

Schools Forum – Tuesday 2nd October 2007

Report of the Director of Children's Services

School, Early Years and 14-16 Funding Arrangements 2008-11

Purpose of Report

1. The purpose of this report is to advise Schools Forum of the Ministerial decisions made on 25 June 2007 in respect of the school, early years and 14-16 funding arrangements for 2008-11, and to commence analysis work in respect of the early years reforms.

Budget Working Group Discussed

2. No.

Action for Schools Forum

3. To note the summary consultation responses and those areas where early action on implementation is recommended.
4. To agree that a group be set up to commence analysis work in respect of the early years reforms.

Attachments to Report

5. Appendix A – Ministerial Statement 25 June.
6. Appendix B – Summary of decisions taken.
7. Appendix C – DCSF letter of 25 June including key decisions.
8. Appendix D – Early Years Funding Reforms letter and Guidance notes.

Karen Cocker
Children's Services Finance Manager
18 September 2007

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Purpose of Report

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Background

2. On the 25 June 2007 the DCSF announced its decisions on the schools, early years and 14-16 funding arrangements for 2008-11, following consultation in the spring term. A copy of the Minister’s statement is attached at Appendix A.
3. A summary of the consultation responses can be found at www.teachernet.gov.uk/schoolfunding2008to11 and a copy of the summary decisions taken is attached at Appendix B.
4. The key decisions were published in the DCSF letter dated 25 June 2007; a copy is attached at Appendix C. Summary details are as follows:
 - The Comprehensive Spending review (CSR) will deliver continued funding increases for schools although not at the level seen in recent years.
 - Over the next three years schools and local authorities will have a key role to play in the continuing drive to raise standards. Three key priorities are: taking the next steps on personalisation of learning; ensuring every school provides access to the core offer of extended services; and implementing the extension of the free entitlement to early years education.
 - Narrowing the attainment gap between children of different backgrounds and the resources to support that aim will continue to be as important as ever. This will cover the deprivation funding review and the discussion with the Children’s Services Advisor, which is the subject of a report on the Schools Forum agenda.
 - There will be a renewed focus on efficiency in schools. Local authorities will need to ensure that their schools plan ahead carefully through the autumn and support them in making the most effective use of their resources.

- Further action will be taken to reduce the current £1.6billion in school balances. This will be implemented through a change to the school funding regulations.
 - There are a number of changes to the membership of Schools Forums: these are designed to broaden the representation from early years, 14-19 partnerships and other members of schools' senior management teams.
 - Local discretion can be exercised in the method of delivering funding for 14-16 year olds taking up diplomas.
 - There will be a staged approach to the reform of early years funding: starting now, all local authorities are expected to carry out an assessment of the cost of delivering the free entitlement in PVI settings and discuss this with Schools Forum before setting budgets for the CSR period; in 2009 there will be a change to the way in which early years pupils are counted and funded in local formulae, so that the amount of funding is based on provision taken up rather than places, with an option to use places where necessary; and by 2010-11, all authorities will be required to introduce a new funding formula to cover all early years provision
5. The DCSF advise that a detailed guide to the funding arrangements for 2008-11 for local authorities and Schools Forums will be issued shortly.
6. As well as setting out the key decision in the DCSF letter dated 25 June, the letter also highlights a number of areas where the authority will wish to take early action on implementation. For example, the DCSF have since written to local authorities in respect of the early years funding reforms.

Early Years Reforms

7. On 16 August 2007 the DCSF published a short guide for local authorities on the first stage of the reform of the early years element of the Dedicated Schools Grant (DSG). The guide explains that local authorities should undertake an analysis of the cost of delivering the free entitlement in private, voluntary and independent settings. The outcome of this data needs to be presented to Schools Forum before setting the 2008/09 budgets; which will be before 31 March 2008.
8. The guide, which is attached at Appendix D, is accompanied by a letter to Directors of Children's Services and includes a series of case studies. It outlines a suggested process to follow when analysing costs of delivering the free entitlement and gives some examples of local authorities that have already started this work. Although the cost of delivery will be a key consideration in local funding decisions, it is unlikely to be the only factor that local authorities take into account when setting local budgets and funding systems.

