

CHESHIRE EAST

CABINET

Date of meeting: 8 September 2008
Report of: John Weeks – People Block Lead Officer
Title: School Funding 2009-10 to 2010-11

1.0 Purpose of Report

- 1.1 The purpose of this report is to provide the Cabinet with an overview of certain aspects of school and local authority funding; and to seek approval to some work on the school funding formula and the Scheme for Financing Schools.

2.0 Decision Required

- 2.1 To authorise work on

(i) the school funding formula for the authority. The proposed formula needs to be agreed during January 2009 and will be used to issue school budgets in 2009-10.

(ii) The Scheme for Financing Schools that sets the financial regulations under which schools spend their budget shares. The Scheme needs to be approved by the Schools Forum during early 2009 and should be issued to schools before 1 April 2009.

3.0 Financial Implications for Transition Costs

- 3.1 The transitional costs are officer time, costs associated with venues for meetings and the cost of communication with schools and the Schools Forum. The actual costs will depend upon the extent of the work required and the availability of existing officer time. Direct costs are not expected to be more than £1-2,000 unless additional capacity is required.

4.0 Financial Implications 2009-10 and beyond

- 4.1 Costs associated with reviewing the formula and the Scheme for Financing Schools can be charged to the Dedicated Schools Grant.

5.0 Legal Implications

- 5.1 The current school funding framework is based on the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998. Under this legislation, local authorities determine for themselves the size of their Schools

Budget and LA Budget – although at a minimum a local authority must appropriate its entire Dedicated Schools Grant (DSG) to their Schools Budget.

- 5.2 The categories of expenditure which fall within the two budgets (Schools and LA) are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an authority's maintained schools except for capital and certain miscellaneous items.
- 5.3 Local authorities may centrally retain funding (Central Spend) in the Schools Budget for purposes defined in regulations made by the Secretary of State under s.45A of the Act. The amounts to be retained centrally are decided by the authority concerned, subject to any limits or conditions (including gaining the approval of their School Forum or the Secretary of State in certain instances) as prescribed by the Secretary of State. The balance of the Schools Budget left after deduction of centrally retained funds is termed the Individual Schools Budget (ISB). Expenditure items in the LA budget must be retained centrally (although earmarked allocations may be made to schools).
- 5.4 The attached table shows the various sources of funding. It also includes Standards Funds which are given to schools and the LA for specific purposes, and the School Standards Grant which is given directly to schools (via the LA) and can be used for any purpose which the governing body determine, within the overall funding framework.
- 5.5 Local authorities must distribute the ISB amongst their maintained schools using a formula which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the Act.
- 5.6 In 2006-07, the Government introduced multi year funding periods for school funding, and there is a presumption against changes to funding formulae during a multi-year budget period to allow stability for schools. 2008-09 is the first year of the current multi-year budget period, which also includes 2009-10 and 2010-11. The Department for Children, Schools and Families (DCSF) are reviewing the DSG for the next multi year period starting in 2011-12.
- 5.7 The financial controls within which delegation works are set out in a scheme made by the authority in accordance with s.48 of the Act and approved by the Schools Forum. All revisions to the scheme must also be approved by the Schools Forum. Subject to provisions of the scheme, governing bodies of schools may spend budget shares for the purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations made under s.50.

6.0 Risk Assessment

- 6.1 It is important that work begins now to ensure that the funding formula and the Scheme are approved in good time for school budgets to be issued for 2009-10 and for schools to be informed of the requirements of the scheme before 1 April 2009.

7.0 Background and Options

- 7.1 The new authority is required to:
- Develop a funding formula by which the ISB is to be delegated to schools.
 - Agree a Scheme for Financing Schools which sets out the rules under which school governing bodies will spend their delegated budget.
 - Establish a Schools Forum and consult with the Forum as the 2009-10 budget is developed. A report on the establishment of the Schools Forum appears elsewhere on this agenda.

