

DERBYSHIRE COUNTY COUNCIL**SCHOOLS FORUM****12th September 2012****Report of the Strategic Director for Children & Younger Adults****Further Delegation - Catering & Broadband****1. Purpose of the Report**

To advise the Schools Forum on issues relating to the delegation of additional resources to schools and the interaction with the government's Minimum Funding Guarantee arrangements.

2. Information and Analysis**2.1 Background**

From April 2013 the existing LMS funding formulae have to be significantly simplified to meet new national requirements. The turbulence resulting from changing the way in which existing funding is delegated will be capped by the MFG arrangements. These arrangements are designed to ensure that no school can lose more than 1.5% of its existing funding, assuming its pupil numbers remained unchanged.

However, this protection arrangement does not apply to funds which are to be newly delegated from April 2013. It has always been recognised that the limited number of allowable factors available to delegate funding would make it inevitable that each school's formula share of these central budgets is unlikely to equate with their individual "need" to spend. However, what was not clear was that any losses incurred between current spend and formula allocation for newly delegated budgets would not be covered by the MFG arrangements.

This position potentially presents a significant loss to some mainstream schools, particularly as a result of the required delegation of catering and broadband where the costs for some schools are disproportionately high. It should be noted that this problem does not affect special schools which are to be funded in a different way from April 2013.

An example of the potential impact of the MFG arrangements is given in Appendix 1 to this report.

In the example the school loses twice. Firstly, under formula simplification, the school's resources fall from £803,345 to £766,974, a loss of £36,371. Second, whilst the LA's spend on the school's catering and Broadband currently runs at £60,051, once delegated the school will only receive £27,268 i.e. a further £32,783 shortfall raising the overall loss to £69,154.

The MFG calculations, as per the DfE prescribed methodology, will ensure that the formula simplification losses are capped at 1.5% of the 2012-13 LMS Budget; adjusted for the new formula Lump Sum and Rates, i.e. £10,358 in this case. The school therefore receives MFG protection of £20,472. The MFG protection does not apply to the catering/Broadband delegation losses (£32,783) hence the school's overall loss will be £46,682, equivalent to **~5.64%** of its resources.

The key issue is that, had the funding for catering and Broadband been delegated in 2012-13, the £60,051 would have been in the school's baseline for MFG purposes and, in effect, the school's overall loss would have been capped at £11,259.

In the view of the Authority the exclusion of catering and Broadband from the MFG protection arrangements unfairly disadvantages Derbyshire schools compared to those in many other LAs where these funding streams have already been delegated.

The Authority raised the MFG issue at a senior level at the DfE but no change to the national position was forthcoming. The advice was to increase the block allowance (catering) and to ask schools to pool the Broadband funding to support a county contract. Neither of these suggestions are practicable; increasing the block allowance would disadvantage the example school as its increase in block allowance would be more than offset by the loss of AWPU funding. The Broadband suggestion is unworkable as the Authority's contract is a framework agreement whereby schools can select the nature and scale of the services they want to buy individually.

2.2 Proposed approach - Catering

Given the need to ensure the transition to the new formula is as smooth as possible the Authority intends to write to all Headteachers and Chairs of Governors explaining the difficulty. In respect of catering, the Authority will remind each school that, under the current Scheme of Delegation, any school can request delegation of the catering budget. Schools choosing to have this funding delegated would, for 2012-13, be offered a service from the LA at a price equivalent to the funds delegated. Some schools may of course choose to buy their services elsewhere or undertake the service in house.

Schools will be asked to give this urgent consideration and to make their intentions known to the Authority with a view to delegating budgets from 1st October 2012. Any school choosing to take up this option would give the Authority grounds to include the delegated funding in its 2012-13 baseline for MFG purposes, potentially on a full year basis. Delegation would be on the basis of the current LMS catering formula which, whilst not guaranteed to reflect actual spending and thus provide 100% protection, would nevertheless provide some protection to those schools which are set to lose funding for this responsibility via the new simplified LMS formula.

2.3 Proposed approach - Broadband

The issue of delegation has previously been raised with the Forum. At its meeting on 25th January 2012 a framework was proposed whereby each school would have delegated to them a share of the central subsidy to cover the period 1st November 2012 to 31st March 2013. The amount delegated would have been the difference between the gross cost of the new services chosen by the school for the period less the cost of the existing EMBC contract for the same period. This approach, which

was designed to ensure that schools did not incur a short term loss, was generally supported by the Forum.

The existing EMBC contract ceases on 31 October 2012 and it is now proposed that the arrangements set out in the January 2012 report be implemented. Delegated Broadband funding would then be built into schools' 2012-13 baselines for MFG purposes, again affording schools some protection in the short term from the losses arising from the new simplified formula allocations.

3. Other Considerations In preparing this report the relevance of the following factors has been considered: prevention of crime & disorder, equality of opportunity, finance, human resources, legal & human rights, environmental, health, property and transport considerations.
4. Background Papers Government consultation "School Funding Reform: Next steps towards a fairer system".
5. Strategic Director's Recommendations

Schools Forum is asked to:

- (i) Note the potential difficulties faced by some schools as a result of the national MFG arrangements as they affect catering and Broadband;
- (ii) Support the Authority's approach to catering as set out in section 2.2; and
- (iii) Support the Authority's approach to Broadband as set out in section 2.3.

IAN THOMAS
Strategic Director for Children & Younger Adults

Item		DfE Methodology	If delegated in 2012-13	Notes
		£	£	
Current LMS budget (Note 1)		803,345	803,345	
Add current spend - Catering			57,223	
Add current spend – Broadband			2,828	
Sub total	A	803,345	863,396	
New Formula budget ex MFG		766,974	794,242	DfE methodology excludes new delegations
Catering		22,697	inc above	
Broadband		4,571	inc above	
Sub total - new formula budget	B	794,242	794,242	Same budget at this point
MFG protection	C	20,472	57,895	(Note 2)
Actual school budget	B+C	814,714	852,137	
Diff vs 2012-13 Budget plus Catering and Broadband Spend		-48,682	-11,259	Measured against £863,396
Percentage loss		-5.64%	-1.30%	Measured against £863,396

Note 1: Excluding High Needs, KS1 Class Size and Early Years funding

Note 2: Based on

- The 2012-13 Budget figure (A)
- Minus the new formula Lump Sum and Rates
- Multiplied by 98.5%
- Add back the new formula Lump Sum and Rates