



# **School Budgets 2001/02**

## **Briefing on Issues and Options**

### **November / December 2000**

#### ***Headteacher Conferences:***

Tuesday, 21 November at 2.00 – Ashmead Combined School, Aylesbury

Friday, 24 November at 9.30 – Holtspur School, Beaconsfield

Tuesday, 28 November at 1.30 – Ash Hill Primary School, High Wycombe

#### ***Governor Briefings:***

Tuesday, 28 November at 7.30 p.m. - Haydon Abbey School, Aylesbury

Thursday, 30 November at 7.45 p.m. – Chesham High School,

Wednesday, 6 December at 7.30 p.m. – Cressex School, High Wycombe.

#### **A Introduction**

A number of key developments, both nationally and locally, continue to have an impact on the respective roles of schools and Local Authorities and, as a result, on funding allocations. This briefing paper outlines the latest developments, identifies the potential implications that arise from them, and highlights the issues that are likely to be the subject of formal consultation with schools at the beginning of next term.

The DfEE has recently published a policy paper entitled “The Role of the LEA in School Education” which, when set alongside the LEA-Schools Relations Code of Practice and the recent green paper on “Modernising Local Government Finance”, provides an important context for some of the issues raised in this paper including the question of further delegation to schools in 2001/02 and beyond and some of the funding implications arising from the SEN review of policy and strategy.

The DfEE policy paper states that “Schools and pupils deserve maximum delegation consistent with the Authority role ... At the end of June the Government announced an 85% target for 2001/02 and that a higher one will be set for 2002/03. ... The Government believes that 90% delegation is a potential average level and that the majority of Authorities can achieve this level or above whilst maintaining their core functions.” This paper can be found on the DfEE's website ([www.dfes.gov.uk/learole/policypaper](http://www.dfes.gov.uk/learole/policypaper))

At the time of printing this briefing paper the DfEE had not published the final details of how the calculation of the level of delegation will be made in 2001/02. Some changes to the definition of the Local Schools Budget (LSB) are anticipated and these will affect the additional monies that will be needed to be delegated in order to achieve the 85% target. Through this process of consultation both schools and the LEA will need to be satisfied that what is finally determined is consistent with and supports the respective roles of schools and the Authority.

## **B Budget Position**

In the October Schools Management Briefing schools were advised of the latest overall position regarding school budgets for next year, including the County Council's intention to pass on in full to Education any increased revenue it receives from Central Government (ie, fully to "passport"). In addition it is intended now to pass on some £900k of efficiency savings from central budgets. Having taken account of additional expenditure needed to meet overall increases in pupil numbers and inflationary pressures, (assuming a 3% teachers' pay award from 1 April 2001) any funding available will be targeted in support of raising achievement, especially in Upper schools and Primary schools serving disadvantaged areas.

The Education Committee at its meeting on 19 October resolved to consult schools on a package of delegated funding, which will deliver

- 1) The minimum level of additional funding to schools necessary to achieve a delegation level of at least 85% in 2001/02, and
- 2) The maximum additional funding for schools, in 2001/02, assuming full passporting of the Education Standard Spending Assessment increase and also bearing in mind other spending pressures for the Committee.

A summary of the latest overall position is set out below, although we will not know the provisional Revenue Support Grant settlement for the County Council until 27 November at the earliest and much more likely the middle of December 2000. This settlement will give us the first real indications of the increase in the Education Standard Spending Assessment for 2001/02 compared to the current financial year.

It is hoped the following chart is useful in understanding the current position and the risks, contingencies and choices facing the Authority as regards funding issues for schools next year.

