

Meeting:	Cabinet
Date:	16 February 2006
Subject:	LMS Formula Changes and Schools Budget 2006/07 & 2007/08
Responsible Officer:	Director of Financial and Business Strategy and Executive Director (People First)
Contact Officer:	Bharat Jashapara
Portfolio Holder:	Business Connections and Performance, and Education & Lifelong Learning
Key Decision:	Yes
Status:	Public

Section 1: Summary

1.1 To approve the LMS Formula changes and Schools Budget for 2006/07 & 2007/08

1.2 Decision Required

Cabinet are recommended to approve the LMS Formula Changes and Schools Budget for 2006/07 and 2007/08 as outlined in the report.

1.3 Reason for report

It is a requirement of the School Finance Regulations 2006 that all local authorities are required to make an initial determination of their Schools Budget for 2006/07 and 2007/08 by 31 March 2006.

1.4 Benefits

- It would provide increases in schools funding of 6% in 2006/07 and 6.4% in 2007/08.
- It would provide certainty for schools when preparing their budgets.
- It would meet the statutory deadline of giving an initial determination of schools budgets.

1.5 Cost of Proposals

The costs of the recommended decisions are outlined in this paper. The costs are contained with the Dedicated Schools Grant for 2006/2007 and 2007/2008 as announced by the DfES. The Council, however, can top up the overall schools budget if it so wishes.

1.6 Risks

New arrangements have been introduced for the 2006/2007 schools budget. The Government will set and fund the entire schools budget through a new ring-fenced grant to local authorities for school funding, to be known as the Dedicated Schools Grant. The arrangements also introduce multi-year budgets for schools, two years initially and a three-year cycle from 2008/09.

1.7 Implications if recommendations rejected

The Council would fail to meet the requirements of the School Finance Regulations 2006. The Council would continue to use the existing LMS formula for distribution of Individual School Budget shares.

Section 2: Report

Schools Funding 2006/07 & 2007/08

2.0 DfES announced the provisional school funding settlement for 2006/07 and 2007/08 on 7 December 2005. The final allocation is not expected to be finalised until May 2006 but the January 2006 PLASC (Pupil Lead Annual School Census) figures should give a better indication of the eventual funding that Harrow will receive. Each authority's finalised total allocation for the Dedicated Schools Grant (DSG) will be different from the indicative allocations although the per pupil sum will remain the same.

2006/07 basis of funding

2.1 The DfES has projected overall pupil numbers for each authority for 2006/07 and 2007/08, based on its 2003 population projection data. However, the guidance has indicated that the September 2005 PLASC data should be used, where available, to give more accurate estimates.

2.2 The impact for Harrow is that using the September 2005 PLASC leads to a lower pupil count and the funding increase is restricted to 6% rather than 6.6% for 2006/07. Thus, these figures have been used to calculate the Schools Budget for 2006/07. However, it should

be re-emphasised that these figures will be replaced by the actual January 2006 PLASC figures.

- 2.3 Adjusting the pupil projections by the September 2005 PLASC figures gives an overall Schools Budget of £117.8m. The first decision to be taken in the budget setting process is the split between the budget for centrally retained items and the Individual Schools Budget (ISB).

Centralised Items 2006/07

- 2.4 The central items for 2006-07 total £12.2m and were provisionally agreed by at the January meeting of the Schools Forum. The centralised items for 2006/07 are shown in the table below.

Description of Items	2006-07 Base Budget £'000	2006-07 Growth £'000	2006-07 Inflation £'000	2006/07 total £'000	Difference £'000
Year 11 Funding	0	30	0	30	30
SEN	5,413	0	217	5,630	217
Early Years	2,741	310	77	3,128	387
Admissions	512	10	22	544	32
Centralised Teachers Pay Grant	0	188	5	193	193
Other Areas e.g. PRU	2,595	0	71	2,666	71
Unallocated	274	(274)	0	0	(274)
Total	11,535	264	391	12,190	655

- 2.5 The growth pressures include the impact of Year 11 students coming into the UK for the first time, growth for early years to cover the increase in the minimum entitlement from 33 weeks hours per week to 38 hours per week and also growth for admissions to cover changes to the Pan London IT scheme.

