47 The Forum is recommended to agree that a decision on any change from this is deferred until the outcome of the January 2010 census is known, which will be available for the next Forum meeting.

Funding high cost pupils at Kennel Lane Special (KLS) School

- 5.48 KLS is funded on the basis of pupil needs, categorised by “banding”, rather than age, which is the method used for mainstream schools. The highest level of funding is set at Band 5 and is allocated where there is a need for 1 adult to support a child individually. Whilst the current funding arrangements are appropriate to support the school during in-year changes in pupil numbers and their “bandings” through termly re-calculations, off-setting deductions on one banding to increases on others, making a net payment where relevant (note, the budget is never reduced, only increased), it is not always possible to accommodate additional Band 5 pupils in this way as there is an immediate and significant additional staffing need which increases costs.
- 5.49 It is therefore proposed to adjust funding for Band 5 pupils – either changes in pupil need, new placements, or reductions from leavers – at the point a change occurs and not be dependent only on the pupils on roll at the termly census. This calculation would be independent of the impact of changes in pupil numbers on other bandings and could result in either an increase or decrease in funding. This proposal is supported by the Head teacher of KLS and is seen as a cost effective way of maintaining some pupils in a BFC school rather than being moved to the PVI sector. The Forum is recommended to agree that this change is made subject to endorsement of the Executive Member.

Minimum Funding Guarantee (MFG)

- 5.50 The MFG must be applied to ensure that all schools receive the minimum per pupil funding increase determined by the DCSF (currently 2.1%) if this is not ordinarily received through the application of the Funding Formula. Once a school receives the MFG it is embedded into their base budget and included in the initial starting point to calculate the minimum increase from one year to the next. The effect of this is where there is a substantial level of top-up from the MFG, it can take a long time for the protection to be removed, and as a result, schools can for a long period receive a much better budget than is required from their changed circumstances.
- 5.51 In recognition of potential budget anomalies, Funding Regulations allow for the Schools Forum to overrule the application of the MFG. In reviewing the MFG calculation, the Forum is requested to consider whether the £0.171m allocation to Brakenhale should continue as the financial circumstances at the school have changed considerably over the last few years and it can be argued now that the MFG

protection is no longer required. It is therefore proposed that this top-up funding is phased out by removing a third of the 2010-11 calculated amount in each of the next three years, resulting in a £0.057m budget reduction to the MFG allocation. The savings from the reduction to the MFG will be available for re-distribution to all schools, not just secondary schools, as additional headroom. Table 6 below sets out the indicative per pupil funding for each secondary school, excluding business rates as this allocation has no impact on a school's spending power as it is charged at budget, but the rating assessment can vary considerably between schools, and therefore distort per pupil comparisons. Full removal of the MFG would result in Brakenhale receiving the second highest per pupil funding allocation.

Table 6: Indicative 2010/11 per pupil funding allocations to secondary schools

School	Statutory NOR (October 2009)	Budget (Excluding Rates) £	Per Pupil Funding	
			Amount £	Proportion of largest amount
Brakenhale	845	£3,694,415	£4,372	100.00%
Easthampstead Park	822	£3,445,376	£4,191	95.87%
Edgbarrow	953	£3,694,327	£3,877	88.67%
Garth Hill College	1,173	£4,495,997	£3,833	87.67%
Ranelagh	734	£2,945,452	£4,013	91.78%
Sandhurst	1,005	£4,002,958	£3,983	91.10%
Average	922	£3,713,087	£4,027	
Brakenhale with reduced MFG:				
2/3rds MFG		£3,637,332	£4,305	
1/3 rd MFG		£3,580,249	£4,237	
No MFG		£3,523,166	£4,169	

- 5.52 This is a sensitive issue, but Table 6 above clearly shows the relatively generous budget being received, when expressed on an amount per pupil basis. Discussions on this proposal have been undertaken with the Head teacher who has agreed the rationale behind the proposal but expressed concerns around the impact on educational performance once the full amount of MFG funding had been withdrawn. Therefore, should this proposal be agreed, the affect on the school would be closely monitored. The Forum is recommended to agree this approach to the future funding of Brakenhale through the MFG, subject to endorsement by the Executive Member.

Limit on central expenditure

- 5.53 If the budget package set out above is supported, it seems likely that a proposal will be brought to the next meeting of the Forum requesting consent to exceed the central expenditure limit as LA managed budgets would increase by a greater percentage than delegated school budgets.
- 5.54 Should the Forum not agree to a LA proposal to exceed the central expenditure limit, an appeal can be made to the Secretary of State for reconsideration.

Grant funding

- 5.55 In addition to the budget allocated through the Funding Formula, schools also receive grant funding, which is outside the control of the Council. Specific government grants include the Schools Standards Grant, including the personalisation element (estimated at £2.989 million for both strands), the School Development Grant (£2.509 million), School Lunches Grant (£0.156m) and Devolved Formula Capital (£1.117 million). In general, schools can expect a 2.1% increase in per pupil funding from these funding streams. This rise is in line with the increase in MFG. Provisional allocations from these grants were provided to schools on their indicative budget notifications.
- 5.56 Other government grants will also be payable to schools, mainly through the Standards Fund. More information on this will be reported to the February meeting of the Forum, provided updated information is available from the DCSF.
- 5.57 Secondary schools also receive grant funding to finance their sixth forms (initially £4.635 million in 2009-10). This has previously been paid by the Learning and Skills Council (LSC), but from April 2010 will be received from the Young People's Learning Agency, with LAs having more involvement in the funding and commissioning of post 16 provisions from this point. In the interim, indicative allocations for 2010-11 will be calculated by the LSC and are expected to be available this month, with final allocations, again to be calculated by the LSC, published in March. In addition, further specific funding will be received by the LA to support post 16 pupils with special educational needs. The allocation for 2009-10 was £0.525 million and funds provisions at Kennel Lane Special School and other out of borough SEN providers.
- 5.58 A number of secondary schools will also be providing new 14-19 diploma courses from September 2010, of which a briefing has previously been provided to the Forum. This will result in additional revenue funding being allocated to relevant schools at £1,000 per Key Stage 4 diploma learner. This is in addition to the per pupil funding received through the Council's Funding Formula for Schools and is assigned to the learner and will therefore be allocated to the learner's 'home' school. Part of these new provisions involve collaborative work between schools and there will need to be an agreement about passing funding from the home school to an alternative provider should the learner be receiving part of their programme at another institution.

Other budget matters

- 5.59 The LA is also required to formally consult with the Forum on an annual basis in respect of the arrangements put in place to deliver a number of specified functions. Listed below are the relevant items, none of which are proposed to be changed:
- a. The education of pupils with statements of special educational needs (where not delegated);
 - b. For the use of pupil referral units (PRUs) and the education of children otherwise than at school;
 - c. Insurance;
 - d. Administrative arrangements for the allocation of government grants paid to schools;
 - e. Arrangements for free school meals.

In addition, arrangements for early years also need to be presented to the Forum for comment and this is being done through a separate paper on this agenda.

- 5.60 The LA is also required to seek approval from the Forum regarding proposed revisions to the Scheme for Financing Schools. This is the legally binding document that sets out the financial responsibilities on the LA and schools, and at this stage, no changes are anticipated.

