



DERBY CITY COUNCIL

COUNCIL CABINET
26 APRIL 2005

ITEM 10b

Report of the Director of Finance
and the Director of Education

Consultation on New School Funding Arrangements from 2006/7 – Response to Education Commission

RECOMMENDATION

1. To note that the Directors of Education and Finance are coordinating the Council's response to the DfES consultation on new school funding arrangements in consultation with the Leader of the Council and the lead Cabinet member for Education and to notify the Education Commission accordingly.

SUPPORTING INFORMATION

- 2.1 The DfES launched proposals to reform school funding in February 2005, with a closing date for responses of 13 May 2005. The DfES summary of the proposals is set out in the appendix, with further links to the DfES website. There are three broad elements to the proposals, namely:
 - A change to the way central government provides funding for schools to local authorities, with a ring-fenced Dedicated Schools Grant replacing Schools FSS and the current passporting regime
 - Three year budgets for schools aligned to the academic year
 - Streamlining of current standards-related grants from DfES to schools
- 2.2 The Education Commission has already considered the proposals. This report is being brought to Cabinet in order to clarify the issues in response to the Education Commission's report. However, it is not possible to confirm the overall response until all views have been considered. In particular, schools are being made aware of the proposals and the issues will be considered at the Schools Forum on 4 May.
- 2.3 The Education Commission has concentrated on the issues of three year budgets and of reporting aligned to the academic year, both of which it opposed on a majority vote. On three year budgets, it is expected that most schools will take a view contrary to that of the Commission and welcome the greater certainty of funding. The Council's officers consider that three year indicative budget allocations are practical providing that some significant flexibility is retained and various technical details are dealt with sensibly, in addition to the DfES commitment to allow allocations to vary with pupil numbers. However, great difficulties are foreseen if school accounting were switched to the academic year, which is essentially a separate issue. There would be an increase in bureaucracy both at school and LEA level as well as major software difficulties. Statutory financial accounting would still

need to be undertaken on a financial year basis. The Government has acknowledged that there would be significant extra costs of this course to both schools and local authorities, but it may have underestimated them.

- 2.4 The future grant funding of schools outside of the FSS system is a significant move. The Council's response needs at a minimum to make various technical points to try and guard against any loss of external funding arising from this change and the accompanying three year forward allocations of grant, either for schools or for the Council's remaining services through the impact on revenue support grant. Authorities whose schools spending is currently below Schools FSS will see some pressure on future council taxes as a result of the proposed change, which sets an absolute benchmark for schools spending in place of the current year-on-year passporting requirement. Derby is not expected to be one such authority, but the corporate implications of the change will still need to be considered as part of the budget strategy for 2006/7. They will emerge better as the Government develops its wider plans for the grant system as part of its wider three-year grant review in 2005 to take effect from 2006/7.
- 2.5 The streamlining of standards-related grants appears to be a positive proposal and is unlikely to be contentious in general terms, although there are some limited technical issues.

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Background papers:	See links in Appendix
List of appendices:	Appendix – DfES Consultation Summary

APPENDIX DFES CONSULTATION DOCUMENT SUMMARY

CONSULTATION ON NEW SCHOOL FUNDING ARRANGEMENTS

The government's proposals for new school funding arrangements to be introduced from April 2006 were first announced in the Five Year Strategy for Children and Learners, published in July 2004. The Strategy proposed:

- A new ring-fenced grant for school funding from DfES to local authorities.
- Three year budgets for all maintained schools, geared to pupil numbers and with a guaranteed minimum increase each year for every school.
- A new single standards grant, simplifying and streamlining current standards-related funding streams.

Since July the Department has been working with national partners, including representatives of headteachers, school governors and local authorities, on detailed proposals for delivering these commitments. These proposals are now set out in the school funding consultation document which was launched on 17 February 2005.

Summary of Proposals

The proposals contained in the consultation document include three broad changes to the current school funding system to be introduced from April 2006.

A change to the way central government provides funding for schools to local authorities

From 2006-07, funding for schools will be provided through a new grant (the Dedicated Schools Grant, or DSG) from the Department for Education and Skills to each local authority, instead of through general local government funding. Grant allocations will cover a three year period (or two years in the years between Spending Reviews), will be provided on both a financial and academic year basis, and will be updated as pupil numbers change. For schools the benefits will include the possibility of three-year budgeting and the guarantee of receiving nationally planned increases in school funding. The key features of the DSG will be:

- It will cover the same funding as the current Schools Formula Spending Shares (SFSS) and will be distributed according to essentially the same formula, though with some minor technical changes. It will include funding delegated to individual schools and funding for other pupil provision which is retained centrally by the local authority.
- Transitional arrangements will be put in place to ensure that no authority receives less than its current spending on schools, and every authority receives a reasonable increase in grant each year.
- The grant cannot be used for any purpose other than school funding. The existing "passporting" regime will no longer be needed.

- It will not change local authorities' responsibilities for distributing funding to schools according to local needs and priorities.

Three year budgets for schools aligned to the academic year, to support effective long-term planning

With three year budgets, schools will have greater certainty and predictability in their funding, and this will enable more effective, longer term financial planning and management which can be integrated with school improvement planning.

We are proposing that three year budgets for schools will be updated as pupil numbers change so that funding reflects the number of pupils actually in school in the year in question. The consultation paper asks for views on whether other data used to calculate schools' budgets should also be updated from year to year.

Streamlining of current standards-related grants from DfES to schools

A new Single Standards Grant will bring together current Standards Fund and other grants to schools. Schools will be free to spend the grant on their own improvement priorities, as discussed with their School Improvement Partner. This will give schools more discretion over the use of the new grant with fewer conditions and reporting requirements so that they can focus on pupil level outcomes.

The Single Standards Grant will be distributed through a new formula introduced in two stages and with protection to ensure a stable transition to the new arrangements for all schools.

We propose to retain some separate targeted and ring-fenced grants to schools such as Targeted Improvement Grant and Ethnic Minorities Achievement Grant. The consultation document asks for views on whether the existing School Standards Grant should be merged into the new Single Standards Grant.

About the consultation:

The consultation period will run for 12 weeks until 13 May 2005.

If you would like a copy of either of the main consultation document or of the summary which is available, they can be downloaded shortly from www.dfes.gov.uk/consultations. Alternatively, hard copies can be requested by e-mail from SchoolFunding.Consultation@dfes.gsi.gov.uk, or by telephone to 0845 602 2260.