School Funding Formula

- 7.2 The Schools Forum must be consulted on any changes to the school funding formula, and it is also good practice to consult all schools on the proposals. This needs to be done during the autumn so that the formula can be adopted in January before the LA sets its budget for 2009-10. Proposed changes to the formula therefore need to be agreed by the end of October in time for consultation with schools and the newly established Schools Forum.
- 7.3 The starting point for Cheshire East's school funding formula in the short term is assumed to be Cheshire's current formula. Whilst it is open to the new authority to develop a new funding formula from Day One, the timescales and the limited availability of staff with relevant expertise available mean that this is not a serious option. Adopting Cheshire's formula, with minor changes as necessary, is also most likely to enable the new authority to meet its obligations with regard to MFG within the DSG available.
- 7.4 Notwithstanding the adoption of Cheshire's funding formula, there are a number of formula factors that could be reviewed for 2009-10. These include:

Funding targeted for disadvantage

In 2008-09 the DCSF issued a statement showing the amount of funding allocated for deprivation and required Cheshire to complete a pro forma indicating the amount of funding deemed to be targeted for disadvantage. Cheshire's return showed a significant shortfall in the funding targeted, and has the authority been continuing there would have been a requirement to review this aspect of the formula. It will be difficult to establish the baseline for Cheshire East for the amount allocated by the DCSF – the calculation used data from before the introduction of DSG – but the assumption is that the DCSF

will require this aspect of the formula to be reviewed with a view to targeting more funding.

Early Years Funding

By 2010-11 all LAs are required to introduce a single funding formula for early years covering both provision in the maintained sector (maintained nursery schools and units attached to primary schools) and private, voluntary and independent provision. In 2009-10 a count on the basis of participation (rather than places) is to be introduced. LAs are not required to fund on that basis until 2010, although they can move to participation led funding in 2009 if they wish to do so. The DCSF have just issued guidance to LAs on the implementation of the single funding formula for early years and they emphasise the importance of LAs beginning to think about the formula now.

- 7.5 It is recommended that a working group consisting of officers and school representatives be set up to consider proposals for formula changes for 2009-10 and to make recommendations for areas for review over the longer term. The single funding formula for early years has a wider constituent body (including Private and Voluntary Providers) and the DCSF have already asked LAs to set up an Early Years Reference Group as a sub group of their Schools Forum. It is recommended that work on the early years formula is undertaken by the Early Years Reference Group, with officers ensuring that any proposals made by the two groups are mutually compatible.

7.6 Proposed timeline

September	Cabinet approves work on the development of the school funding formula
September/ October	Nominations for the Working Group sought at the same time as the nominations for the Schools Forum. Working Group established and meets to review the formula.
November/ December	Proposals for changes to Cheshire's formula considered by Cabinet prior to consultation with schools and the Schools Forum
January	Cabinet agree the school funding formula Schools and the Schools Forum informed
February	Council agrees the budget for 2008-09
March	School budgets for 2009-10 issued to schools

Scheme for Financing Schools

- 7.6 It will be necessary for the new authority to issue a Scheme for Financing Schools before Day One. There is detailed guidance from DCSF which covers most aspects of the scheme. However it will be necessary to have regard to the authority's financial procedures and financial standing orders in developing the Scheme. It is proposed that County officers liaise with the Interim Section 151 officer to develop the Scheme in advance of consultation with schools and the schools forum.

8.0 Overview of Day One, Year One and Term One Issues

- 8.1 The funding formula is required prior to Day One as school budgets for 2009-10 need to be issued before the end of March. The Scheme for Financing Schools must be in place for 1 April. Both the formula and the Scheme must be reviewed on a regular basis.

9.0 Reasons for Recommendation

- 9.1 To ensure that the Authority meets its obligations to issue school budgets before 31 March 2009, and to have an agreed Scheme for Financing Schools on 1 April 2009.

For further information:

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Background Documents:

*Documents are available for inspection at: Westfields, Middlewich Road,
Sandbach*