Decisions for the Schools Forum

- 5.61 In certain circumstances, the Schools Forum has a statutory decision making power. These are set out below with a comment at the end of each item to indicate the likelihood of the Council requesting a decision, which where necessary, will be brought to the February meeting of the Forum:
- a. a Local Authority proposal to increase its central expenditure to exceed the limit. It is likely that the Council will seek this permission from the Forum;
 - b. a Local Authority proposal to increase its central expenditure in relation to either the initial determinations or any subsequent redeterminations of a future year's Schools Budget (even where this does not result in a breach of the central expenditure limit). This regulation is not relevant for 2010-11 as this is the last budget in the current planning cycle; and
 - c. a Local Authority proposal to deduct from its Schools Budget expenditure under the following circumstances:
 1. expenditure on financing capital debt, where there is at least an equivalent saving on revenue allocations to schools. There are no plans from the Council to seek this permission;
 2. expenditure in respect of premature retirement of, or for the purposes of securing the resignation of, any person employed in a maintained school. Any proposal should be able to demonstrate that there are accompanying revenue savings to the Schools Budget that are equal to or greater than the costs incurred. There is approximately £0.050m set aside in the Schools Budget for this purpose which the Council considers an appropriate level (subject to annual uplift for inflation);
 3. expenditure on school specific contingency. Local Authorities are required to hold centrally any funding required to implement amendments to school budget shares as provided for by their Funding Formula, in a school specific contingency. Funding held in the school specific contingency centrally should only be needed where, as a result of the recalculations of school budget shares under the provisions of a local authority's Funding Formula, there is a net cost arising. For Bracknell this will mainly cover support to statemented pupils, including any redeterminations required for Kennel Lane Special School. It can also be used, in accordance with the previously agreed criteria to provide additional funds to schools experiencing significant in-year growth in pupil numbers. The February meeting of the Forum will need to agree an appropriate budget for this item and a proposal will be made by the LA at that time;
 4. expenditure by schools on unexpected costs. This basically covers the type of allocations historically made by the LA. There is approximately £0.020m set aside in the Schools Budget for this purpose which at this stage, the Council considers an appropriate level;

5. expenditure on combined services with Children's Social Care. The Forum has previously agreed funding of £0.664m for these types of activity (subject to annual uplift for inflation), and there are proposals to increase this amount by £0.036m, as set out above in paragraph 5.32;
 6. SEN transport. Limited to where there are consequential savings made in the Schools Budget due to the placement of a pupil in maintained provision who was previously placed in non-maintained provision, the transport costs arising from this, which would otherwise fall in the LA Budget, can be charged to the Schools Budget on condition that they are less than the savings generated and the Schools Forum agrees. There are no plans to seek consent to this type of budget.
- d. To approve changes to the scheme for financing schools, provided the scheme meets the minimum requirements specified in regulations. There are no plans at this stage to seek changes to the scheme.
 - e. To agree abatement of the MFG where aspects of it produces anomalous outcomes that affects less than 50% of pupils in schools. A proposal relating to this power regarding the additional funding received by Brakenhale is set out in paragraphs 5.50 to 5.52.
 - f. Approval to changes to the funding formula for schools after the start of a three year budget period. At this stage it not anticipated that such permission will be sought from the Forum.

2011/12 budget matters

- 5.62 Two significant cost pressures could arise from 2011-12 and whilst these are outside of the current spending review period and therefore the scope of next year's budget, they are presented now to the Forum for information. Cost estimates are not available for either item at this stage.

Funding for 4 year olds

- 5.63 The DCSF has issued a consultation on 4 year old funding proposing that all admission authorities must provide for admission of all children in the September following their fourth birthday. At present it is their fifth birthday. If agreed, this will be implemented from 2011. Clearly, this could present a significant cost pressure on the current part time funding rates.

Job Evaluation and equal pay

- 5.64 The Council is currently undergoing a review of the job evaluation scheme. This is due to the fact that the current job evaluation scheme does not fully reflect modern equalities standards nor fairly reflect all key job features. A project group has been established, including support staff trade unions, with the aim of producing an improved scheme that will be fair and reduce the risk of claims for equal pay.
- 5.65 An improved scheme has been developed and the next phase of the project is to evaluate job roles. This process will begin in February and should be completed by June 2010. This will result in a pool of recommended job descriptions and grades for all school based support staff posts. Whilst this exercise excludes national pay scales

for teachers, there is the potential for a significant cost increase which will need to be funded through the Schools Budget.

- 5.66 Aside from this exercise a new body has been established in the School Support Staff Negotiating Body (SSSNB). This body will agree a pay and conditions framework and design national job profiles to cover core support staff roles in schools. This could result in a new pay structure being introduced. There is still some uncertainty as to how this will be developed and introduced. In the meantime local authorities are asked to ensure that school support staff continue to be included within their own job evaluation reviews.

Conclusions

- 5.67 Based on current information, this paper presents a set of affordable budget proposals which allow for a steady and constant increase in budgets to all schools and full funding in 2010-11 for all identified unavoidable cost pressures and new budget developments.
- 5.68 Further data changes from the January School Census are expected, and depending on their significance, revisions to this proposed budget may be required in February when final decisions on these matters will need to be taken together with requests to the Forum to agree matters relating to its statutory powers. Further work on changes to these proposals or new areas for consideration can be undertaken in the meantime if required by the Forum, but they will need to be identified now if the resultant work is to be complete within the budget setting timetable.
- 5.69 The Executive Member is responsible for deciding where the increase in DSG should be applied in the Schools Budget, and in making these decisions will consider any comments arising from this report and any further comments that may be made in February. These final Executive Member decisions are expected to be taken in March, with schools receiving their actual 2010-11 budget notifications shortly afterwards.
- 5.70 For information, a DCSF guidance note for local Authorities and Schools Forums in setting budgets for 2008-09 to 2010-11 and what needs to be taken into account is attached at Annex G.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The relevant legal requirements are contained within the body of the report.

Borough Treasurer

- 6.2 The financial implications arising from this report are set out within the supporting information. These are provisional calculations and subject to review once data is available from the January 2010 school census and other appropriate returns. The final Schools Budget will be limited to the level of available external funding, mainly from the DSG and other specific government and non-government grants.

Impact Assessment

- 6.3 There are no specific impact assessments arising from this report. These will be considered should any of the proposals be agreed.

Strategic Risk Management Issues

- 6.4 A sum of £0.240 million has been deducted from the anticipated level of DSG income to meet the possibility of an over estimation of pupil numbers in the calculation of DSG income and the costs of unpredictable or unforeseen items that would represent in year budget risks. The Executive Member will need to consider whether this is an appropriate amount.

Other Officers

- 6.5 There are no issues arising from this report that are relevant to other officers.

7 CONSULTATION

Principal Groups Consulted

- 7.1 Schools.

Method of Consultation

- 7.2 Written consultation document with written responses to the Acting Director of Children, Young People & Learning.

Representations Received

- 7.3 Included in this report.

