

**SCHOOL FUNDING ANNOUNCEMENTS 2008/09 to 2010/11**

*Report of the Director of Children, Schools and Families*

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**1. Purpose**

- 1.1 To provide information about school funding announcements for the forthcoming three year funding period 2008/09 to 2010/11.

**2. Background**

- 2.1 On introduction of the Dedicated Schools Grant in 2006/07 the then DfES announced that it would thereafter provide funding information for schools in multi-year funding periods. The duration of the multi year funding period would be constrained by the timetable for the Comprehensive Spending Review, so that the funding periods would be alternate two year and three year periods. 2006/07 and 2007/08 together were the first such multi-year funding period.
- 2.2 A Comprehensive Spending Review has been undertaken by government during 2007. Consequently the forthcoming multi-year funding period is a three year period which will run from 2008/09 to 2010/11. The intention is that funding arrangements for the three year period will be announced by DCSF before the commencement of the period and should be unchanged during the period. This is expected to enable schools and authorities to prepare medium term financial plans in confidence.

### 3. Dedicated Schools Grant

- 3.1 The main source of funds for the Schools Budget of Local Authorities continues to be the Dedicated Schools Grant (DSG). The existing allocation of DSG to each authority will be increased on a per pupil basis as follows:

Year	MFG	Margin	DSG
2008/09	2.1%	1.0%	3.1%
2009/10	2.1%	0.8%	2.9%
2010/11	2.1%	0.8%	2.9%

- 3.2 The government's Minimum Funding Guarantee will continue to operate throughout the three year funding period in order to ensure that all schools receive a guaranteed minimum increase per pupil on roll. The government state that they have taken a cautious but realistic approach in identifying total cost pressures at 3.1% per year over the funding period. This has then been reduced by an assumed efficiency saving of 1.0% which all schools are expected to achieve in each year. Schools will therefore receive a guaranteed funding increase of 2.1% per pupil.
- 3.3 No detailed statement of cost pressures has yet been published by government, probably because their response to the report of the School Teachers Review Body has not yet been published. The government state that their response to the STRB recommendations will be consistent with the 2.1% guaranteed increase.
- 3.4 The increase in existing allocations continues to take account of the fact that some margin is required in order to allow the Minimum Funding Guarantee to operate alongside each authority's local funding formulae. (Schools receive the higher of the local formula and MFG). The DCSF estimate that all authorities will be able to meet the formula and MFG within a margin of 1.0% in 2008/09 and 0.8% thereafter. Any of the margin which is not required in order to fulfil the Minimum Funding Guarantee would become available as headroom. Overall this represents a significant tightening of headroom in the three year funding period.
- 3.5 The Learning and Skills Council plans to announce changes to the funding methodology for school sixth forms. The LSC will also provide transitional measures to smooth the introduction of the new formula, therefore it is no longer necessary to include sixth form funding in the MFG calculation.
- 3.6 The Dedicated Schools Grant also includes additional resources for ministerial priorities over and above the basic per pupil increase. These priorities are to continue the focus on personalising teaching and learning, to provide resources for the most deprived pupils in less deprived authorities, and to continue to close the "gap" where authorities had historically funded schools below the Schools Formula Spending Shares (which preceded the DSG).

- 3.7 Hertfordshire funded schools above the SFSS therefore does not receive funds under the third priority. The allocation to Hertfordshire for the most deprived pupils in less deprived authorities totals £46,000. The authority proposes to apply this amount by increasing the value of the Additional Deprivation Allowance above the rate of inflation.
- 3.8 The allocations for additional personalised learning over and above the baseline increases in DSG over the three years are as follows:

Year	National	Hertfordshire
2008/09	£330 m	£7.752 m
2009/10	£205 m	£4.818 m
2010/11	£377 m	£8.857 m

The government states that in taking decisions on the allocation of these resources, local authorities and their schools forums should consider:

- ensuring all children are making good progress;
- early intervention to prevent children falling behind, especially those with SEN;
- targeted support for specific groups including those ethnic minorities at particular risk of poor outcomes, white working class children and children in care; and
- ensuring that the workforce has the skills and confidence to address the needs of children from the above groups.

Proposals for the use of these resources will be brought to Schools Forum in other papers relating to budget allocations for 2008/09 to 2010/11.

