

Meeting:	1) Education Consultative Forum, 2) Schools Forum and 3) Lifelong Learning Scrutiny Sub-Committee.
Date:	1) & 2) – Tuesday 7 December 2004 3) – Wednesday 8 December 2004
Subject:	Proposed Schools Budget 2005/06
Responsible Officer:	Executive Director of Business Connections, and Executive Director, People First.
Contact Officer:	Ian Webster
Portfolio Holder:	Business Connections and Performance, and Education & Lifelong Learning
Key Decision:	Yes

Section 1: Summary

1.1 To consult on the proposed schools budget for 2005/06.

1.2 Decision Required

(For Education Consultative Forum and Lifelong Learning Scrutiny Sub-Committee)

To note the contents and to forward any comments on the Proposed Schools Budget for 2005/2006 for consideration by the Cabinet.

Cabinet are required to: Notify the Secretary of State for Education by the 31st December of the proposed schools budget for 2005/2006.

1.3 Reason for report

It is a requirement of the Education Act 2002 that the Council notifies the Secretary of State for Education of the proposed schools budget by 31 December 2004.

1.4 Benefits

- It would provide certainty for schools when preparing their budgets
 - It would meet the statutory deadline for notification to the Secretary of State

1.5 Cost of Proposals

The costs of the decision taken will need to be incorporated into the MTBS.

1.6 Risks

2005/2006 is the last year of the current financing arrangements for schools. In 2006/2007 the Government will set and fund the entire schools budget. The Government have said that schools in LEAs who fund below the schools formula spending share (SFSS) will see funding increases. There is a risk that schools in LEAs who fund schools above the SFSS will see the extra funding eliminated over time. Harrow Council currently funds £985k above the SFSS. A decision to further increase schools funding above the SFSS in 2005/2006 may well mean that this sum is lost in future years.

1.7 Implications if recommendations rejected

Failure to notify the Secretary of State by the due date would bring very considerable public pressure on the Authority and the Secretary of State may use his reserve powers to set the minimum level of funding.

Section 2: Report

Brief History

2.1 Effectively the Government sets the minimum amount the LEA can spend on schools. They do this by specifying an amount the LEA are expected to spend on 'Schools Block', and asking the LEA to confirm by the end of December that they will do so. This is known as confirming full passporting.

2005/06 Settlement

2.2 DfES made the settlement announcement on 2nd December. This gave the following increases in Schools Funding Spending Share (SFSS). It is noticeable that Harrow has seen a larger SFSS increase than the national

average. This is only partly explained by Harrow's pupils numbers falling by less than the national average.

	Harrow SFSS		National SFSS
	£M	% age increase	
2004/05	102.8	6.5%	5.8%
2005/06	109.9	6.9%	5.8%
Increase	7.1		

Schools Block Total consistent with fully passporting

- 2.3 Government say that the Council should passport this £7.1M SFSS increase to schools, by increasing the Schools Block by £7.1M.
- 2.4 The total consistent with passporting also adds, for the first time, the teachers pay and threshold grants that Harrow passes straight to schools. It also deducts LSC income (mostly for SEN pupils over 16.) The passporting calculation becomes

	£M
2004/05 Schools Block	104.4
Add Passport total	7.1
Add spending funded by teachers pay grants	3.0
Less LSC funding	-0.7
2005/06 budget consistent with passporting	113.8

Individual schools budgets

- 2.5 This Schools Block total, consistent with passporting, is divided into two parts. First the 'Central items' part. This is retained by the LEA, but spent on SEN, nursery and other pupil provision outside the maintained sector. Central items spending may not grow faster than the remaining part, the ISB, which is the sum total of funding for schools and a contingency provision. The ISB is calculated as follows.

	£M
2005/06 budget consistent with passporting	113.8
Less Central items	11.55

Add back LSC funding	0.7
2005/06 ISB total	102.95

- 2.6 DfES believe that schools will see unavoidable cost increase of around 4% for high and special schools, and around 5% for nursery and primary schools. It is therefore the DfES view that with cash funding increases of 5.55%-6.75%, there will be room for other cost increases of between 0.55% and 2.75% to be met.
- 2.7 On 13 October, Schools Forum considered how to allocate these increased funds. After meeting the minimum funding guarantee of a 5% per pupil for primary and nursery schools, and a 4% per pupil for high and special schools, there was £2M available as 'headroom' growth.
- 2.8 Some of this is proposed to increase primary school funding to recognise extra costs of workforce reform, part to ease the introduction of phase 3 of SEN delegation. This leaves £1.1M to be shared between all schools by increase per pupil funding.

	£M	% increase
2004/05 school budgets	90.6	
Add increases since 1/4/04	0.5	
Revised 2004/05 school budgets	91.1	
Cost of meeting 4/5% MFG	4.5	
Uses of headroom growth		
Increase primary funding	0.4	
SEN phase 3	0.5	
AWPU	1.1	
2005/06 schools budgets	97.6	7.1%
Net standards funds	1.7	
Contingency	0.65	
Add spending funded by pay grants	3.0	
ISB total for 2005/06	102.95	

- 2.9 Ignoring the pay grants which have always been passed direct to schools, Harrow schools will see a funding increase of 7.1%. This is higher than the psssporting increase because the contingency provision has been reduced. It is marginally better than the best case indicative funding already given to schools to allow them to start their budget preparation. Since the majority of funding is per pupil, schools with falling rolls will receive less than 7.1%, and schools with rising rolls will receive more.