Background Papers

Schools Forum (England) Regulations 2007
Various reports to Schools Forum:

Contact for further information

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Outcomes from Financial Consultation with Schools and preliminary changes included in 2010-11 indicative school budgets

Process

1. The process of sending schools indicative budgets in the autumn term before the commencement of the new financial year is well established in BFC and is welcomed by schools as an important part of their financial planning processes. In calculating these indicative budgets, account needs to be taken of the statutory framework, the BFC budget strategy that has previously been agreed with the Schools Forum, which is set out at Annex B, and the views of schools.
2. Once three year budgets plans have been agreed at the start of a spending review period, after which changes to school funding are not ordinarily allowed, indicative budgets are sent out following 2 brief consultations with schools. The first of which sets out the range of budget developments the LA has identified for consideration and asks for schools to identify any further items, with the second used to gather views from schools on the relative importance of each identified proposal so that funds can be properly targeted if these are insufficient to cover all developments. Views are also sought on which pressures are unavoidable, and therefore to be funded before consideration of any new developments. This process also needs to take account of budget items that the Council is responsible for and which are funded from the Schools Budget.

Outcome from consultations

3. From the first consultation, schools identified 2 pressures in addition to those set out by the LA. The second consultation received responses from 14 (38%) schools and ranked the pressures as set out below in Table 1.

Table 1: School ranking of potential budget developments for 2010-11

ITEM	TOTALS		
	PRIMARY	SECONDARY	OVERALL
B Additional 0.5% inflation above MFG	1	1	1
C ICT hardware replacement (4th year of 4 year programme)	2	3	2
E Learning support units to be funded at all secondary schools (would add Edgbarrow and Ranelagh)	4	2	3
D Emergency procedures support (provided by Forestcare)	3	4	4
A School Meals. Reduction in subsidy to primary schools as meal take-up increases	5	6	5
F Appeals / admissions process funding for VA schools.	6	5	6
Number of responses	9 30.00%	5 83.33%	14 37.84%

4. Subsequent to the closure of the consultation period, the December Head Teachers meeting raised concerns around pressures arising from increased administrative burdens, and whilst this not being raised through the consultation process, due to the comments at this meeting, it is proposed to add this item to the list of pressures as the highest priority. A pressure has therefore been added at £0.080m, calculated from 3 hours additional support per week, term time only, for the average sized primary school (as measured through pupil numbers), and 5 hours additional support per week, term time only, for the average size secondary school. This development duplicates the additional funding added to school budgets last year for additional administrative support around the impact of workforce census requirements and other administrative pressures that was identified through the consultation process.
5. In formulating provisional proposals, a small number of adjustments have been to the outcomes from the consultations by the CYPL Departmental Management Team as set out below in Table 2 with reasons.

Table 2: Proposed adjustments to budget items

Item	Cost £000
School items from the consultation:	
<u>Learning Support Units for all secondary schools</u>	182
Reason for adjustment: This is an expensive proposal and relates to only 2 secondary schools with relatively low exclusion rates. The original funding allocations were based on number of FSM pupils which provided a correlation to pupil exclusions.	
<u>Appeals / Admissions arrangements in Voluntary Aided schools</u>	TBD
Reason for adjustment: More work is required to establish relevant costs. Funds of £8.5k are already allocated to relevant schools. At this point, two schools have provided costing information and an update on this item will be presented to the Forum in February when more information should be available.	

6. Taking account of the above information, Table 3 below shows the budget changes included in the 2010-11 indicative budget allocations sent to schools in December.

Table 3: Summary of indicative developments on 2010-11 delegated school budgets

Unavoidable pressures:

1	Inflation:	£1,064,000	Most items increased by 2.1% i.e. Minimum Funding Guarantee. Exceptions apply where previously agreed by the Schools Forum for inescapable costs such as business rates and insurance.
2	Mainstream pupil number changes	£250,000	Based on October 2009 census, increase in overall number of pupils compared to January 2009.
3	Kennel Lane Special School pupil number / needs changes	£83,000	Reflects provisional figures agreed with the school with increase in pupils with more complex needs.
4	Mainstream statemented pupils	£40,000	Continues trend of gradual increase in average cost of support.
5	Non pupil data changes e.g. FSM, EAL, NQTs	£72,000	Increase in FSM numbers anticipated, minor changes on other budget data, including MFG.
6	Fee payment to Independent Safeguarding Authority	£9,000	Full year effect of the new statutory safeguarding check to be applied against relevant staff.
7	New Jennetts Park Primary School	£20,000	Start up costs in advance of school opening.
Total unavoidable pressures		£1,538,000	Unavoidable agreed through school consultation

Economies:

8	Caterhouse primary school meals contract	-£20,000	Cost of contract in 2010-11 expected to reduce as pupil take up increases.
Total Economies		-£20,000	

Developments:

9	Additional administration support	£80,000	High priority budget development identified at the December Headteacher meeting.
10	Additional 0.5% for inflation	£236,000	Ensures share of "headroom" to all schools.
11	Replacement of IT hardware	£90,000	High priority budget development from finance consultation.
12	Balance of funds after meeting estimated costs of all identified budget pressures	£175,000	In accordance with the agreed budget strategy, allocated 85% by reference to pupil numbers and 15% as an equal amount per school.
Total Developments		£581,000	
13	Total increase	£2,099,000	

School funding settlement for 2008-09 to 2010-11

The following summarises key government announcements regarding school funding over the three year funding period of 2008-11.

1. Overall national increase in schools funding:
 - a. +4.3% 2008-09
 - b. +4.7% 2009-10
 - c. +5.3% 2010-11

Covers all funding streams including revenue, capital and specific grants.

2. Overall increase in per pupil DSG funding– delegated schools funding only:
 - a. +4.6% 2008-09 (BFBC +4.7%)
 - b. +3.7% 2009-10 (BFBC +4.0%)
 - c. +4.3% 2010-11 (BFBC +4.6%)

Minimum increase in per pupil funding at LA level of 3.1% in 2008-09, then 2.9% for each of the next two years. This core funding represents around 98.6% of the total available DSG. Funding for new Ministerial priorities has been directed towards: Personalised Learning; £330m in 2008-09, then £205m in 2009-10 and £377m in 2010-11: £40m in each of the next 3 years to fund generally affluent LAs that have pockets of deprivation; and £20m per annum to LAs spending below the government formula in 2005-06 (BFBC gains from this). £0.007m has been added to BFC in 2008-09 to support excluded pupils from the sixth day of exclusion rather than the fifteenth.

3. Key government funding priorities in the settlement are:
 - a. Personalisation of teaching and learning
 - b. Support for all pupils to make good progress
 - c. Extension of the early years offer to parents
 - d. Extended children's services provided from schools
4. The Standards Fund is to be extensively used to fund new priorities of Every Child a Reader, Every Child Counts, Every Child a Writer, and extending the free entitlement to nursery education for 3 and 4 year olds from 12.5 to 15 hours per week.
5. Government contingency to be maintained to provide additional funds to LAs subject to rapid increases in pupil numbers or significant influx of EAL pupils.
6. Minimum Funding Guarantee – statutory minimum annual increase in per pupil funding that a school can receive i.e. provides funding stability – to be set at 2.1% in each of the next three years for schools with constant pupil numbers. This is at the level of estimated unavoidable cost pressures after an assumed 1% efficiency gain in schools. MFG rate for 2007-08 was 3.7%.
7. To help schools make the most of their resources and improve outcomes for pupils, DCSF has developed tailored support packages.
8. Standards related grants to be increased by the level of MFG – 2.1%. This mainly covers the School Standards Grant and School Development Grant.