## Education Revenue Budget 2001/02

### Overall Position / Scenarios

	<b>£m</b>
Projected Increase in Education SSA	11.2 Provisional
Restoration of one off to retain passporting	0.8 Actual
<b>Corporate Cash Increase to reach passporting</b>	<hr/> 12.0
Meet school pressures - lock in current gains	(5.1) Actual
Cover loss of "Post Consultation" Grant	(0.5) Actual
Cover loss of Nursery Grant	(1.9) Actual
"Normal" Spending pressures outside schools	(3.6) Actual
	<hr/> 0.9 Provisional
Delivery of 2% efficiency saving on central Budgets to be passed on to school	0.9 Actual
<b>Best Case - available for targeting into schools</b>	<hr/> 1.8 Provisional
 <b>Risks / Contingencies / Choices.</b>	
Restoration of one-off support to Standards Fund	(0.8) Provisional
Additional Funding - Standards Fund 2001/2002. ( Possibly More )	(1.0) Provisional
Implementing new SEN formula	(0.7) Provisional
Proposals (to ease delegation - part year)	
Teachers pay at (say) 3.5% rather than 3%	(0.6) Provisional
Former GM Schools - Financial Protection in 2001/2002.	? Provisional
16+ Additional Claims in SSA 2001/2002.	(0.2) Provisional
Action Plan - Residential Special Schools.	(0.2) Provisional
Support to Social Services (guess)	(0.3) Provisional
Education SSA increase some £0.5 m less than planned	(0.5) Provisional
<b>Worst Case - available for targeting into schools</b>	<hr/> <hr/> <hr/> (2.5) Provisional

There remain still considerable pressures on the central budgets for Home to School Transport and for SEN provision where in both these instances the costs that are being incurred are significantly in excess of standard inflation rates.

### ***Standards Fund***

At the time of writing we are still awaiting confirmation from the DfEE regarding the level of Standards Fund allocations and approvals for 2001/02. Although they are indeed in six broad headings the individual allocations now cover in excess of 60 different activities. The DfEE has generally standardised the grant rate to 53% overall, with the LEA input at 47% although a number of activities still remain at 100%, such as infant class sizes and Seed Challenge and Devolved Capital Funding.

The total size of the Standards Fund looks as if the input from the LEA will be of the order of £6.7m in 2001/02, an increase overall in excess of £2m from the current financial year as the size of the Standards Fund grows to a more significant proportion of overall school funding.

With the new rules on virement between activities and indeed the carry over arrangements from March 2002, the funding becomes ever more flexible for schools and we may need to consult schools early next term when we have a much clearer picture of the overall position, about whether any topslicing of the ISB should happen in the next financial year as it did in the current financial year. Schools will recall that overwhelmingly they supported this means of maximising Standards Fund provision in the current financial year. The funding has been returned to the base ISB next year as all round there was an undertaking to review the situation again for 2001/02.

### **C 85% Delegation**

As all schools are aware, significant changes to the levels of delegation and responsibilities have taken place, especially for primary schools, over the last two years. All schools are now responsible for purchasing a wide range of support services, whether from the LEA or elsewhere from their delegated budgets.

In view of the new higher target for delegation being set for next year, the Authority has examined those budgets that are still retained centrally and started considering the implications of delegating them to schools. With delegation of resources goes delegation of responsibilities, and it is, therefore, important to ensure that the respective responsibilities of schools and the LEA can be fulfilled appropriately.

Firstly, there are two budget areas where schools can request delegation if they wish, namely in respect of Insurance and Free School Meals. However, where schools decide against delegation, the funding is deemed to be retained centrally.

### ***Insurance***

All schools can currently request delegation of this budget. The only schools for which the budget is currently delegated are a number of ex Grant Maintained schools which have pre-existing arrangements. No other schools have requested delegation and, therefore, assumed responsibility to arrange appropriate and necessary cover.

Clearly there is no legal reason why the remaining budget (approximately £750K) could not be delegated to all other schools. If, following consultation, the budget is delegated, a simple buy-back arrangement could be introduced to enable schools to retain the existing arrangements if they so wished. On the basis of previous consultation with schools on this issue, it is widely accepted that county-wide arrangements for securing appropriate insurance are likely to present the most cost-effective provision although schools would, of course, be able to look to alternative providers.

