

## LONDON BOROUGH OF HARROW

<b>Meeting:</b>	Education Consultative Forum
<b>Date:</b>	26 June 2003
<b>Subject:</b>	Schools Budget Update 2003/2004
<b>Key decision:</b>	No
<b>Responsible Chief Officer:</b>	Director of Education and Interim Director of Finance
<b>Relevant Portfolio Holder:</b>	Finance and Human Resources and Education and Lifelong Learning Portfolio Holders
<b>Status:</b>	Part I
<b>Ward:</b>	All
<b>Enclosures:</b>	None

### 1. Summary/ Reason for urgency (if applicable)

- 1.1 To update the Education Consultative Forum on the position regarding the Schools Budget for 2003/2004.

### 2. Recommendations

- 2.1 To note the contents of the report.

**REASON: Update at the request of the Governor representatives.**

### 3. Consultation with Ward Councillors

- 3.1 Not applicable

### 4. Policy Context (including Relevant Previous Decisions)

- 4.1 At the meeting on 9 January 2003 the Education Consultative Forum discussed the proposed Schools Budget for 2003/2004 for notification to the Secretary of State by 31 January 2003. This budget was subsequently confirmed by the Council at the meeting on 28 February 2003 with the following changes:
- That the single status provision within the schools budget should be increased by £172k to £400k.
  - That the introduction of funding nursery classes on actuals be phased in over 2 years reducing the saving by £62k to £88k.

- That the remaining £569k unallocated within the schools budget be allocated to the special educational needs budget within the non Individual Schools Budget (ISB) element of the schools budget.

4.2 Following the distribution of school budget shares in March 2003 a number of issues have come to light which has meant that the budget set for schools for 2003/2004 has been challenging. This report updates the position with regard to the Schools Budget for 2003/2004 and the medium term.

## 5. **Relevance to Corporate Priorities**

5.1 This report addresses the Council's Corporate Priority to promote Harrow as a centre of lifelong learning by offering the highest quality education services, by raising aspirations and outcomes of achievement, and by providing activities for cultural, artistic and leisure pursuits which reflect the profile and the interests of all local communities.

## 6. **Background Information and options considered**

6.1 It is apparent that the financial pressures faced by schools in Harrow are also replicated across the country. Schools in some London Boroughs are reporting deficits of up to £500k.

6.2 The pressures faced by all schools in Harrow in 2003/2004 are as listed below. There are however individual schools where there are specific issues such as falling pupil numbers, reduced class size grant and reduced Additionally Resourced Mainstream Schools (ARMS) and costed statement funding which will make the situation more challenging.

- Loss of recruitment and retention grant. Although it had been stated that this grant was one off funding for two years the reality in High Schools was that it had been used to recruit and retain teachers by awarding extra recruitment & retention points which have on-going funding commitments or to "prop up" core base budget funding.
- Many standards funds which were continuing e.g. Ethnic Minority Achievement Service (EMAS) and Teaching Assistants were cash limited at 2002/2003 levels although costs in these areas rose by 9% for teachers and 6% for APT & C staff.
- The upper pay spine for teachers who have progressed through the threshold is only grant funded at 80%. The indications are that the percentage of teachers progressing to UPS2 is close to 100%.
- The standards funds which were replaced by Council approved growth within the school budget shares were replaced at 2002/2003 price levels although costs in these areas rose by 9% for teachers and 6% for APT & C staff. In addition the distribution of some of this growth affected individual schools differently as the previous formula was not replicated exactly.
- The cost of incremental drift is greater as the main teaching pay scale has reduced from 9 points to 6 points from September 2002 and there is now the opportunity for teachers to progress on the upper pay spine. The large increase in staffing on-costs from April 2003 (1% national insurance, 5.15% teachers pensions and 1% local government pensions) has made the incremental drift more expensive than in previous years particularly with the relatively stable staffing base which exists in Harrow. The average cost of an increment in 2002/2003 was £600. In 2003/2004 it was £1,000.

- The average teacher's salary has increased as a consequence of having to pay more management and recruitment & retention points and start teachers including newly qualified teachers further up the pay scale in order to recruit and retain high quality staff. In addition the starting salary for teachers increased by 15% from September 2002.
- There has been a reduction in general Key Stage 3 standards funds for schools although the grant in total is similar to last year.

6.3 The majority of schools in Harrow are managing to set balanced budgets for 2003/2004 through a combination of use of reserves, reducing contingencies, cutting expenditure budgets such as ICT equipment, curriculum materials, repairs and maintenance and reducing staffing through natural wastage. There are two schools where a licensed deficit has been agreed by the LEA. To date there are no known staff redundancies.

6.4 The DfES wrote to all LEAs on 2 May 2003 asking them to explain reasons for the increases in different elements of the Schools Budget and in particular why expenditure on SEN and Education out of School had increased by more than the average percentage increase. The DfES also questioned the Authority's use of contingencies and reassurance that these sums would be allocated to schools during the year. A response was sent to the DfES on 12 May 2003 setting out the reasons for the above (a copy is available on the Authority's web site) and no further correspondence has been received to date.

6.5 Members have met with representative Primary Headteachers and all High School Headteachers and have agreed to establish two working groups to investigate the budget pressures faced by schools both for 2003/2004 but more importantly for the medium term. It is anticipated that the findings from these working groups will be reported back to Members in July.

6.6 Chief Education Officers from London LEAs have met with the Secretary of State for Education to discuss the funding for 2003/2004 and future years. Further meetings with representative CEOs and the DfES and Ministers are scheduled to take place to investigate in more detail the issues behind the funding problems. Every opportunity is being taken by Members, officers and schools to make representations to Ministers and MPs to ensure that there is sufficient funding available for the Schools Budget in future years.

## **7. Consultation**

7.1 Schools are being kept updated on the budget position individually and via the Budget Review Working Group and the Schools Forum.

## **8. Finance Observations**

8.1 This is the report of the Director of Education and Interim Director of Finance and deals with financial matters throughout.

## **9. Legal Observations**

9.1 The treatment of any balance, either surplus or deficit is governed by the individual LEA scheme for financing of maintained school. The Scheme is prepared in accordance with Section 48 of the School Standards and Framework Act 1998 (as amended) and approved by the Secretary of State and Members each financial year.

Schools are entitled to keep their surplus balances. If a school ends the financial year with a deficit budget, then the deficit will become the first call on the new budget share of the new financial year. Schools cannot plan for a deficit budget, unless the LEA agrees to this. If a planned deficit was allowed by the LEA this is usually termed a licensed deficit or a short term loan.

10. **Conclusion**

10.1 The report details the latest position with regard to the Schools Budget for 2003/2004.

11. **Background Papers**

11.1 Report to Education Consultative Forum 9 January 2003 Proposed Schools Budget 2003/2004. Letter from Mr Crowne 2 May 2003 Schools' Budgets 2003/2004. Reply to Mr Crowne's letter 12 May 2003 from Paul Osburn.

12. **Author**

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