Budget Strategy – 2008/9 to 2010/11

Taking account of the requirement to minimise the number of changes to budgets within a Spending Review Period, and to have regard to government spending priorities, the following strategy is proposed in setting the Schools Budget:

1. To help schools with their financial planning, indicative budgets should be made available to schools before the end of autumn term. This requires outline agreement from the Schools Forum on all areas of the Schools Budget – both delegated and LA retained – for each remaining year of the Spending Review Cycle.
2. Aim for steady and consistent increases to delegated school budgets in each year, thereby removing the potential for significant fluctuations in funding.
3. Fund unavoidable school and LA managed pressures and developments as a first priority. This ordinarily covers meeting the MFG, inflation, change in pupil numbers and other data used for funding purposes, such as pupil eligibility to a FSM, numbers and needs of SEN pupils, including those places outside of the Borough. It also applies to funding full year effect costs from a new development that started part way through the previous year.
4. Maintain current level of deprivation funding in schools at 90% of proportion included in Dedicated Schools Grant (DCSF targeting LAs below 80%) through implementation of the key recommendations from the review of funding schools for deprivation which was to introduce new funding factors based on number of Looked After Children and those with English as an Additional Language. If after these changes, deprivation funding remains below the 90% target level, then the outstanding requirement would be met by allocating 75% of the balance based on low prior attainment and 25% on pupil eligibility to a free school meal.
5. Despite the DCSF deprivation focus, all schools should receive a reasonable increase in funding.
6. After taking account of these objectives, views of schools and the Schools Forum to be taken into account in agreeing the allocation of the remaining “headroom” to new budget developments.
7. Should any funds remain after meeting all identified budget pressures, they will be allocated 85% based on an equal amount per pupil, and 15% as an equal amount per school. This method of allocation also to be used if no obvious alternative method exists.

Unavoidable Budget Pressures

Item	2009/10 Actual £'000	2010/11 Provisional £'000
<u>Delegated School Budgets</u>		
1. Inflation Most items receive standard increase at level of Minimum Funding Guarantee (2.1%). Exceptions where previously agreed by the Schools Forum for inescapable costs such as rates, insurances and other bought back services. The final inflation figure will be determined by the Schools Forum, taking account of the latest national inflation statistics and local circumstances.	1,066	1,064
2 Mainstream School pupil numbers Information from the October 2009 census has resulted in a provisional figure being calculated for 2010-11.	-194	250
3 New Primary School for Jennetts Park The developers building programme has slipped a year with the school now expected to open in September 2011. Funding has provisionally been allocated to support some preliminary activities that will need to be undertaken before the school opens.	0	20
4 Special School pupil numbers / needs Anticipated placements at Kennel Lane Special school have been agreed with the school and continue the recent trend of accommodating a higher proportion of pupils with the most severe and costly needs. The school is expected to remain full with around 170-180 pupils.	89	83
5 Mainstream School SEN statements The number of statemented pupils in mainstream schools is expected to stay fairly constant at current levels, but continue to be subject to an on-going rise in the average cost of support.	22	40
6 Non-pupil data changes Besides pupil numbers changes, there are other data changes that can impact on funds allocated to schools. The main changes in 2010-11 relate to an anticipated rise in the number of pupils eligibility to free school meals, significant school redevelopments, attainment data and pupil mobility.	97	72
7 Fee to Independent Safeguarding Authority Fee payment to the Independent Safeguarding Authority, was previously anticipated to be in place from October 2009 but will not now be fully operational until July 2010. This improves the process of background checks required on people working with children. It includes the current enhanced CRB check and adds continuous monitoring and updating of an individuals' status. This will cost an extra £28 per person.	14	9
Loss of ICT grant Changes to DCSF grant funding created a reduction in funding to support ICT developments	24	0
Total unavoidable changes on delegated school budgets	1,119	1,538

Item	2009/10 Actual £'000	2010/11 Provisional £'000
<u>Council Managed Budgets</u>		
8. Inflation Most items receive standard increase at level of Minimum Funding Guarantee (2.1%). SEN at 1% based on the fee expected to be negotiated with providers. The final inflation figure will be determined by the Schools Forum, taking account of the latest national inflation statistics and local circumstances.	255	170
9. SEN provisions and support Based on provisional costed pupil schedule, the cost of placements in private, voluntary and independent sector schools is anticipated to continue to grow into 2010-11. There is also a pressure to fund sensory impairment support provided through the Primary Care Trust.	220	243
10. SIMS licence fee increase The purchase of software migration in a phased approach, with the cost spread over a 5 year period, for the migration of the Capita ONE (EMS) software from its outdated Powerbuilder environment to Dot Net (.net) technology. Impacts mainly on assessment and monitoring and early years provider data in the next 2 years.	-45	40
11. Early Years PVI providers Change in number of placements of 3 and 4 year olds in private and voluntary sector settings. Information has been used from the October census to provide a provisional figure for 2010-11.	30	40
12. Occupational therapy service for schools Provision of an occupational therapy service based at Kennel Lane School has ensured independence, fine motor skills and equipment needs are identified and appropriate plans and resources are put in place to enhance the pupil's access to the curriculum. The service works closely with the PCT and as well as providing individual assessments looks at the needs of all children and the school environment. The full year cost of operating the service needs to be added in 2010-11.	30	21
13. Transportation for Looked After Children Development of combined service budgets that support key government policy of the Every Child Matter Agenda. The additional £30k for 2009-10 represents the full year effect impact of meeting transport costs to retain more looked after pupils in BFC schools that was originally funded from September 2008 – March 2009..	30	0

Item	2009/10 Actual £'000	2010/11 Provisional £'000
<p>14. Behaviour Initiatives Short term time limited grant funding for behaviour initiatives in primary schools which is being phased out. The £140k saving introduced to the 2007-08 budget was re-instated in order for the service to continue at operational levels.</p>	60	0
<p>15. Speech and Language Therapy Service Roll out Speech and Language therapy service, via PCT and Symbol partnership to all schools for improved support to appropriate pupils. Included a contribution to accommodation costs for staff.</p>	90	0
<p>Total unavoidable changes on Council managed budgets</p>	670	515

Proposed new budget developments and economies

Item	2009/10 Actual £'000	2010/11 Provisional £'000
<u>Delegated School budgets</u>		
1 School Meals The average meal cost of the Caterhouse School Meals contract has reduced as meal take up increases. The expectation is that performance will continue to improve, reducing costs further although this is subject to checking.	-20	-20
2 Additional 0.5% inflation allowance Cost of adding 0.5% to the 2.1% minimum funding increase required by the DCSF. This is the top up to MFG rate. The final inflation figure will be determined by the Schools Forum, taking account of the latest national inflation statistics and local circumstances.	231	236
3 IT Hardware Replacement Replacement programme for school IT hardware, much of which was initially funded from one-off government grants. To supplement funding in Devolved Formula Capital and set in place a rolling replacement programme for servers, workstations and interactive white boards / projectors. 2010/11 is the final growth allowance for this item.	90	90
4 Impact of workforce census requirements and other administrative pressures This item was proposed from the 2008 finance consultation and has been costed at providing an average of 3 hours weekly support per primary school and 5 hours per secondary.	77	80
5. Unallocated balance After funding all identified pressures a balance of funds remains to be allocated to school, 85% by reference to pupil number and 15% as an equal amount per school, as set out in the budget strategy.	79	175
Support for inclusion / behaviour This item was proposed from the 2008 finance consultation and was costed at providing an average of 3 hours weekly support per school. This will be available to tackle unforeseen volatile incidents around pupil inclusion and behaviour.	48	0
Criminal Records Bureau re-checking This development reflects best practice that schools should introduce a rolling three year programme of rechecking relevant staff through the Criminal Records Bureau.	33	0
Broadband connectivity improvements Pressure is being placed on the main school internet connection which is presently capped to a limit of 17Mb/s. When a large number of users access the internet, there can be a reduction in speed. In order to resolve this situation, the ICT Advisory group of headteachers has recommended an increase in the capped bandwidth to 25Mb/s.	18	0
Total new developments on delegated school budgets	557	561