### ***Free School Meals***

The budget for the provision of Free School Meals to entitled pupils has already been delegated to Secondary and Special schools. For Primary schools, as with the insurance budgets, the decision as to whether the budget is delegated currently rests with individual schools, with allocations then based on the number of entitled pupils assessed as part of the annual school census each January. Only two schools, other than ex Grant Maintained schools that already had the budget delegated, have requested to have this responsibility delegated to them. For all other schools the previous arrangements continue to apply whereby the County Council maintains the central contract for the provision of packed lunches to schools.

The mechanism therefore exists to delegate the budget to all Primary schools (approximately £475K) which could then determine how best to meet their responsibilities, which could include being part of the large contract providing meals across the county.

### ***Home to School Transport***

Under Section 509 of the Education Act 1996, LEAs are under a duty to make arrangements for the provision of transport “for the purposes of facilitating the attendance of persons receiving education at schools” and to provide this free of charge. The DfEE policy document on the role of LEAs supports this provision as a continuing LEA responsibility and states that “transport is best organised centrally to secure economies of scale, to maximise “buying power” and ensure an integrated local transport service. It would be hard to fund by formula for needs which necessarily change each academic year; and schools are not equipped to deal with the complexities of transport legislation, nor should they be diverted from their key education task by attempting this.”

The LEA does not propose to delegate Home to School Transport budgets to schools.

### ***Special Educational Needs Funding***

See Section D below.

***Maternity cover*** – currently the salary costs of teachers on maternity are met by the LEA. If this budget was to be delegated, schools might wish to consider purchasing insurance to cover them for this. The Head of Finance is investigating possible extensions to the existing insurance cover policies.

***Schools specific contingency*** – ever since the introduction of Local Management, the authority has been able to retain a small contingency to support schools financially in a number of exceptional circumstances where it was considered that it would be unreasonable to expect the governing body to have to meet these costs from their school budget share. For example, some schools were supported during the introduction of long term sickness insurance arrangements; to help resolve certain critical staffing issues as well as, on occasions, issues arising from water leaks, dangerous trees in small schools etc. Consideration could be given to delegating to all schools this element of the retained budget and as a result the potential risks that might exceptionally occur will have to be borne by individual schools.

***Electrical Testing/Fire Extinguishers*** – these budgets provide for the testing of portable electrical appliances in Primary and Special schools, and the maintenance of fire extinguishers. If this budget were delegated, schools would need to secure competent contractors to carry out the work

***Lettings/Primary swimming programme*** – these two services are currently provided by Area Offices, and whilst they are valued by a number of schools, ongoing changes to the role of local authorities and continuing pressure to reduce central expenditure means that it is increasingly difficult to continue to provide these services. If the relatively small budgets involved were to be delegated, it is unlikely that the Authority would be able to continue to provide the corresponding services.

## **D Special Educational Needs Funding**

1. Subject to consultation and to enough money being available we propose to delegate and formula fund some SEN budgets, including those which support pupils in mainstream schools with statements of Moderate Learning Difficulties (MLD) and Specific Learning Difficulties (SpLD).
2. The Chairman of the County Council's Policy and Resources Committee has supported consultation on the basis that the proposal will only go ahead if sufficient new money is identified to enable transitional funding arrangements such that no school, in the first year of transition, would be worse off. It is estimated that the part year cost of such arrangements would require some £0.75m.
3. The proposal looks to
  - (i) target funds to schools where need is greatest, in line with the County Council's policy;
  - (ii) increase the level of funds delegated into mainstream school budgets;
  - (iii) encourage early assessment and intervention; and
  - (iv) ensure that an MLD or SpLD statement in a mainstream school ceases to trigger additional resources, because the needs will already be provided for by formula funding.
4. The proposal aims to be clear, simple, fair and transparent.
5. We propose to identify relative need as between schools, by using schools' National Curriculum results OR, by using National Curriculum results and Free School Meals.
6. If this proposal were implemented, we would cease to use the following factors as a basis for distributing delegated budgets:
  - number of pupils with statements
  - number of pupils at Stage 3 of the SEN code of practice
  - Draw-a-man (Year 1)
  - Chiltern Reading Test (Year 4)
  - Gapadol (Year 8)

## 7. *Model 1 (NCR)*

Under this model all funding would be allocated on the basis of pupil performance in National Curriculum tests.

