
GEORGE DENT NURSERY SCHOOL

Purpose of Report

1. To update the Schools Forum regarding an issue affecting George Dent Nursery School arising from the historic changes made to the early years funding formula.

Background

2. On the 19th May 2015 Schools Forum received a report regarding the rent costs for George Dent Nursery School. A copy of the report is provided at Appendix 1 and provides background on the budget issue for school arising from the unique pressure of having to pay rent for a building leased by the Council from a third party.
3. Schools Forum agreed to the recommendation of that report, which resolved the issue for 2015/16, but was asked to note that a longer term solution would be dependent on school funding policy announcements by the Education Funding Agency (EFA).
4. The EFA has confirmed that the 2016/17 school funding policy arrangements are relatively unchanged and specifically there are no changes in the exceptional factors criteria, which was the solution suggested in the May report. This means that the solution suggested to Schools Forum in the May meeting is available for 2016/17.

Exceptional Factors

5. The criteria the EFA permits for exceptional factors is very specific and is defined as “the exceptional factors must relate to premises costs and applications should only be submitted where the value of the factor is more than 1% of a schools budget and applies to less than 5% of the schools in the authority area.”¹The EFA also clarifies that most exceptional factors are for rents and for joint-use sports facilities.
6. Exceptional factors are not allowed for general funding pressures, wage rises, inflation costs etc.
7. As described at the May meeting, annual rent of £13k is over 3% of the school budget and, as rent is one of the most common uses of the exceptional factor allowed by the EFA, there would appear to be a strong case for submitting an application to the EFA to allow the use of an exceptional factor in the funding formula for 2016/17.

Beyond 2016/17

8. The school understands there are concerns over the long term use of this exceptional factor, including the effect on rent values when lease renewal discussions are held with the owner. Schools Forum should note that any approval by the EFA to use an exceptional factor would be for 2016/17 only as there are no policy announcements on 2017/18 or beyond yet. The Council will need to look at the whole funding formula, including any exceptional

¹ Schools Revenue Funding 2016 to 2017 Operational Guide, page 9

factor, in light of any EFA policy announcements for 2017/18 and beyond. The school noted that the Spending Review 2015 included reference to a national funding formula, which included early years, to be implemented from 2017/18. Consultation on this is to be announced in the spring term.

Next Steps

9. The school understands that the Council has approached the EFA to see whether it would approve the use of an Exceptional Factor in its formula for 2016/17. At the time of writing the report a response was awaited. Schools Forum should note that the Council is under no obligation to use the factor even if it is approved by the EFA. The final decision on the funding formula, the factors used and the values attached to them is a matter for the Council to decide, following consultation.

10. The school suggests there are four possibilities solutions available to the Council:-
 - 1) Do Nothing. There is a high risk to the long term survival of the school if this is the chosen option.
 - 2) Fund the rent costs through the Exceptional Factor route. This requires EFA approval to the use of the factor, but provides the school with funding in its budget to meet the costs. If the Council decides that funding the rent costs is appropriate then this option may also provide an opportunity for a longer term solution as the 2016/17 funding arrangements are likely to be the baseline for any school as part of the move to a national funding formula.
 - 3) Fund the rent costs through the School Specific Contingency or central Early Years budget. This was the solution for 2015/16 following the May meeting. This resolves the issue for the school, but is less likely to be considered as part of the schools base budget as part of any movement to a national funding formula in future years.
 - 4) Remove/reduce the liability for the school to pay the rent. This would create a cost pressure to the Council budget as they would have to pick up the shortfall on the overall cost of the lease. It is unlikely that elected members would support this considering the pressure on local authority resources.

11. The school has suggested to the Council that option 2 be the preferred option.

Recommendation

12. Schools Forum is asked to note the report and provide any comment to the Council on the use of the exceptional factor route as a resolution for the rent issue for 2016/17.

DARLINGTON SCHOOLS FORUM
19th May 2015

GEORGE DENT NURSERY SCHOOL

Purpose of Report

To update the Schools Forum regarding an issue affecting George Dent Nursery School arising from the changes made to the school funding formula

Background

George Dent Nursery School is the only school in Darlington to occupy a building not owned by the LA or by a Diocese. As a result it incurs an annual rental charge of £13k, which it has historically funded from its delegated budget.

Under the previous school funding system the school received an identified amount within its budget share to cover this cost. However with the national changes made to the formula from 2013/14, premises related allocations of funding were no longer allowed. This unfairly disadvantages the school compared to every other school in the Borough that does not have to meet this cost.

The Governing Body has been recently advised that DfE has always recognised this issue for schools that have to rent premises and have put in place a process where the LA can apply to the Secretary of State for an exceptional premises factor under their powers under Regulation 25(i) of the School and Early Years Finance Regulations 2014. The criteria for this are that the exceptional item cannot apply to more than 5% of schools within the local authority area and is a value greater than 1% of the schools budget, both of which apply in this case.

The Governing Body is pleased that Darlington LA has responded positively to the issue and will look to use this provision, which would address the issue from 2016/17 onwards, subject to any changes in government policy. In respect of the current 2015/16 financial year, the LA is beyond the point at which changes to the funding formula would be allowed, potentially leaving the school exposed to this additional cost in this current year. However, the Governing Body is aware that the above regulations would also allow the central budget for early years provision to be used by the LA to meet this as a central cost in 2015/16. Whilst this is a decision for the LA, it requested the issue be raised with Schools Forum before taking that decision.

Like many schools, George Dent Nursery School has to be creative with the use of its budget. However it seems to be inherently unfair that, unlike every other school in the Borough, the school must pay a significant rental cost to occupy its premises, and that this additional, currently unfunded cost has a direct and significant impact on the provision that we are able to make, especially given the size of the school. Darlington LA has historically recognised this exceptional rent cost in previous years and will do so going forward. The Governing Body is requesting the LA to use the flexibility it has in the central early years budget to avoid the school budget being exposed to this exceptional cost any longer than necessary.

Recommendation

The views of Schools Forum are sought on the proposed resolution for 2015/16. Schools Forum is also asked to note the proposed permanent resolution for 2016/17 onwards, however we recognise that this will need to be confirmed when the policy on school funding for 2016/17 has been announced by the government.

The Governing Body
George Dent Nursery School