Item	2009/10 Actual £'000	2010/11 Provisional £'000
<u>Council Managed Budgets</u>		
6. Additional 0.5% inflation allowance Cost of adding 0.5% to the 2.1% minimum funding increase required by the DCSF. The final inflation figure will be determined by the Schools Forum, taking account of the latest national inflation statistics and local circumstances.	26	27
7 Private Sector Early Years Providers To ensure that all early years providers receive a similar increase in per pupil funding to maintained schools, a growth pressure has been included in the last 2 years so that when added to the general inflation uplift, private sector providers receive the same percentage increase in funding as the average maintained school.	22	47
8 School specific contingency A provisional view on the level of contingency required for next year indicates an increase in provision. This relates to anticipated in-year allocations to schools experiencing significant increases in pupil numbers and also a number of matters arising from the new funding arrangements planned for introduction around Early Years provisions.	-50	125
9 Reductions in grant A number of grants used to support education related activities have either been reduced or re-prioritised, the result of which is that a number of services face reduced funding from April 2010. A pressure arises to maintain services in Early Years Special Educational Needs Co-ordinators (£20k), Education Health Partnerships (£30k), support to anti-bullying (£10k), resources for schools to support Social and Emotional Aspects of Learning (£10k) and support for children who are from families subject to domestic abuse (£6k).	0	76
10 Emergency procedures support to schools An emergency procedures support service is currently provided to schools without charge by Forestcare. This supports cascade of the Broadmoor alarm to relevant schools, being a first point of contact for parents, police and journalist in emergencies, including school closures for bad weather, and holding 24 hour a day emergency contact details of relevant duty staff in schools to support emergency procedures. The costs for this service should be funded through the Schools Budget and is proposed to be a centrally managed budget item.	0	5

Item	2009/10 Actual £'000	2010/11 Provisional £'000
<p>English as an Additional Language An enhancement to the existing EAL Service is proposed. This would focus on increasing numbers of 'newly arrived' pupils, who are in the early stages of learning English and have been identified as requiring additional language / curriculum support in order to access the curriculum. There would also be support to schools in raising achievement, to integrate cultural diversity, and to increase school's capacity in providing for the needs of bilingual learners and providing support to bilingual parents.</p>	50	0
<p>Income generation by Teaching and Support Service (TASS) The Learning Support Service of TASS provides a team of specialist teachers who assess and directly teach children with SEN. Through increased demand for support from schools, the service has consistently over achieved the income target and over spent on staff that deliver the service. In order to correct the budget profile, it is now proposed to permanently increase the income target by £10k with a £5k increase in staffing budget, making a net saving of £5k.</p>	-5	0
<p>Official trades union duties The budget to support school staff undertaking official trades union activities has consistently under spent in recent years.</p>	-10	0
<p>Repayment of 2007/08 overspend Following an improvement in finances, the budget provision to repay the 2007/08 over spend was removed as part of the 2009/10 budget build process..</p>	-20	0
<p>Total new developments on Council managed budgets</p>	14	280

Proposed Inflation Allowances for 2010/11

Delegated School Budgets

1	Uniform Business Rates, rents and joint use sports centres	1.86%
2	Transport to Crownwool LAL	2.60%
3	Insurances - Property	2.60%
4	Stated Pupils	2.60%
5	Resource Units	2.60%
6	Buildings repair and maintenance	2.60%
7	Other bought back services	2.60%
8	All other items	2.60%
9	Average on delegated school budgets	2.55%

Estimated actual cost increases
MFG rate plus 0.5%.
MFG rate plus 0.5%.
MFG rate plus 0.5%.
MFG rate plus 0.5%.
MFG rate plus 0.5%.
MFG rate plus 0.5%.
MFG rate plus 0.5%.
MFG rate plus 0.5%.

LA Managed

10	SEN provisions and support	1.00%
11	Combined services	2.60%
12	Education out of school	2.60%
13	Pupil behaviour	2.60%
14	School staff absence	2.60%
15	Other items e.g. Practical Learning Options, Admissions	2.60%
16	Schools specific contingency	2.60%
17	PVI nursery provision	2.60%
18	Schools in financial difficulty	0.00%
19	Standards Fund	1.41%
20	Average on LA Managed	1.76%

Based on expected increase to be agreed with providers.
MFG rate plus 0.5%.
MFG rate plus 0.5%.
MFG rate plus 0.5%.
MFG rate plus 0.5%.
MFG rate plus 0.5%.
MFG rate plus 0.5%.
MFG rate plus 0.5%.
No inflation
Sets budget at amount required to match fund indicative grant allocation.

Setting School Budgets for 2008-09 to 2010-11

DCSF Guidance Note for Local Authorities and Schools Forums

Overview

1. This note provides guidance for local authorities and Schools Forums on the process of setting school budgets for the next three years. It starts by discussing the process by which allocations of Dedicated Schools Grant will be made and finalised, and relates this to local authority budget setting processes. It is an updated version of the guidance we issued for 2006-07 and 2007-08.

2. The guidance then goes on to discuss the various decisions local authorities and their Schools Forums will need to make within each cycle of budget calculation, and provides links to the various DCSF guidance notes on each stage in the budget calculation cycle. Finally, the guidance discusses what action authorities will need to take in early 2009 and 2010, when they update the indicative budgets for 2009-10 and 2010-11 which they set initially in 2008.

3. This guidance note is intended to supplement the knowledge and experience in local authorities and Schools Forums, and to act as a road map through the various DfES guidance notes on the new school funding system.¹

DSG Allocation Process

4. The timetable for the setting and finalising of DSG allocations is key to the processes that authorities will need to adopt for setting schools' budgets for 2008-09 to 2010-11. In outline, the main steps are as follows:

- a. the Department has projected overall pupil numbers for each authority for each of the three years – the numbers are for January 2008, January 2009 and January 2010 respectively;
- b. the projected pupil numbers have been used to calculate each authority's indicative allocation of Dedicated Schools Grant for 2008-09, 2009-10 and 2010-11;
- c. (a) and (b) have been used to calculate a guaranteed unit of funding for each authority for each of the three years; and
- d. when the Department has finalised data from the January 2008, 2009, and 2010 Pupil Led Annual Schools Censuses (PLASC) and other relevant data surveys, it will finalise allocations of Dedicated Schools Grant, using the guaranteed units of funding from step (c).