#### **4. Other Funding Sources**

- 4.1 The DCSF will increase direct allocations to schools through the School Standards Grant and School Standards Grant (Personalisation) in line with the MFG guarantee of 2.1% per pupil.
- 4.2 The DCSF will provide authorities with increases in allocations for School Development Grant in line with the MFG guarantee of 2.1% per pupil. Schools are guaranteed to receive the same cash amount per pupil as in 2007/08. There is therefore some limited scope to re-examine the distribution of this grant in order to ensure local equity. The authority may make proposals for redistribution of SDG alongside the budget report in January 2008.
- 4.3 The post-LiG grant is frozen at 2007/08 cash values. The DCSF have clarified that this transitional arrangement will eventually be removed and have empowered authorities to commence tapering the post-LiG allocations. Each school receiving the post-LiG allocation can have that allocation reduced by up to 2.5% of its budget share. The authority may propose to reduce allocations in each year so that they reach nil by

2011/12, and allocation of the funds released will be discussed with the Schools Forum with the budget report in January.

- 4.4 Most announcements in respect of other Standards Funds Grants have now been published. These indicate that the Standards Funds programme will be little changed from 2007/08 and most grants are increased by the MFG guarantee of 2.1%. The previous School Meals Grants are combined together to form a single School Lunch Grant as discussed in the School Meals paper elsewhere on this agenda. Previous ICT grants including e-Learning Credits are combined to form a Harnessing Technology Grant, however there is a reduction in overall resources available from this grant compared to the previous grants. Full details of the Standards Funds programme will be brought to the Schools Forum in January.
- 4.5 Additional funding to improve the rate at which children progress will be provided through the Standards Fund programmes in 2009/10 and 2010/11 prior to incorporating this grant stream into the Dedicated Schools Grant from 2011/12. The national totals for this grant stream are £138 million in 209/10 and £315 million in 2010/11 however the allocations to individual authorities have not yet been finalised.
- 4.6 The national roll out of the increase in Early Years provision from 12.5 hours per week to 15 hours per week is confirmed. The funding for this will be provided through standards funds for the next three years and then consolidated into the Dedicated Schools Grant from 2011/12.
- 4.7 Announcement of the specific grant funding for the introduction of Diplomas from September 2008 is expected in December. DCSF have stated that they expect the funds allocated through Dedicated Schools Grant for Key Stage 4 Practical Learning Options to be used to support the roll out of Diplomas.

## **5. Capital**

- 5.1 The capital funding announcements made at the end of November were disappointing. Whilst there is new funding to support the Primary Capital Programme, aimed at rebuilding the worst 5% of primary schools and undertaking major refurbishment of a further 45%, the remainder of Hertfordshire capital funding streams are to be delivered through supported borrowing for both 2008/09 and 2009/10. This means that the cost of any borrowing to finance school capital schemes would fall on Council Tax.
- 5.2 The DCSF has taken note of representations made by Hertfordshire and other authorities regarding the unaffordability of supported borrowing. A transfer will eventually be made from supported borrowing rights to grant in respect of the modernisation agenda, however this will not take effect until 2010/11.

- 5.3 The table below summarises the capital grants available to the authority over the next three years:

	2008/09	2009/10	2010/11
Primary Capital Programme*	£6.5 m	£8,7 m	£11.1 m
Modernisation	nil	nil	£11.0 m
Basic Need	nil	nil	nil
Schools Access Initiative	nil	nil	nil
Extended Schools	£1.7 m	£1.8 m	£0.9 m
Harnessing Technology	£4.1 m	£3.9 m	£3.9 m
LCVAP	£6.1 m	£6.1 m	£6.1 m
Diplomas, SEN & Disabilities	nil	nil	nil
Kitchens	nil	nil	nil
Standards & Diversity	nil	nil	nil
TOTALS	£18.4 m	£20.5 m	£33.0 m

It is anticipated that a significant proportion of any works carried out under the Primary Capital Programme will have to be configured as PFI projects.

- 5.4 These announcements do not have any impact on the availability of resources to support the Building Schools for the Future programme in Stevenage which has previously been discussed with Forum.
- 5.5 Schools will continue to receive capital funds through the Devolved Formula Capital allowances which are expected to continue at similar cash values to 2007/08. Schools DFC allocations total approximately £23.5 million per year.
- 5.6 The Authority has already begun work on the 2008/09 revenue and capital budget. We will be consulting on the details of the 2008/11 budget proposals with the Schools Forum at their January meeting.

## 6. Conclusion

- 6.1 The national school funding arrangements will ensure that there is scope for local funding formulae to work whilst also guaranteeing schools increases of 2.1% per pupil in the major funding streams. The government target of 1% efficiency savings in each of the next three years represents a tightening of resources for schools.