The budgets redistributed under this formula would be:

<i>Budgets currently within the LM Scheme</i>	<b>Primary £000</b>	<b>Secondary £000</b>
SEN Statemented funding	93	128
Learning Difficulties	209	89
SEN Stage 3	-	22
MLD Dept Funding	284	286
SpLD Dept Funding	115	387
<i>Budgets currently held centrally</i>		
Primary Learning Support Team	517	-
Additional Education Resource Funding (estimated)	340	557
<b>Totals</b>	<b>1558</b>	<b>1469</b>

Note: **Educational Disadvantage** funding *is not* part of the pot redistributed by this model, and current allocations would **continue unchanged**.

## 8. *Model 2 (NCR + Free School Meal Entitlement [FSME])*

Under this model funding would be allocated on the basis of a combination of pupil performance in National Curriculum tests, and pupil's eligibility for Free School Meals.

The budgets redistributed under this model would be:

<i>Budgets currently within the LM Scheme</i>	<b>Primary £000</b>	<b>Secondary £000</b>
SEN Statemented funding	93	128
Educational Disadvantage:		
- Free school meals entitlement	155	254
- English as a second language	100	53
- Turnover	25	0
Learning Difficulties	209	89
SEN Stage 3	-	22
MLD Dept Funding	284	286
SpLD Dept Funding	115	387
<i>Budgets currently held centrally</i>		
Primary Learning Support Team	517	-
Additional Education Resource Funding (estimated)	340	557
<b>Totals</b>	<b>1838</b>	<b>1776</b>

Note: i) **Educational Disadvantage** funding *is* part of the pot redistributed by this model, and **is** included.

ii) Pupil Turnover and English as an Additional Language could be part of the pot distributed by this model.



Examples of the allocations resulting from the application of the different models developed are given at Appendix 1.

## **9. *Proxies***

Any formula funding model which seeks to target relative educational need has to use proxies. The proxies that are available and are objective are National Curriculum results and Free School Meals entitlement.

### **9.1 *National Curriculum Results***

It is proposed that the measure used for the primary sector should be the number of reading scores at level 1 or below at Key Stage 1.

It is proposed that the measure for secondary schools should be the number of Key Stage 2 results at level 2 or below in either English and/or Maths; scored by the incoming cohort.

Having identified the relative needs of a year group, those scores could remain attached to that year group for as long as it remains in the school. In this way a school's relative success would not reduce funding becoming due to it. In the first years of introducing this formula the older year groups for which we do not have key stage 1 and 2 data would be funded on the average results of the year groups that are known.

There is no consistent, available base line data that can currently be used to fund pupils at Key Stage 1, and therefore those pupils would have to be funded using Key Stage 1 data retrospectively. It is hoped that in due course baseline assessment might be used to fund Key Stage 1.

### **9.2 *Free School Meals***

The second model developed proposes that a combination of National Curriculum results and eligibility for free school meals be used. The models developed use NCR : FSM on a 70 : 30 ratio and a 50 : 50 ratio respectively.

## **10. *Questions:***

There is a range of questions which need to be settled through further work and consultation. These include:

10.1 Are National Curriculum Results and free school meals the best proxies available, and if so what weighting should be given to each?

10.2 If National Curriculum Results are an appropriate proxy, are the levels of achievement identified as triggering funding at each Key Stage the right ones?

- 10.3 Is it right to subsume funding currently delegated on SEN statement numbers and Learning Difficulties criteria into the new formula? If the formula relates to national curriculum results alone, should funding currently delegated on Educational Disadvantage factors continue unchanged? If a combination of National Curriculum results and free school meals is adopted, can the funding currently allocated on the three factors with Educational Disadvantage be subsumed into the new formula?

