

**CHILDREN AND ADULTS  
OVERVIEW AND SCRUTINY COMMITTEE  
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**IMPLICATIONS OF COUNCIL DECISIONS ON SCHOOL  
BUDGETS**

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**Summary**

This report seeks to explain how Council decisions can impact on school budgets and explains the role of the Schools Forum in the decision-making process.

**1. Budget and Policy Framework**

- 1.1 According to the Council's constitution, it is the responsibility of Cabinet to propose a capital and revenue budget having first consulted the overview and scrutiny committees. Council has the ultimate responsibility for determining the budget and setting the council tax.
- 1.2 The budget for schools is determined by the Council but the Schools Forum has decision making powers in relation to increases in central expenditure funded from the Dedicated Schools Grant.

**2. Background**

- 2.1 At the meeting on 11 February 2010 the Committee discussed a Member's item on how Council decisions impact on school budgets. The meeting was attended by members of the Medway Governors Association and there was some discussion about decisions taken by the Schools Forum earlier that day.
- 2.2 The Committee asked for the report and decisions of the Schools Forum to be circulated and that a broader report on the issues be brought to a future meeting of the Committee.

**3. Funding for Schools**

- 3.1 Funding for schools is provided through a ring-fenced grant from central government called the Dedicated Schools Grant (DSG). The DSG is calculated according to the total number of pupils in Medway, both in schools and in other educational settings.

- 3.2 The DSG must be allocated to the authority's 'Schools Budget'. The Schools Budget includes the funding delegated to individual schools, and the cost of educating children who do not attend a Medway school. This includes children who require a specialist placement to meet their special educational needs (SEN), children educated at pupil referral units and children accessing their free entitlement to nursery education in private, voluntary and independent settings.
- 3.3 Some decisions on how the DSG is allocated are the responsibility of the Council following consultation with the Schools Forum. However, the Schools Forum also has some decision-making powers of its own.

#### **4. Schools Forum**

- 4.1 The Schools Forum is a statutory body comprising school governors, headteachers, and representatives from the teaching associations, the early years sector, the 14-19 partnership and diocesan bodies. Medway's Schools Forum has 17 members who are elected by their peers. The Cabinet portfolio holder for children's services and the spokespersons of other political groups are entitled to attend Forum meetings but do not have any voting powers.
- 4.2 The main function of the Schools Forum is to advise the local authority on the distribution of the DSG between schools and other provision for pupils, and on the formula used to allocate funding to individual schools. However, the Schools Forum also has a key decision-making role in determining the extent to which the DSG can be used for 'central expenditure' i.e. to meet the costs of educating pupils who do not attend a Medway school.
- 4.3 The government's funding regulations include a 'central expenditure limit' (CEL) which prevents the local authority from increasing the proportion of the DSG used to fund central expenditure and therefore provides some protection for the funding allocated to schools. In recent years the local authority has faced significant budget pressures from an increase in the number of children with SEN requiring specialist provision in schools in other local authority areas (mainly Kent) or in schools in the independent or non-maintained sectors. As these costs represent 'central expenditure' it has meant that the authority has had to ask the permission of the Schools Forum to exceed the CEL. In most years the Schools Forum has approved this request. Alongside this support the Forum has provided challenge to the authority to ensure action is taken to keep the level of increase as low as possible so that the impact on the funding for schools is minimised.

#### **5 2010/11 Schools Budget**

- 5.1 The Schools Budget for 2010/11 faces significant pressures. The number of children requiring external SEN placements is expected to rise from 175 to 210, costing another £0.5 million. To address the growth in SEN the authority wants to provide further training for SEN co-ordinators in schools and to pay for legal representation at SEN tribunals, costing £0.2 million. The Schools Forum approved an increase in the CEL to enable these costs to be funded from the Schools Budget in 2010/11.

- 5.2 The Forum approved a further increase in the CEL of £1.4 million arising from technical changes linked to the establishment of academies and the introduction of a common funding formula for nursery education. When schools become academies their funding is no longer channelled through the local authority's Schools Budget. Consequently the total allocated to Medway schools falls and the central expenditure automatically becomes a larger proportion of the total. If the Forum had not approved an increase in the CEL relating to academy transfers the Council would have had to cut services to remain within the CEL. A similar change in the balance of funding between schools and the central budget arises from the new funding formula for nursery provision. The Forum's approval to these changes has helped to avoid unnecessary reductions in services funded from the central element of the Schools Budget.
- 5.3 Further pressures on the Schools Budget for 2010/11 arise from the closure of schools with deficit balances. Two secondary schools closed in August 2009 with deficits totalling £0.5 million. This has been offset partially by underspends on other budgets but the Schools Budget for 2009/10 is still expected to overspend by £0.3 million which will roll forward to 2010/11. Schools due to close in August 2010 are expected to hold a net deficit totalling £1.2 million. The Council aimed to fund the deficit over three years i.e. at £0.4 million per year. Therefore, the Schools Forum was asked to approve an increase in the CEL of £0.7 million so that the 2009/10 overspend of £0.3 million and the initial contribution of £0.4 million for further deficits could both be funded from the 2010/11 Schools Budget. However, the Forum did not approve an increase in the CEL for these which means they cannot be funded from within the Schools Budget. The Forum felt that the impact on all other schools would be too high and that the LA should have intervened earlier to prevent the deficits arising.
- 5.4 Given that the deficits would have to be funded somewhere, the Forum's decision could have had significant implications on other Council budgets. However, in circumstances in which the Forum does not approve an increase in the CEL, the Council can make an application to the Secretary of State. This application has been made and the Secretary of State has approved the Council's request to fund the deficit balances from the Schools Budget. This has enabled the Council to adopt a balanced budget for 2010/11. An oral update will be provided to the Committee relating to the conditions laid down by the Secretary of State.