5. Steps (a) to (c) were carried out by the Department to produce the DSG allocations announced on 12 November. Step (d) will take place when agreed pupil number data from PLASC and other relevant data surveys are available for each authority for each of the next three years. We want to work closely with local authorities to ensure that clean pupil number

¹ These arrangements do not apply in the Isles of Scilly, who receive grant for schools on a different basis to other local authorities, and who have only one school to fund.

data are available as early as possible, but this will not be until after the new financial year has commenced.

6. The guaranteed units of funding for 2008-09, 2009-10 and 2010-11 will not be changed. Local authorities can therefore rely on the figures announced on 12 November in planning and setting school budgets for all three years.

7. The forecast pupil numbers have been produced by the Department solely for the purpose of making DSG allocations: they have not been produced for the purposes of setting school budgets for 2008-09, 2009-10 and 2010-11. Of necessity, they use a national methodology, which is the same for all local authorities: the detail is set out in the explanatory note on DSG Pupil Number Projections on TeacherNet at:

<http://www.teachernet.gov.uk/docbank/index.cfm?id=12223>

8. They do not therefore take account of local circumstances, and as result will almost certainly be different from local authorities' own view of pupil numbers, which can take into account detailed or more up to date local knowledge:

- a. many authorities use forecasting methodologies to make estimates of pupil numbers for some years ahead, and will have available their own forecasts for January 2008 – these will take into account local knowledge in a way that is not feasible in the forecasts used for DSG allocations; and
- b. authorities will be able to use data from the autumn term 2007 census² to estimate pupil numbers for January 2008, until actual January pupil numbers are available.

9. The Department therefore strongly recommends that authorities use their own information on pupil numbers, for each of the three years 2008-09, 2009-10 and 2010-11, in setting school budgets. This is more likely to be accurate than the forecasts produced by the Department to set indicative DSG allocations.

School Budget Setting Process – Current Practice and Changes for 2008-09

10. There are a number of points at which authorities currently set and issue budgets to their schools, with varying degrees of finality:

- a. first cut budgets, in November/December, shortly after the settlement;
- b. more refined, near final budgets in late January or early February, when pupil number information from PLASC becomes available; and
- c. final budgets in late March.

11. A number of authorities that issue first cut budgets in December or early January calculate those budgets using September pupil numbers, since they are a reasonably accurate proxy for pupil numbers for the following January. So for the purposes of estimating January 2008 pupil numbers, authorities could use September 2007 pupil numbers. Such authorities will also be able to use the guaranteed unit of funding for 2008-09, with September 2007 pupil numbers, to calculate a revised estimate of what their final DSG allocation will be for 2008-09. That will in turn give them a sound basis for setting their Schools Budget for the purpose of producing first cut budgets for their schools.

² Data from this census was not available to DCSF when it set DSG guaranteed units of funding for the school funding settlement.

12. Many authorities currently wait until late January or early February before they issue their first budgets to schools, since they wish to use more up to date data from January PLASC rather than the September numbers.

13. During late January and early February 2008, local authorities should have good early information of what their pupil numbers will be at the January pupil count, in advance of the checking process by the Department which leads to final allocations of DSG. That will allow all local authorities to firm up the level of their Schools Budget for 2008-09. Between this stage of budget setting and the next, local authorities will also need to take into account any top up to the DSG allocation from locally raised resources, which will be decided through the council's budget and council tax setting process.

14. Finally, all local authorities are legally required to set a Schools Budget and individual budgets for each of their schools by 31 March. By this time, local authorities will have good information on their January 2008 pupil numbers, and will know if their council has decided to add a top up to the DSG. These will be the final figures for schools for 2008-09, subject to changes brought about by the checking process: how authorities can handle those changes is discussed below.

15. It is important that all staff involved in the budget setting process are fully aware of how pupils are counted for the purposes of DSG allocations, and what data are supplied to the DCSF to finalise DSG allocations. The methodology for counting pupils for the purposes of DSG allocations can be found in the explanatory note on DSG Pupil Number Projections on TeacherNet at:

<http://www.teachernet.gov.uk/docbank/index.cfm?id=12223>

Implications of Finalising DSG

16. Each authority's finalised allocation of DSG for 2008-09 will be different from the indicative allocation notified to it by the Department on 12 November. We recommend that authorities should base their budgets on their best estimate of January 2008 pupil numbers, rather than on Departmental forecasts. This should enable them to make fairly accurate estimates of what their final DSG allocation will be. Authorities should therefore be able to make allocations by March to all schools and to central budgets without the need to change them when the DSG is finalised.

17. Nonetheless there is almost bound to be some difference between the final DSG and the DSG allocation the authority has used to set its Schools Budget. If authorities find that actual pupil numbers for individual schools are significantly different from their estimates, the authority will be able to use the error correction procedure in the School Finance Regulations to correct the school's budget. If there are other small differences, which do not affect individual schools, the authority should leave the Schools Budget as determined in February/March and carry over any surplus or deficit to the following year. Guidance on carrying forward DSG balances can be found at:

<http://www.teachernet.gov.uk/docbank/index.cfm?id=12224>

18. It is possible that the changes in pupil numbers between estimated and finalised DSG are significant enough to warrant a redetermination of the Schools Budget. If that is the case, all schools would need to be notified. The Department would expect this course of action to be taken only in exceptional circumstances.

Tasks within a Budget Calculation Cycle

19. The preceding three sections have set out how the processes for setting indicative and final allocations of DSG will mesh with local authority processes for setting and finalising school budgets: but within that overall process, each authority will go through one or more cycles of setting the Schools Budget, and translating that into individual budgets for schools. This section discusses in more detail what local authorities and their Schools Forums will need to do in each cycle to set individual budgets for schools, starting from the overall level of the authority's Schools Budget.

Centrally Retained Budget

20. The first decision to be taken in the budget setting process is the split between the budget for centrally retained items, and the ISB. In making this split, local authorities will need to consider the guidance set out in the guide to Central Expenditure, which can be found on the page devoted to guidance notes for Schools Forums on TeacherNet at:

21. As a first step, most local authorities consider the cost pressures on items within the centrally retained budget, such as funding for: Pupil Referral units; pupils in hospital school provision; and learning and behaviour support services for pupils in maintained schools. There will be a complete list in schedule 2 of the School Finance Regulations 2008.

22. Local authorities will also want to consider the following areas of expenditure and whether they should be held centrally or delegated to schools:

- a. whether or not an authority decides to retain funding for the Upper Pay Spine (formerly funded through Teachers' Pay Grant) in its central budget, and devolve it to schools, as opposed to delegating it through its formula³;
- b. whether the authority decides to retain centrally its allocation from the £110 million funding earmarked during 2006-08 for practical learning options at 14-16 or delegates it to schools. This funding is now part of the DSG baseline for 2008-09 and has thus been updated by 3.1% per pupil.

23. Local authorities will also need to decide, with their Schools Forums, whether and how much expenditure should be retained centrally for combined services in support of Every Child matters. Guidance on this issue can be found in the explanatory note on school funding for 2008-11 at:

<http://www.teachernet.gov.uk/docbank/index.cfm?id=11544>

24. There are two changes to the way in which authorities take decisions on this type of expenditure: firstly, authorities no longer have to apply the test that the educational benefit gained will be proportional to the expenditure incurred in seeking their Schools Forum's approval; and secondly, approval need not be sought again for existing expenditure.