9. The objectives of the exercise in undertaking an analysis of the cost of delivering the free entitlement to nursery education for 3 and 4 year-olds in private voluntary and independent sector is a key staging post in the process of arriving at a single local formula for free entitlement funding by 2010, which will include the maintained sector. To complete the cost analysis process local authorities will be expected to produce a published document, which has been presented to and discussed at Schools Forum before budgets for 2008-11 have been set. The document should include:
- The key cost drivers taken into account for the analysis;
 - A description of the local PVI market of providers, highlighting the impact of different operating models on the cost delivery;
 - An outline of the process and analysis undertaken by the authority, and
 - Conclusions in the context of previous and planned spending on the free entitlement, child outcome measures, sufficiency and sustainability.
10. A collaborative approach with providers is recommended by the DCSF, as the key to success. Carrying out this analysis will enable Dudley to work with providers to get a better understanding of how the free entitlement is delivered locally in the PVI sector, to support better facilitation of the childcare market. Authorities should also consider how this cost analysis will feed into the development of a single formula for the free entitlement by 2010. The analysis is aimed at providing a firmer basis for discussions in Schools Forum on the allocation of resources to the free entitlement and PVI settings in particular – although it only covers the cost of delivery and not other factors in funding decisions that the local authority will want to consider, such as the need to secure sufficient and diverse provision.
11. In summary the guidance sets out six key stages in the cost analysis process which have been drawn together in light of feedback from local authorities who have already conducted their analysis. The suggested process is designed to provide support and suggestions based on what other local authorities have learnt. The six key stages to the cost analysis process:
- Plan – in consultation with provider groups
 - Engage – with a wider provider audience
 - Collect – the data
 - Analyse – the data
 - Present – the analysis
 - Publish – the conclusion
12. On a practical note the analysis exercise needs to be undertaken quickly with PVI providers and maintained sector nurseries, in order to inform the discussion with Schools Forum before final budget setting for 2008/09. Budget setting for 2008/09

will commence in November 2007 and be completed by early March 2008, at the very latest. Given this timescale it is important that the remit and scope of work are carefully thought through. The time needed, response rate and the quality of the information provided will vary depending on the method used. It is recommended that an Early Years Reference Group or sub group of Schools Forum be set up to undertake the exercise. It is important to ensure that all relevant parts of the local authority are engaged at the planning stage, particularly early years, headteachers, finance and research and information service colleagues, in addition to other stakeholders. If possible it is recommended that the analysis be linked with wider work of the local authority, especially the Childcare Sufficiency Assessment.

13. Consideration needs to be given to how authorities will build trust with providers so that they submit information with confidence that it will be used appropriately.
14. The findings of the analysis should be published on the local authority website – with any financial data properly anonymised – alongside the terms of reference and the next steps to be taken and how this will be progressed in line with Government guidance on funding reform.
15. Carrying out this analysis of the costs of provision will underpin the future move to a single formula. It will enable authorities to consider how funding is distributed to providers (monthly, termly etc.) and the impact this and any claw back arrangements are having on providers' sustainability and ability to invest in the services they are providing. Local Authorities may want to change the level of funding for all or some providers (e.g. introducing a banding approach) in light of this analysis and other considerations.
16. For 2007/08, the current budget for delivering the free entitlement to nursery education for 3 and 4 year-olds in private voluntary and independent sector is £2.9m together with a budget of £3.5m in respect of the funding delegated to maintained nursery classes. The analysis exercise to be undertaken in order to move to a single formula will primarily cover these budgets, but if the outcomes of the review indicate that additional funds need to be invested into this area then this will be funded from either a top-slice from any available growth in the DSG , or funds diverted from existing activities. This will have potential implications for schools and the centrally retained services.
17. Schools Forum is invited to consider the DCSF requirement for each authority to carry out this exercise, as outlined in paragraph 7 to 16 above and advise the Director of Children's Services as to whether an Early Years Reference Group or sub group of Schools Forum should be set up to undertake this exercise.
18. Schools Forum should also identify the timescale available in order to complete the exercise and report to Schools Forum in good time before the 2008/09 budgets are finally set. Meetings of Schools Forum are scheduled for 5 February 2008 and 18

March 2008. For budget planning purposes an initial report with draft proposals should be made available to the February 2008 meeting, otherwise this will hinder the issue of indicative budgets for schools if draft proposals are not available at this date.

Finance

19. The funding of schools is prescribed by the DCSF through the School Finance (England) Regulations 2007.

20. From 1st April 2006, the Schools Budget will be funded by a direct DCSF grant: Dedicated School Grant (DSG).

Law

21. Councils' LMS Schemes are made under Section 48 of the School Standards and Framework Act 1998. The Education Acts 1996 and 2002 also have provisions relating to school funding.

Equality Impact

22. The Council's Equal Opportunities Policy is taken into account when considering the allocation of resources.

Recommendation

23. Schools Forum to:

- Note the Government statement of 25 June 2007 regarding the schools, early years and 14-16 funding arrangements for 2008-11 (paragraph 2-6).
- Advise the Director of Children's Services with regard to the formation of a reference group to undertake the analysis required by the DCSF and also to set the timescale involved (paragraph 17 and 18).



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