## **11. *Transitional Funding***

- 11.1 It is proposed that in the year of introduction a calculation will be made of the funding a school would have received in respect of the budgets included, if no change had taken place. This would be the guaranteed level of funding for which transitional funding payments would be made if necessary. This calculation would include existing arrangements for pupils with statements of MLD and/or SpLD; either Additional Educational Resource or SEN Departmental funding.
- 11.2 In the second year of operation the guaranteed level of funding would be as in the first year, but reduced to take account of
- pupils triggering AER payments leaving the school,
  - reductions in guaranteed SEN departmental funding as pupils receiving provision from the department leave the school.
- 11.3 Reductions in SEN department funding will only be triggered when the number of pupils dropped to the next lowest standard SEN department size.
- 11.4 All new pupils joining the school with statements of MLD or SpLD, and existing pupils acquiring statements of MLD or SpLD would have their needs met from the school budget, inclusive of the new formula funding. Under this model, transitional funding would, for the majority of schools, be minimal after two completed academic years. The transitional funding released would be recycled through the formula to the benefit of all schools.

## **12. *Thresholds***

- 12.1 For each funding model three threshold versions have been considered.
- (a) Without thresholds, ie, all pupils at the given NCR scores or with eligibility for free school meals trigger funding.
  - (b) Using thresholds and allocating funding, when the school reaches the threshold, on the basis of a total number of qualifying NCR scores and free school meal eligibilities.
  - (c) Using the same thresholds but allocating the funding, when the school reaches the threshold, only on the number of qualifying pupils over and above the threshold.

12.2 Thresholds which result in allocations that most closely reflect the incidence of SEN as reported on Form 7 numbers of pupils at Stages 1-5 of the Codes of Practice would be:-

- For the primary sector the threshold is NCR 13%, free school meals 4%
- For the secondary sector, NCR 2%, free school meal eligibility 5%

**Questions:**

12.3 Are thresholds appropriate?

12.4 Are the thresholds set at the right level?

13. ***Exceptionality***

There may be a small number of children placed in mainstream schools whose prime identified need is MLD or SpLD but whose overall need is sufficiently exceptional that it would not be appropriate for the needs of that child to be met solely through this local funding scheme. The LEA will identify criteria and a process against which a school might make a claim for additional funding. It is proposed that such requests for additional funding might be moderated by a group of officers and headteachers. It should be recognised that in each budget round, the level of funding available for this formula will be increased or decreased by the number of exceptional claims being made against central budgets for this cohort of pupils.

14. ***Moderation***

These arrangements would involve the delegation to schools not only of responsibility for meeting the needs of pupils with special educational needs who do not have statements but also for that cohort of mainstream placements of pupils with MLD/SpLD statements.

There would therefore need to be an appropriate level of monitoring by the LEA.

15. ***Training***

The whole range of initiatives in relation to school improvement and special educational needs result in additional training requirements, not only for SENCOs but also for classroom teachers. It is planned that Standards Fund grant will enable appropriate training programmes to be delivered.

**E Other Issues**

***“Designated” Nursery classes*** – The Special Educational Needs Panel is supporting a proposal to discontinue the current arrangements for funding “designated” nursery classes attached to Primary schools and to reallocate this funding to cover all of the LEA maintained nursery provision according to identified needs and size. This change will effect five Primary schools with nursery classes that currently receive the additional designated allowance.

*SEN Departments* – as part of the implementation of the SEN Policy and Strategy, consideration is being given to the current range of type and size of SEN departments that are currently funded through the LMS formula.

## **F Summary**

This paper provides an outline summary of the current position and the broad range of issues on which decisions will need to be made next term in determining school budgets and any changes in responsibilities. Formal consultation papers will be sent to schools at the beginning of next term and responses sought.

The Headteacher/Chairmen's briefings in January will be used to confirm the proposals being made and receive feedback. If you do not already have a governor's meeting arranged for January, you might wish to consider how governors' response to the consultation would be formulated – including through delegation to an appropriate committee.