

Financial Implications of the Comprehensive Spending Review 2011-15

Purpose of report

1. To consider the financial implications arising from the Comprehensive Spending Review (CSR) 2011-15 on the Schools Budget.

Background

2. The Chancellor announced the CSR on 20th October 2010 outlining public sector expenditure plans for the period 2011-15. The full implications of the CSR for the schools budget in Wiltshire will not be known until the detailed funding settlement is announced later in December.
3. The headline announcement for the schools budget is that there will be a real terms increase of 0.1% per annum through the spending review period for 5 – 16 year olds, set against a 12% reduction in non-education children's services budgets over the same period. The increase includes funding for pupil growth and also includes the new pupil premium for disadvantaged children (£2.5 billion). This means that the increased funding will not be evenly distributed.
4. There is a clear message in the spending review that schools will need to achieve savings in procurement and back office costs in order to prioritise expenditure on teaching and learning. For the last 3 years efficiency savings have been built in to the funding settlement for schools as the MFG has been set at a lower level than the government's assessment of cost pressures. We would expect that the MFG will continue to be set below the level of cost pressures so that the requirement for efficiencies is still explicit within the schools budget settlement.
5. The announcement on the spending review included a statement that the DfE's overall capital budget will be reduced by 60%. No detail has been received on the possible impact of this announcement on devolved formula capital levels for schools.
6. Since the CSR the Schools White Paper: The Importance of Teaching has been published by the Government in November 2010. There are a number of references to Schools Funding within that white paper which will be summarised in this report.

Main considerations for Schools Forum

7. There are a number of proposals within the CSR that will impact on Wiltshire. The key issues are outlined below:

Mainstreaming of Grants

8. A number of grants are to have their "ringfence" removed and will be mainstreamed in to DSG. The main grants highlighted by the Secretary of State are as follows although it is not clear whether this is the final list:

- One-to-one tuition funding
 - Funding for “every child programmes”
 - Extended schools
 - School lunch grant
 - Schools standards grants
 - School development grant
 - Specialist schools grant
 - Ethnic minority achievement grant
 - National strategies budgets that were allocated to schools
 - DSG
 - Academies running costs
9. Now that the ringfence around these funds has been removed it will be necessary for Schools Forum to agree an appropriate allocation methodology for each of those funding streams as they will mostly form part of the delegated budget. For some grants it may be appropriate to distribute on the same basis as in the current year in order to minimise turbulence for individual schools budgets, however it is not clear that this will be possible, or appropriate, in all cases. We will also need to be mindful of the impact of the minimum funding guarantee (MFG) on the mainstreamed grants now that they are included in the baseline funding and we await guidance on the MFG for 2011/12.
10. It is not clear whether, once these grants have been mainstreamed, Wiltshire will receive the same amount as in previous years.
11. Appendix 1 to this report details the grants expected to be mainstreamed in to DSG and the current method of allocation for these grants across schools. Schools Forum is asked to comment on these grants and to give a steer as to how they should be allocated in 2011/12.

Pupil Premium

12. The government has announced a new pupil premium which will bring new funding for deprived pupils in to the schools budget. The consultation document suggested the premium would be paid as an additional specific grant direct to schools however this has yet to be confirmed. It is expected that free school meals will be the measure of deprivation used to determine the allocation of the grant.

Other Grants

13. The number of specific grants funding local government has been significantly reduced. In addition to the mainstreaming of grants outlined above a number of grants previously allocated to the Council either as specific grants or through Area Based Grant are being rolled in to the main formula grant received by the Council. The impact of this will be difficult to track as the total for each of these grants will be incorporated in to formula grant nationally but individual authorities may get back more or less than through the predecessor grant.

14. It has been confirmed that Sure Start expenditure will be maintained in cash terms and that it will form part of a new, unringfenced, Early Intervention Grant. Again it is not expected that the previous year's allocation will necessarily be replicated in the distribution of the new grant.

Capital

15. The announcement on the spending review included a statement that the DfE's overall capital budget will be reduced by 60%. No detail has been received on the possible impact of this announcement on devolved formula capital levels for schools.

The Importance of Teaching: The Schools White Paper 2010

16. The Schools White Paper was published in November 2010 and there are a number of proposals relating to schools funding which Schools Forum will need to consider as the detail is made clearer:
- a. The introduction of the Pupil Premium (see paragraph 11 above)
 - b. It is proposed that the Government will consult on a national funding formula to work alongside the pupil premium. It is intended that the Young Person's Learning Agency (YPLA) will be replaced by a new Education Funding Agency (EFA) which will be directly responsible for funding academies and free schools and all 16-19 provision. The EFA will also distribute resources to local authorities for them to pass on to schools who are not yet academies
 - c. It is proposed that the transparency of the current funding system will be increased showing how much money schools receive and what they spend their funds on. Within this section of the white paper there are proposals to introduce a new financial standard for schools to replace the FMSiS which has now been abolished, and to remove the requirement for local authorities to have a clawback mechanism for balances from 2011/12.
 - d. It is proposed to remove the disparity between funding for 16-18 year olds so that schools and colleges are funded at the same level as one another.
 - e. It is proposed that the government will take forward the conclusions of the review on capital spending to reduce bureaucracy and increase value for money in capital expenditure.

Environmental impact of the proposal

17. None

Equalities impact of the proposal

18. None – this paper focuses on funding issues.

Financial implications

19. Outlined within the report.

Legal implications

20. Outlined within the report

Proposal

21. It is proposed that

- a. Schools Forum note the implications of the CSR as outlined in this report whilst further detail is awaited on the financial settlement for Wiltshire Schools
- b. Schools Forum consider the list of grants to be mainstreamed in to DSG (Appendix 1) and recommend the approach to be taken for each grant.

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29th November 2010

Background papers

The following unpublished documents have been relied on in the preparation of this report:

None

Appendices

Appendix 1 – Summary of Grants to be mainstreamed in to DSG 2011/12
