

SCHOOL'S FORUM

4 October 2012

School Financial Regulations 2013 consultation

Purpose of the paper

1. To inform School's Forum of proposals by the DfE to change the current School Financial Regulations. The consultation period ran through to 21 September 2012 and the intention is for the regulations to come into force by 1 January 2013.

Background

2. Following the announcements on 26 March and 28 June 2012 about the school funding reforms that will be effective from April 2013, the DfE are now consulting on the regulatory changes which give effect to the decisions set out in those announcements.
3. The finance regulations for the most part reflect the decisions already made on formula factors, maximum delegation, central expenditure and the Minimum Funding Guarantee. The DfE are, however, consulting on how the funding for disadvantaged two year olds should best be brought into the early year's single funding formula. The amendments to the grant conditions are necessary because DfE funds most Academies and non-maintained high needs providers.

Summary of the changes

4. The following summarises the proposed changes:

Regulation 3 amends the 2012 school forum regulations to provide for maintained school members of schools forums to approve de-delegation proposals for their phase for maintained schools only.

Regulation 6 extends the definition of the schools budget to include expenditure on young people aged 19 to 25 with learning difficulties.

Regulation 8(2) specifies that expenditure on certain central services can only continue if the expenditure is already committed as a result of decisions made in a previous funding period.

Regulation 8(3) specifies that planned expenditure on each service in the central schools block cannot exceed the planned expenditure on that line in the previous year.

Regulation 8(4) specifies that the schools forum must approve the criteria on which any funding retained for pupil growth is to be allocated

Regulation 8(5) specifies that schools forum approval is required for central schools and early years block items.

Regulation 8(7) enables local authorities to apply to the Secretary of State to approve other central schools budget expenditure. This would only be considered in exceptional situations – for example, where an authority was using funding from outside the DSG for particular purposes such as universal free meals.

Regulation 9 requires local authorities to consult all schools about changes to their school funding formula. The same applies to the early years formula, where there must be consultation with all providers.

Regulation 11 requires budgets to be determined by 15th March for maintained schools and pupil referral units, and by 31st March for budgets issued under the early years formula.

Regulation 11(2) provides for de-delegation for certain budgets.

Regulation 12 sets out the powers of schools forum and the Secretary of State to authorise central schools and early years block expenditure and de-delegation.

Regulation 13 sets out the simplified requirements on the use of pupil numbers in the school formula, including the ability to use an October to January uplift for reception pupil numbers.

Regulation 14 sets out the funding requirements of the place element for special schools and pupil referral units; the DfE are still considering issues relating to hospital schools so these are not mentioned in the draft regulations.

Regulation 15 sets out how the mandatory deprivation factors in the schools and early years formulae may be calculated.

Regulation 17 continues to allow differentiation between different types of early years providers.

Regulations 18(1) to 18(3) allow authorities to use factors set out in schedule 3 in their schools and early years formulae.

Regulations 18(4) to 18(6) allow authorities to cap or scale back gains under the new formula using the same comparisons between years as in the MFG calculation, and applied consistently to all schools in the authority.

Regulations 19(1) and 19(2) set out the MFG requirements for primary and secondary schools (in conjunction with schedule 4).

Regulation 19(3) sets out the application of the MFG to the early years formula, which applies to base rates.

Regulation 21 requires authorities to determine budgets for new schools, but only from their opening (any lead-in costs would need to be funded from a de-delegated contingency).

Regulation 24(1) provides that any redeterminations of budgets due to errors would take effect in the following funding period.

Regulation 25 allows for authorities to apply to the Secretary of State to include exceptional premises factors in their formula, to exclude factors from MFG and to vary the basis of the pupil number count.

Regulation 27 sets out that changes to schemes for financing schools must be approved by maintained school members of the schools forum.

Schedule 2 sets out the services which can be retained centrally and is split between:

- Part 1 – central services (where expenditure is restricted to what was planned in 2012-13)
- Part 2 – central schools expenditure
- Part 3 – central early years expenditure
- Part 4 – high needs pupils
- Part 5 – items which can be de-delegated for maintained schools

Schedule 3 sets out the formula factors which may be used in the schools and early years formulae.

Schedule 4 sets out the simplified MFG calculation for primary and secondary schools.

Two year old funding

5. As has previously been announced, funding for free early education for two year olds will be part of the Dedicated Schools Grant (DSG) from 2013-14, alongside funding for early education for three and four year olds. The free entitlement to early education will be extended to 20% of two year olds from September 2013, and to 40% of two year olds from September 2014.
6. Local authorities will be required to fund free early education for two year olds through the EYSFF, as they do for three and four year olds. This requirement will start when these regulations commence, 1 April

2013, and in advance of the commencement of the regulations which extend the free entitlement in September 2013.

7. However, the DfE are proposing adjustments to how the EYSFF operates for two year olds. These are:
 - To relax the requirement to have a mandatory deprivation supplement. Local authorities would still be able to use a deprivation supplement if they wish, but the DfE have stated that making it mandatory in an already targeted entitlement does not seem necessary.
 - To relax the rules on place based funding to support capacity building. Currently, authorities must fund on the basis of participation except for children with SEN or children in need, where they can continue to fund on a place basis. The DfE are proposing to extend this place-based approach for two year olds, to support LAs working with providers to increase capacity in advance of delivering the 20% and 40%. The DfE have stated that they anticipate this as a time-limited approach to support preparation for the entitlement, and not a permanent approach for funding two year old early education.
 - It would be possible through regulations to require LAs to operate a mandatory quality supplement in their EYSFF for two year olds. Alternatively, all decisions about the design of the EYSFF for two year olds, including supplements, could remain a matter for local discretion.
8. The DfE sought views on these adjustments i.e. are they suitable and are there others that should be considered and also whether to require a mandatory quality supplement in the two year olds EYSFF. The LAs response to the consultation is outlined in the separate report on this agenda on the Early Years Single Funding Formula (extension to 2 year olds).

Main considerations

9. The changes to regulations listed in paragraph four above are a direct result of the proposed funding changes from April 2013, which have been discussed with Schools Forum at previous meetings.
10. The Early Years Reference Group will need to consider the proposals for two year old funding and commence work on establishing a funding model for implementation in April 2013.

Recommendation

3. School's Forum is asked to note the above changes.

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Unpublished documents relied upon in the production of this Report: NONE

Environmental impact of the recommendations contained in this Report:
NONE KNOWN

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