Schools formula funding

2.10 Schools Forum has considered six changes to the funding formula, and is currently consulting schools on these. They are: 1) changing social deprivation funding to target resources more closely at schools with higher levels of deprivation. 2) Small schools funding, to target more resources at fewer, but smaller schools. 3) To delegate the resources for lower value SEN statements to schools. 4) a change to funding deferred reception class admissions to avoid a disincentive for deferral. 5) To reduce the heldback contingency provision from £1.4M to £0.65M to distribute an extra 0.75% of funding at the start of the year. 6) To distribute any free headroom growth on the basis of pupil numbers. The outcome of the consultation will be reported to Cabinet in February.

Central items

2.11 The control of expenditure on central items is even greater than of the ISB. Spending on Central items cannot grow faster than the Schools Block total. And central items budgets can only be reduced if the savings are used to increase schools budgets. To use any savings on central items to fund non schools block spending would be to reduce Schools Block budgets, and break the passporting requirement.

2.12 There are four significant changes in central item budgets. The first is SEN budgets. Over the last three years the costs of SEN placements have increased by 18% a year. Of this, 8% is inflation, and 10% is growth in placement numbers. Last year it was possible to absorb much of this cost increase by the contingency provision made in the previous year. This is not going to be possible in 2005/06. Therefore, the SEN placement budgets need to increase by £652K. Of this £122K can be funded from extra recoupment income from outborough pupils, leaving a net extra cost of £530K.

2.13 The second significant change is on funding of nursery places in the non maintained sector. Provision was made in 2004/05 to fund just over 2000 places for three and four year olds. Based on the September 2004 count, it is estimated that an average of 1416 places will be funded this year, and an average of 1560 next year. A significant part of the fall is because, by agreement with neighbouring LEAs, Harrow has ceased to fund Harrow resident pupils going to nurseries outside Harrow. Even so, Harrow is providing places for over 90% of 3 year olds, and so is meeting the DfES target of full provision. The saving from this reduction is £561K in 2005/06. This can be used to fund the increase in the SEN placement budgets.

2.14 The third change is in standards funds. DfES has increased the total allocation of those funds delegated to schools by 21%. Even though DfES have also increased their grant by 28%, this still leaves the LEA contribution

rising by 12%, or £270K. This cost can be met from the central items part of the Schools Block.

2.15 The fourth significant change is an expectation that £110K needs to be added to the admissions budget to introduce an online admissions system to meet legislative requirements for coordinated high school admissions and an extra £30K of IT costs need to be incurred to enhance school security systems to protect against inappropriate data. Both of these can be met from the central items part of the Schools Block.

2.16 There is an unallocated sum of £165K after the above changes. In order to provide as much flexibility as possible in 2006/2007 to meet SEN expenditure increases it is recommended that any unallocated sum be added to one of the central items budgets as a contingency as this enables it to be available in 2006/2007.

2.17 Central items provisions would look like

	2004/05 budgets £000	Add inflation £000	Changes £000	2005/06 budgets £000
SEN etc	5,322	80	+530	5,932
PRUs etc	1,544	62		1,606
Nursery provision	2,783	42	-561	2,264
Admissions etc	358	11	+140	509
Standard funds	764		+270	1,034
Other	41	2		43
To be allocated			+165	165
Total	10,812	197	544	11,553

Options considered

2.18 There are three options to be considered. The first is to confirm to DfES that the Council will fully passport and spend at the notified Schools Block total. This would be consistent with the Council's existing policies. It would give schools funding increases for the majority of their funding of an average of 7.1%.

2.19 The second option is to notify DFES that the Council will not fully passport in order to meet other priorities. This option would reduce the schools funding increase below 7.1% and could reduce their ability to deliver the results expected of them. It would also provoke a reaction from the Secretary of State. On the model of last year, he could exert considerable public pressure on the Authority to fully passport, and could use his reserve power to require the Authority to passport in full.

2.20 The third option is to spend more on schools than is dictated by the passport. This was the option the Authority chose for 2004/05 when it was agreed to increase the schools budget by £1.2m above the passport in light of the special circumstances faced by schools at the time. This option is likely to lead to a permanent increase in funding for Harrow schools. Such certainty is not however available for 2006/07. Next year is the final year of the current financing arrangements for schools. In 2006/07, Government will set, and fund the entire schools budget. They have said that schools in LEAs who fund schools below SFSS, will see funding increases. It could well follow from this that schools in LEAs who fund over SFSS may see the extra funding eliminated over time.

Consultation

2.21 As required, the Schools Budget and the formula funding changes have been considered by Schools Forum. There is also a duty to consult schools individually about the formula funding changes. This is happening now. This report will be presented to the Education Consultative Forum and the Lifelong Learning Scrutiny Sub Committee on 7 & 8 December respectively.

2.22 In addition, schools collectively may want to submit some comments to the Council before a decision on the options in this report is made.

2.23 Schools balances at March 2004 were £7.4m. This was an increase of £1.9m over March 2003. Of the £7.4m balances held by schools at March 2004 schools stated that £6.7m was committed for specific projects. LEA monitoring suggests that schools will underspend in 2004/05.

Financial Implications

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

Legal Implications

2.23 The report meets the legislative requirements set out in Part 3, Chapter 2, of the Education Act 2002.

Equalities Impact

2.24 No impact

Section 3: Supporting Information/ Background Documents

- 3.1 DfES school funding 2005/06, various papers dated July 2004
Schools Forum Papers 13 October
First Indicative Budgets for schools, dated 4 November 2004
Formula funding consultation papers, dated 4 November 2004
DfES Settlement documents dated 2 December 2004.