Distribution of the Individual Schools Budget

25. Once the budget for centrally retained items and hence the ISB has been set, authorities need to work through a number of further decisions on how the ISB is to be distributed.

³ Many authorities have either completely delegated this funding through their formula or have started the process, with appropriate transitional arrangements.

26. The pupil numbers to be used for 2008-09 will be those at January 2008: as stated above, if authorities wish to set indicative budgets for their schools before the January count date, they could use September 2007 pupil numbers; after the January count date, they will be able to use actual numbers, albeit subject to final checking. For 2009-10 school budgets, authorities will need to use estimates of January 2009 pupil numbers; for 2010-11 school budgets, authorities will need to use estimates of January 2010 pupil numbers.

27. Advice on how to project pupil numbers is contained in the Pupil Projection Toolkit which can be found on TeacherNet at:

www.teachernet.gov.uk/pupilprojectionguide.

28. The use of a single January pupil count for schools' funding means that any pupils entering school after that date will not give rise to an increase in the school's budget until the following January. Schools should in the main be able to manage the normal turnover of pupils, but there are two circumstances where this may require action from the local authority:

- a. where a school has a significant influx of pupils – and where the authority sees an overall rise in rolls above 2.5% it will trigger payment of exceptional circumstances grant; or
- b. where a school has a planned rise in numbers – for example if it is adding an extra form of entry, or if it is a new school filling up year group by year group.

29. Guidance on the steps that local authorities may take to deal with these issues is contained in the note on the Single Pupil Count which may be found on TeacherNet at:

www.teachernet.gov.uk/schoolbudgets200608/.

30. Guidance on the qualifying conditions for ECG may be found in the explanatory note on school and early years funding arrangements 2008-11 at:

<http://www.teachernet.gov.uk/docbank/index.cfm?id=11544>

31. The next key decision for local authorities and their Schools Forums may be how they wish to handle funding for the Upper Pay Spine (formerly funded through Teachers' Pay Grant). Detailed guidance on this can be found on the page of guidance notes for Schools Forums on TeacherNet at:

www.teachernet.gov.uk/schoolsforums/.

32. The main choices are between: distributing the funding through the authority's formula, and allowing the MFG to smooth out the change in distribution; and continuing to distribute the funding according to teacher numbers, with a transition over time to distribution through the main formula.

33. If the decision is to retain the current distribution of Teachers' Pay Grant in the short term, the local authority will need to decide, with its Schools Forum, whether to hold the funding centrally, or whether to distribute it to schools through an additional factor in its formula.

34. Many local authorities will have already consulted on changes to their funding formulae for 2008-09, 2009-10 and 2010-11. The formula changes which they and their Schools Forum finally choose to implement will often depend on the increase in resources

that is available to them. Following on from the settlement, local authorities and their Schools Forums will therefore be considering which formula changes they should implement, with a view to final discussion with schools and decision making in the New Year, so that budgets can be produced by the end of March.

Ministerial Priorities

35. In taking final decisions on the shape of their funding formulae, local authorities should also take into account the funding for Ministerial priorities used over and above the basic per pupil increase in DSG:

- a. £330/205/377 million in funding for **personalised learning and SEN**, distributed on the basis of pupil numbers at 5 to 15, plus area costs where relevant – this reflects the roll out of the personalisation offer to all pupils over the coming three years, and is a change from the method of distribution used for 2006-08, which incorporated a substantial weighting for low prior attainment and income deprivation;
- b. £40 million increase for 2008-09 for **pockets of deprivation**, for those authorities that are in the bottom third least deprived authorities in overall terms and who have pupils from the most deprived areas (subject to a de minimis limit of 10 pupils) - each qualifying local authority will receive £500 per qualifying pupil, adjusted for area costs;
- c. £7 million increase for 2008-09 for **provision for children from day 6 of a permanent exclusion**, distributed on the basis of pupil numbers, adjusted for area costs.

These increases in funding for Ministerial priorities are consolidated into the baseline each year, and are subject to the basic per pupil increase for the following year.

36. As well as the above funding for new Ministerial priorities, we should also like to draw to local authorities' attention the £110 million in the 2007-08 baseline, to support the drive to offer more **practical learning options** for pupils at aged 14 to maintain their engagement in education and learning.

37. As with previous funding for Ministerial priorities, none of this funding has been ringfenced within the Dedicated Schools Grant, so local authorities will need to decide with their Schools Forums, how they can best distribute their allocation of these funds to schools through their local formulae. We do not expect authorities to attempt to replicate the Dedicated Schools Grant distribution methodology in their own formulae: they will need to consider the relative needs of all their schools, and direct funding in response to those needs.

Personalised Learning and SEN

38. In distributing the extra funds for personalised learning and SEN, Ministers expect local authorities to have regard to the following priorities:

- a. all schools should be tracking pupil progress, and providing appropriate intervention for children falling behind to ensure that all pupils make at least two levels progress per key stage, including, where appropriate, those with special educational needs;
- b. every secondary school pupil should have access to a learning guide - a

member of staff who knows them in terms of both their academic progress and their personal development in the round, and is able to co-ordinate a tailored package of support that best helps that pupil;

- c. providing targeted support for key groups including those from areas of economic and social disadvantage, those ethnic minority pupils at particular risk of poor outcomes, children in care and gifted and talented pupils; and
- d. ensuring the school workforce has the confidence and skills to address the needs of all children, including those with SEN, for instance through the Inclusion Development Programme which is being rolled out through the National Strategies, and undertaking specialist training.

Pockets of Deprivation and Deprivation Funding

39. In December 2005, the Department published a joint DfES/Treasury Report, *Child Poverty: Fair Funding for Schools*, on the ways in which local authorities fund schools to meet the extra burdens imposed by social deprivation among their pupils. Local authority statements of policy and practice in this area were published in August 2006, and since then, authorities have been reviewing their local arrangements. To support local reviews, the Department made available a technical note on the various deprivation indicators: this is available at:

www.teachernet.gov.uk/docbank/index.cfm?id=10254

40. On 2 August 2007, the Department published guidance for local authorities to help them assess the quantity of deprivation funding distributed through the local formula in 2007-08. This will serve as a baseline against which further progress in targeting funding through the local formula can be measured. These templates have been used to inform the discussions in autumn term 2007 between the authority and its Children's Services Advisor (CSA).

41. The overall aims of this process are twofold: firstly to ensure that deprivation funding in the DSG is properly reflected in local funding formulae; and secondly to ensure that local authorities and schools have in place the strategies for using deprivation funding effectively to support the Government's key aim of narrowing the attainment gap between pupils from disadvantaged backgrounds and their peers.

42. Over the summer, the Department has been developing a new measure of deprivation, using data on Tax Credits from HMRC, cross referenced to pupil postcodes. Tax Credit data is available on a more finely-grained geographical basis than the deprivation indicators previously used to distribute funding to local authorities and its use will mean that we are better able to reflect the circumstances of the children in an authority's schools, rather than deprivation in the children who live in an authority. This will mean, for example, that where pupils from deprived backgrounds cross local authority boundaries to go to school in a less deprived authority, this will be reflected in the funding the authority receives. The indicator has been used to distribute the £40 million increase in funding for pockets of deprivation in 2008-09. Local authority and school level figures are available at:

www.teachernet.gov.uk/docbank/index.cfm?id=12225

43. In deciding how to distribute this funding, local authorities and their Schools Forums should consider how to target the funding at their most deprived schools. Local authorities will wish to consider whether or not to introduce a new deprivation indicator into their funding formula specifically for this funding; and they may wish to consider whether a threshold

would be a way of ensuring that this funding is targeted differentially at their most deprived schools.