## **6. Action Taken by the Council**

- 6.1 When resources are limited (and they always are) it is important for the local authority to secure the best value for the money spent on schools. Giving value for money is a corporate priority for the Council.
- 6.2 In the last two years, the Council has taken three bold initiatives to provide improved value for money within the dedicated schools grant.
- The academy programme
  - The special educational needs (SEN) strategy
  - The primary strategy for change
- 6.3 The academy programme will establish three new academies in place of five high schools:

- Strood Academy replaced Temple and Chapter schools in 2009;
  - The Bishop of Rochester Academy will replace Chatham South School and Medway Community College in September 2010;
  - Brompton Academy will replace New Brompton College in September 2010.
- 6.4 As well as securing £90m capital investment in Medway, the programme will result in the closure of two uneconomically small secondary schools – Temple School and Medway Community College. The academies replacing them will offer much better value for money, resulting in savings that will be recycled to improve the quality of education at these schools.
- 6.5 The Special Educational Needs (SEN) Strategy recognises the necessity of both improving the provision for pupils with SEN and creating more capacity in Medway to meet the needs of pupils who are currently educated outside Medway. As well as removing young people from their local communities, provision outside Medway is more expensive than local education, involving either significant traveling expenses or residential costs, or both.
- 6.6 The Strategy was the subject of widespread consultation in 2009 and is currently at the start of the implementation phase. The actions taken will address the increasing costs of provision outside Medway and ensure that as much of the dedicated schools grant as possible is allocated to Medway schools to enable them to best meet the needs of children and young people.
- 6.7 The third key initiative has been the primary strategy for change. This has involved consultation on proposals to close three schools and amalgamate sixteen existing schools into eight new schools. Again, the proposals are intended both to improve opportunities for young people in Medway through reorganisation and investment, and to reduce costs, releasing resources which can be recycled through the dedicated schools grant. The informal consultation process is now complete in all cases and decisions have been taken on the future of four schools: Ridge Meadow Primary, St Peter's Infant, All Faiths Community Primary and St Nicholas Infant school. Statutory notices have been issued in relation to the other proposals and any statutory objections will be considered before final decisions are taken.
- 6.8 The Council continues to monitor the financial position of all schools and requires schools with deficit balances to produce a budget recovery plan that will clear the deficit within three years. Further intervention will take place with any school that is due for closure. This will ensure that the Council is not left with deficit balances unless the action to address the deficit would have a significantly adverse impact on pupil attainment.
- 6.9 In conjunction with the Department for Children, Schools and Families the Council is also helping schools to develop more efficient ways of using their delegated resources.

## 7. Risk Management

Risk	Description	Action to avoid or mitigate risk
Resources available	The amount of resources available to support and enhance schools within the total resource available across Medway is limited and ring fenced. If wise decisions are not made they could have unintended implications for school resources and impact negatively on improving outcomes for children and young people.	Ensure decision makers at every level are clearly aware of decision making processes and outcomes to ensure subsequent choices made are well-informed and consulted on.

## 8. Implications for looked after children

- 8.1 The Council has a moral and statutory duty to provide the very best for its looked after children (LAC) and resource allocation should be measured against impact on the outcomes for LAC.

## 9. Financial and legal implications

- 9.1 The Academies programme will involve £90m of capital investment funded by government grant. The five high schools involved will close with revenue deficits expected to total around £1.7m and the Secretary of State has approved the use of the dedicated schools grant to fund these. Although most staff will transfer from their existing school to the new Academies there will be some redundancies. The cost of these will be shared by the Council and the Department for Children, Schools and Families.
- 9.2 The proposals for primary school reorganisations would release savings of £0.7m to be reallocated to all schools. In the year of closure the savings may be offset by redundancy costs but the Council would seek to re-deploy is placed members of staff to keep redundancy costs to a minimum.

## 10. Recommendations

- 10.1 The Committee is asked to consider the issues set out in this paper.

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### Background papers

The legal framework for funding of schools is available on the DCSF website:  
<http://www.teachernet.gov.uk/management/schoolfunding/schoolfundingframework/>

Information about the role and responsibilities of Schools Forums is available at: <http://www.teachernet.gov.uk/management/schoolfunding/schoolforums/>