- 2.6 Schools Forum have agreed to recommend devolving the funding for the Teachers' Pay Grant to schools. However, a small part of the funding will be held back (£193k) for the teachers employed centrally e.g. PRU or the Music Service, which was the case in previous years.

Schools formula funding

- 2.7 Schools Forum has considered four changes to the funding formula for 2006/2007, and has consulted schools on these. They are: 1) Teachers Pay Grant to be allocated on 50% AWPU values and 50% on teachers on upper pay spine points. 2) Growth of 5 Advanced Skill Teachers (ASTs) as per 2004/05 and 2005/06 plus funding for 7 ASTs who were only funded for one year. 3) Agreement on which factors to update for 2007/08 and which factors to remain static. 4) Agreement of

support for schools in unique and unforeseen situations. The changes are explained in detail below.

- 2.8 The Teachers Pay Grant had previously been paid as a ring fenced grant to cover the costs of threshold payments when teachers were promoted to the new upper pay spine and it also made a contribution to other costs such as new assistant head teachers. The new School Finance Regulations allows local authorities to include in their formula a factor to distribute funding in 2006-07 that was previously provided through the Teachers Pay Grant and devolved to schools. The regulations also stipulate that local authorities must consult their Schools Forum on a method of distributing monies for 2006-07 and 2007-08. Schools Forum agreed to recommend a formula, which distributes half of the monies on the existing methodology i.e. number of teachers on Upper Spine Point (UPS) and the other half on Age Weighted Pupil Unit values (AWPUs). This will, inevitably, mean that there will be some winners and losers and the impact of this change is shown in Appendix A. The outcome of the consultation is that the responses were split, with 45% of the responses opposed to the recommendation and 55% were in favour, the results of the consultation are shown in Appendix C. Schools Forum will discuss the consultation responses on 9 Feb and a supplementary report will be forwarded after that meeting. The recommended method of distribution is still to distribute the Teachers Pay Grant 50% on UPS and 50% on AWPU values, pending the meeting of the Schools Forum.
- 2.9 Advanced Skills Teachers (ASTs) are a resource to all schools and key to supporting teaching and learning and Harrow already has a growth programme for ASTs. At present, 19 ASTs are funded by Standards Fund and 10 ASTs by the Schools Budget (5 in 2004-05 and 5 more in 2005-06). As a continuation of the growth programme, an additional 5 ASTs has been agreed for recommendation by the Schools Forum for 2006-07. An additional 7 ASTs were also agreed for recommendation by Schools Forum. The 7 ASTs consist of 4 AST posts for Commissioner's Teachers and 3 posts as Primary Network ASTs. These posts were funded by DfES for one year only in 2005-06. The majority of the consultation responses were in favour of this recommendation (21) and only 1 response against, which is shown in Appendix C.
- 2.10 As part of the new regulations, local authorities are required to set multi-year budgets for schools. By 31 March 2006, schools will receive budgets for 2006-07 and 2007-08. Local authorities also need to decide on the operation of the funding formula. The new funding arrangements require AWPU (Age Weighted Pupil Units) data to be updated annually but allows local authorities discretion over the extent to which non-AWPU data should be updated, provided they are specified in advance in the local formula. A Local Education Authority must determine before the beginning of funding period 1 (2006-7), the formulae which they will use to determine and re-determine schools'

budget shares in funding periods 1 & 2 (2006-07 and 2007-08). Schools Forum agreed the non-AWPU factors (and sub factors) they wished to update for 2007/08. This is shown in Appendix B. The majority of the consultation responses were in favour of this recommendation (20) and 3 responses against, which is shown in Appendix C.

- 2.11 Schools Forum have agreed to recommend one-off funding for schools facing unique and unforeseen situations. One such school, in special measures, was approved an additional sum of funding in 2006/7 to offset the budget deficit in 2005/6. The majority of the consultation responses were in favour of this recommendation (20) and 1 response against, which is shown in Appendix C.
- 2.12 In addition there are further changes to the formula as a consequence of the phased introduction of SEN and small schools allowance. These were agreed by Cabinet in February 2005.