Day 6 Provision

44. It was a requirement in the Education and Skills Act 2006 for schools and local authorities to arrange suitable full-time education for excluded pupils from the sixth day of exclusion. Schools are required to arrange provision off-site (unless in a shared unit) from the sixth day of any period of fixed period exclusion. Local authorities are likewise required to arrange provision from the sixth day of permanent exclusion.

45. The Department recommended that authorities use funding from the 5% basic per pupil increase in DSG that all authorities received for 2007-08 to fund the £9 million cost of Day 6 provision in 2007-08 (the seven months from September 2007 and March 2008). We are adding a further £7 million to this, earmarked within DSG allocations for 2008-09, and baselined for 2009-10 and 2010-11, bringing the total resources available to £16 million. At national level the expected split of costs between schools and LAs works out as £10 million for schools and £6 million for local authorities.

46. We would recommend that authorities do not base allocations of this funding on historical levels of fixed period exclusions, but may want to consider an allocation method of overall pupil numbers weighted for deprivation. They may want to use similar measures of deprivation as are used elsewhere in their funding formula. Detailed guidance for schools and local authorities is available on TeacherNet at:

<http://www.teachernet.gov.uk/wholeschool/behaviour/exclusion/>

Practical Learning Options at 14-16

47. We expect LAs and schools to continue to draw on the £110m within the DSG baseline, which was earmarked to support practical and applied learning provision. In local authorities where consortia are delivering Diplomas in 2008-09 they will be receiving Diploma specific grant, the existing funding within DSG could also be drawn on to support any exceptional local costs attaching to Diploma delivery which cannot be met from the Diploma grant allocation, allocations of which will be announced later in December.

48. In all local authorities the utilisation of DSG funding for practical learning options, whether it is managed at local authority level or delegated in full or in part to individual schools, should be discussed with the 14-19 partnership. The aim is that DSG funding should align well with other sources of funding supporting the planning and delivery of 14-19 learning. In subsequent years we would expect that this funding will be increasingly spent on Diplomas as local provision expands.

Minimum Funding Guarantee

49. The MFG has been set at 2.1% for each of the next three years. A detailed guide to the operation of the MFG for 2008-09, 2009-10 and 2010-11 is available on TeacherNet at:

www.teachernet.gov.uk/schoolbudgets200811/

That will also link to a calculator which will automatically work out the level of the GFL, and whether a school requires an MFG allocation or not: the calculator is an Excel spreadsheet and can be downloaded. We will make available a local authority calculator in the near future.

50. All authorities have the following basic increases in their DSG allocations:

2008-09	MFG + 1% per pupil = 3.1%
2009-10	MFG + 0.8% per pupil = 2.9%
2010-11	MFG + 0.8% per pupil = 2.9%

The additional 1%/0.8%/0.8% is to enable authorities to implement the MFG. It is necessary to fund the increased per pupil costs of falling rolls, and the increased costs of items excluded from the MFG calculation such as high cost SEN, rent, rates and PFI payments.

51. Local authorities with schools with sixth forms should no longer include LSC allocations in the baseline for the MFG calculations. The Learning and Skills Council plans to make the details of sixth form funding allocations for 2008-09 available on its website by February 2008.

52. As in previous years, the operation of the MFG methodology will produce anomalous outcomes for certain schools – and the degree of change in the school funding system for 2008-09, 2009-10 and 2010-11 increases the likelihood that there will be a greater number of potentially anomalous outcomes. A guide on how Schools Forums should approach taking decisions on whether to approve alternative arrangements for schools with anomalous MFG outcomes can be found on the page of guidance notes for Schools Forums on TeacherNet at:

www.teachernet.gov.uk/schoolsforums/.

53. Where a package of changes affects more than 50% of the pupils in an authority's schools (measured by the number of pupils in the schools affected by the complete package of proposed changes), the local authority will need to seek the approval of the Secretary of State. Any authority in this position should write to Margaret Judd at the DCSF to start this process.

Budgets for 2009-10: Setting in Spring 2008 and Updating in Spring 2009

54. Local authorities and their School Forums will need to work through the tasks within a budget setting cycle (set out in paragraphs 19 to 52 above) to set school budgets for each of the three years 2008-09, 2009-10 and 2010-11 in the period to 31 March 2008. There are some additional decisions and tasks for 2009-10 and 2010-11: these are discussed in this section.

55. When they first set budgets for 2009-10 authorities will need to use forecast pupil numbers for January 2009. As previously highlighted, the pupil numbers used to set the DSG units of funding for 2009-10 have been calculated using a national methodology, which does not take account of local knowledge and circumstances. Authorities should make their own forecasts for 2009-10: advice on how to do so is contained in the Pupil Projection Toolkit which can be found on TeacherNet at:

www.teachernet.gov.uk/pupilprojectionguide.

56. In addition to forecasting pupil numbers, authorities will need to decide what values they should use for non-AWPU data when calculating initial values for school budgets for 2009-10. Some data will be straightforward: values for premises and rates funding should be possible to predict with a fair degree of accuracy; and any planned changes to the characteristics should be factored in. But other data may be more difficult to forecast – for example it may be hard to predict with accuracy the values of some commonly used deprivation indicators. The best approach here might be to use the same values used for

2008-09 budgets.

57. Authorities will then need to decide on their policy for updating non-AWPU data for 2009-10 and 2010-11. The essential choice is between:

- a. Focussing on predictability and stability of budgets for schools – which points towards less updating of non-AWPU data; and
- b. responding to schools' changing needs and circumstances – which points towards more updating of non-AWPU data.

Further guidance on this issue may be found on the page of guidance notes for Schools Forums on TeacherNet at:

www.teachernet.gov.uk/schoolsforums/.

58. In setting indicative budgets for 2009-10 and 2010-11, authorities should endeavour to keep contingencies for those years to a minimum. And since they can only hold contingency in the centrally retained budget, any increase in contingency for 2009-10 or 2010-11 will have an impact on the balance between the ISB and centrally retained items budget, and will need to be approved by the Schools Forum.

59. The previous paragraphs set out what authorities will need to do to set indicative budgets for 2009-10 in spring 2008. In spring 2009, they will need to finalise those indicative budgets.

60. In the same way as there will be an interaction in spring 2008 between the process of finalising DSG allocations and school budgets for 2008-09, there will be an interaction between the process of finalising DSG allocations for 2009-10 and school budgets for that year. In February and March 2009, authorities will need to use early information on January 2009 PLASC to finalise their Schools Budget for 2009-10, together with any non-AWPU data they have decided to update. The same considerations about mismatches between pupil numbers used by an authority to finalise its Schools Budget, and the pupil numbers agreed with the DCSF for the authority's final DSG allocation apply here. These considerations will also apply to 2010-11 financial year.

DCSF
December 2007