

Item No: 3.	Classification: OPEN	Committee: Education, Youth & Leisure Scrutiny Sub-Committee	Date: 3 December 2003
Report Title:		Local Management of Schools Scheme & Fair Funding Formula	
Ward(s) or Group affected:		All Wards	
From:		Director of Schools Services, CEA@Southwark	

RECOMMENDATION

1. That Education, Youth & Leisure Scrutiny Sub-Committee notes the proposed changes to the formula for Southwark Schools.
2. That Education, Youth & Leisure Scrutiny Sub-Committee notes the proposed amendments to the Scheme for Financing Schools in Southwark.

BACKGROUND INFORMATION

3. Under the School Standards and Framework Act, the LEA is required to consult all schools on changes to its formula for funding schools and any proposed changes to the Scheme for Financing Schools.
4. There was considerable unrest amongst schools nationally and locally at the effects of the funding settlement for 2003/04. As a result of this the Secretary of State for Education and Skills has made new regulations in respect of funding for schools that limit the extent to which LEAs can amend their formula.
5. The document provided here is still subject to final changes from members of the Schools Forum. Should there be any last minute changes of substances these will be reported to Education, Youth & Leisure Scrutiny Sub Committee at the meeting.

KEY ISSUES FOR CONSIDERATION

6. The Local Management of Schools (LMS) Formula Review Consultation Document 2003, which relates to funding for the 2004/05 financial year, is attached as an Annex to this report. The Consultation Document is in six main sections and the main elements of these are set out below:

Guaranteed Funding Level

7. The Secretary of State has made regulations which guarantee all schools across England an increase of 4% in their cash budgets for 2004/05 over the levels published for 2003/04. Certain classes of revenue funding are excluded from the guarantee and these are outlined in the document which also shows the effect of the Guaranteed Funding Level (GFL) for all schools.
8. Whilst the GFL provides a degree of stability and predictability for schools it fails to address some of the acute problems experienced by schools last year. Some additional flexibility has been provided to the funding mechanisms, details of which have only just been published, and the Schools Forum will be consulted on whether this additional flexibility should be implemented and if so in what form.

Schools Forum

9. There have been some considerable problems with membership of the Schools Forum. Specifically, it has been difficult to get meetings that are quorate. In order to address this problem it is intended to change the membership of the forum to better reflect the various interest groups and to ensure that the forum can function effectively. A report on this matter will be presented to the Executive in the new year.

Activity Led Funding

10. A key recommendation of the Ofsted Inspection report on the LEA was that the funding formula should be revised so that it more closely reflects the activities that schools are required to undertake. Proposals were made through the Schools Forum to work on Activity Led Funding, which would address this recommendation. Schools are generally enthusiastic about moving to activity led funding but the exercise is complex and cannot easily be implemented in the context of the Guaranteed Funding Level outlined in paragraph 7 above. The document outlines the progress made to date.
11. Review of the formula itself is limited given the GFL and the desire to move to activity led funding. For the 2004/05 financial year we have limited review to those areas that appear to have been particularly problematic in the current financial year.

Review of the Formula

12. The majority of schools that have experienced financial difficulties had a significant clawback of funding from the previous year because of variations between estimated numbers and actual numbers. Given the fluctuating nature of the Southwark population this arrangement can cause unmanageable difficulties for individual schools. Options for changing this arrangement are proposed in the document that will result in schools not having money removed retrospectively from their budgets but will result in additional funding where pupil numbers have increased beyond a threshold.
13. Many schools have expressed concern over the change last year that meant that any new Statements of Special Educational Needs that were issued during the year would not attract additional funding until the following financial year. Schools are being asked for specific comments on how this element of the formula might be changed to better meet their needs.
14. Last year we introduced a factor that recognised the particular challenges faced by schools with high levels of pupil mobility. This went some way to addressing the particular problems faced by these schools but a threshold operates which means that only high incidence of mobility is recognised and additional resources were only allocated for numbers beyond the threshold. This proposal provides some options which should result in allocations matching more closely individual schools' need to spend.
15. Some aspects of the formula are subject to upper limits on the amounts that can be allocated, mobility being one of them. There is a proposal to remove artificial limits on allocations.
16. The existing formula allocates a limited amount of resource on the basis of English as an Additional Language (EAL). Whilst there are clear issues around teaching pupils whose first language is not English, the method for assessing fluency is insufficiently robust for us to be confident that it distinguishes need adequately. Furthermore, the same factor is used for distributing Standards Fund Grant for Ethnic Minority Achievement. In effect these pupils are double funded and it is proposed to remove the EAL factor in the mainstream formula and look to replace it with a better measure in the Standards Fund formula.

17. Three areas have been identified for possible delegation in 2004. These are: School Library Service where some schools already exercise an option to take the delegated funds; Licenses and Subscriptions where schools benefit from economies of scale which could be maintained through delegating on an automatic buy-back basis; and Special School Meals Services where the arrangements for special schools are different to all other schools.

Scheme for Financing Schools

18. The Scheme for Financing Schools has been in need of updating for some time and this year we have made amendments that ensure that the scheme reflects the current formula arrangements, meets statutory requirements and is produced in a more easily manageable format so that schools can make better use of it in improving their financial management and reporting.

Update from Last Year's Consultation

19. Last year saw some considerable changes to the formula and it is appropriate for these to be reviewed as part of this year's consultation to see whether they have had the desirable effect and whether there have been some unforeseen detrimental effects. The document gives schools an opportunity to express their views on these matters.

Policy implications

20. There are no specific policy implications resulting from this report. However, the outcome of the consultation may result in some policy changes and these shall be reported at the end of the consultation process.

Effect of proposed changes on those affected

21. The overriding objective of formula review is to ensure that the resource allocation formulae reflect the policies of the Council and reflect the need of schools to spend, subject the statutory limitations placed on LEAs in respect of their funding formulae. Specifically, the formulae should be seeking to assist schools in their key purpose of raising standards.

Resource implications

22. The funding formula is a mechanism for distributing the overall resources made available to the Education Service by the Council. In this respect, the formulae do not of themselves have resource implications.

Consultation

23. The consultation document is currently out with schools for their views. Responses have been requested by the end of the autumn term.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
<i>Formula Review Consultation Document 2002</i>	<i>John Smith House</i>	<i>Mike Smith</i>
<i>Formula Review Consultation Document 2003</i>	<i>John Smith House</i>	<i>Mike Smith</i>

APPENDIX A

Audit Trail

Lead Officer	Simon Jenkin (Director of Schools Services, CEA@Southwark)	
Report Author	Mike Smith (Head of Strategy & Resources, CEA@Southwark)	
Version	Final	
Dated	24 th November 2003	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
<i>Officer Title</i>	Comments Sought	Comments included
Borough Solicitor & Secretary	No	No
Chief Finance Officer	No	No
Executive Member	No	No
Date final report sent to Constitutional Support Services		25/11/03