Individual Schools Budget 2006/07

- 2.13 The difference between the total estimated funding of £117.8m and the central expenditure of £11.9m means that the total available for ISB is £105.8m. The adjusted ISB for 2005-06 stands at £99.9m thus the ISB increase is £5.8m.
- 2.14 However, schools are to receive at least 3.4% increases in Secondary or Special Schools and 4% increase in Primary schools and the total minimum-funding guarantee is estimated to cost £2.9m.
- 2.15 As part of the funding settlement, a number of Ministerial priorities had to be taken into account for funding specific items. The priorities are outlined below:
- Key Stage 3 Personalised Learning & Primary Personalised Learning
 - Practical Learning Options at 14-16
 - Workforce Reform
 - Early Years (already covered in central items)
- 2.16 Schools Forum agreed both the KS3 Personalised Learning and the Primary Personalised Learning monies should be added to the relevant sector's AWPU values. They also agreed that Practical Learning Options monies should be distributed to schools with KS4 pupils by adding money to the KS4 AWPU and; Workforce Reform monies to be distributed to primary schools by adding the money to the primary AWPU's. The ministerial priorities with the other pressures are shown in the table below:

Description of Items	£'000	£'000	% Increase
Individual Schools Budget 06-07		105,809	
Individual Schools Budget 05-06		99,981	
Increase in ISB		5,828	5.8%
Less			
<i>Minimum Funding Guarantee</i>		2,869	2.9%
<i>Ministerial Options:</i>			
KS3 Personalised Learning	412		
Primary Personalised Learning	409		
Practical Learning Options	163		
Workforce Reform	326		
Early Years Extension *1	<u>366</u>	1676	1.7%
<i>Earlier Discussions:</i>			
2nd Year of SEN phase 3 delegation	50		
5 ASTs for 06-07	75		
7 ASTs funded for one year only	105		
Special Schools Growth	213		
Unique Funding: Little Stanmore	<u>75</u>	518	0.5%
Difference		765	0.8%
Balance with Early years added back		1,131	

*1 - Early yrs is a centrally retained item

- 2.17 This leaves a balance of approximately £1.1m left to be allocated. The Schools Forum have recommended adding this sum to AWPU funding by common percentage uplift to all AWPU values.

School Specific Contingency

- 2.18 The new funding changes mean that it is no longer possible to have an unallocated contingency within the ISB and provisions for adjustments such as the present trigger funding and adjusting for free schools will need to be made in the School Specific Contingency. The table below, agreed by Schools Forum, outlines the requirements for the school specific contingency for 2006-07. This will mean the Central Expenditure Limit will be exceeded and in line with the new regulations requires the agreement of the Schools Forum which was given at their meeting in January 2006.

Description of Items	School Specific Contingency 2006-07 (£'000)
SEN Costed Statements	250
Advanced Skills Teachers	150
Trigger funding & free school meals	250
LEA School Specific Contingency	40
Total	690

2007/08 Schools Budget

2.19 Detailed discussions will take place at the latter end of 2006 to finalise the 2007/08 budget. At this stage schools will be given an indicative budget of an increase of 6.4% on 2006/07 figures.

Consultation

2.20 As required, the LMS Formula Changes and Schools Budget has been discussed and considered at length by the Schools Forum and all schools have been consulted for their views. These are detailed in Appendix C.

Financial Implications

2.21 This is a report of the Executive Director of Business Development and the Executive Director of People First, and is concerned with financial matters throughout.

Legal Implications

2.22.1 The School Finance (England) Regulations 2006 govern the operation of school and Local Authority funding for the years 2006/7 and 2007/8. The primary legislation is the School Standards and Framework Act 1998.

The local Authority must meet the requirements of the School Finance (England) Regulations 2006. The contents of this report satisfy the requirements.

Equalities Impact

2.23 No impact

Section 17 Crime and Disorder Act 1998 Considerations

2.23 N/a

Section 3: Supporting Information/ Background Documents

Appendices

Background papers

- 3.1 School Finance Regulations (England) 2006
DfES school funding 2006/07, various papers
Schools Forum Papers 9 Jan 2006
Formula funding consultation papers – various Schools Forum meetings

Any person wishing to inspect the background papers should telephone 020 8424 1140