



Executive
13th February 2006

**Report from the Director of
Children and Families**

For Action

Wards Affected:
ALL

Review of School Funding Formula 2006/07 and 2007/08

Forward Plan Ref: C&F05/06-027

1.0 Summary

- 1.1 This report requests the executive to approve the Dedicated Schools Budget (DSB) for 2006/07 and 2007/08 and also to approve the school funding formula for 2006/07 and 2007/08.
- 1.2 Both of the above issues have been debated by the Schools Forum. At its meeting on 5th December 2006, the Forum made a number of recommendations regarding the funding formula. Minutes of that meeting are attached to this report as Appendix E. However, details of the DSB were not available at that time and some formula issues required further consideration. A further Schools Forum meeting on 6th February will discuss and make recommendations on the DSB and the other formula issues and the minutes of that meeting will be reported to your Executive meeting as Appendix F to this report (to follow). With regard to both the DSB and the funding formula, the Executive is mainly being asked to confirm the recommendations of the Forum, although in one or two areas it is suggested that the Executive may wish to revise the Forum's proposal. These are set out below, with the reasons for so doing.

2.0 Recommendations

Dedicated Schools Budget

- 2.1 The Executive is recommended to approve the Dedicated Schools Budget for 2006/07 as set out in Appendix A to this report, noting that a more accurate assessment of Dedicated Schools Grant will be made once the January 2006 pupil count data has been received from all schools, and this may require some small

adjustment to the budget as set out in the Appendix. This recommendation includes approval to the increase in Nursery Education Grant value recommended by the Schools Forum at its meeting on 5th December 2005.

- 2.2 The Executive is recommended to approve in principle the Dedicated Schools Budget for 2007/08 as set out in Appendix B to this report, noting that a more accurate assessment of Dedicated Schools Grant will be made once the January 2007 pupil count data has been received from all schools, and this is likely to require adjustment to the budget as set out in the Appendix. Once a more accurate assessment of 2007 pupil numbers can be made a revised DSB will be reported to the Executive for approval as part of the 2007/08 budget process.

Funding Formula for schools

- 2.3 It is recommended that the Executive approve the following changes to the schools funding formula for 2006/07 and 2007/08:

- 2.3.1 That the allocation of threshold funding should be on the historical basis recommended by the Schools Forum for both 2006/07 and 2007/08, with a review in 2006/08 looking to phase the historical basis out from 2008/09 (Table 3.21)
- 2.3.2 That there be no change to the social deprivation factor (Table 3.21)
- 2.3.3 That the split site factor for Alperton and Kingsbury High schools be revised as proposed by the Schools Forum (Table 3.21)
- 2.3.4 That the split site factor for the Cardinal Hinsley/Convent federation should be scaled down over the three years starting 2007/08 on the basis 85% in 2007/08, 65% in 2008/09 and 45% in 2009/10, with 2009/10 being the final year (Paragraph 3.22)
- 2.3.5 That the place factor for the nursery schools be revised as recommended by the Schools Forum (Table 3.21)
- 2.3.6 That the new financial regulations for schools be agreed without amendment from those sent out to schools for consultation in the autumn 2005 apart from the technical adjustments required by the Authority and agreed by the Schools Forum on 6th February 2006 (Table 3.21)
- 2.3.7 That in relation to the proposal for SEN decoupling, the threshold be set at £5,000 and that protection for secondary schools losing funding through the new arrangements be paid at the current projected level loss, based on the consultation paper schedule, for three years. The aim would be to move to a £7,500 threshold in 2008/09, subject to the views of the Schools Forum on the success of the initial scheme. (This recommendation to be assessed in the light of the recommendations on this issue from the Schools Forum on 6th February 2006) (Paragraph 3.23)
- 2.3.8 That there should be a new formula factor to provide transitional funding for merging schools, that it should apply for two years - the year of the merger and the year after - and that it should be a lump sum payment of £100,000 for each of the two years (Paragraph 3.22)
- 2.3.9 That the small loan scheme as set out in the autumn consultation paper be agreed (Table 3.21)
- 2.3.10 That a contingency for Hard to Place Pupils be created on the basis recommended by the Schools Forum (Table 3.21)
- 2.3.11 That all current unallocated ISB items be deleted with effect from 1st April 2006 apart from that related to in-year SEN statement changes and those related to

- rising rolls at September each year, taking into account recommendations by the Schools Forum at their meeting on 6th February 2006 (Paragraph 3.26)
- 2.3.12 That any additional formula items recommended by the Schools Forum at their meeting on 6th February 2006 in relation to personalised learning, practical learning options 14 to 16 or workforce reform be considered (Forum minutes – Appendix F)
- 2.3.13 That any recommendation made by the Schools Forum on 6th February 2006 with regard to the mobility factor be agreed (Paragraph 3.29)
- 2.3.14 That the additional of a new lump sum element for 4FE primary schools be agreed (Paragraph 3.30)
- 2.3.15 That £1.6m be allocated specifically to the primary sector through the Age Weighted Pupil Unit (AWPU) to address the relative under-funding of schools in the primary sector (Paragraph 3.28) and that £236k be similarly allocated to the secondary sector through the AWPU (making £400k in total for the secondary sector, including the protection recommended in paragraph 2.3.7 above)

3.0 Detail

Dedicated Schools Budget 2006/07 and 2007/08

- 3.1 The Dedicated Schools Budget (DSB) will come into operation from 1st April 2006. It contains broadly the same items as were previously within the Schools Block and to which the passporting requirement applied, except that the delegated Standards Fund will fall outside the DSB and will be 100% grant funded by the DfES. The DSB will be 100% funded by the DfES through the Dedicated Schools Grant (DSG).
- 3.2 The announcement of the provisional DSG allocations was made on 7th December 2005. The headline figures are that Brent will receive an increase of 8.2% per pupil between 2005/06 and 2006/07, with an 8.1% increase between 2006/07 and 2007/08. This is the second highest increase both in London and nationally. This increase is partly due to the fact that the DfES have factored into their calculation the disappointment expressed by those Local Authorities (including Brent) who are currently spending below SFSS for Education and an allocation of some of the funding above the DSG baseline of 5% has been directed towards those authorities. The Minimum Funding Guarantee (MFG) is 4% for primary and nursery schools and 3.4% for secondary and special schools. The MFG for 2007/08 will be 3.7% for all schools. Provisional Learning and Skills Council (LSC) allocations for sixth forms were received on 20th December. Attached as Appendices A and B to this report are provisional Dedicated Schools Budgets for 2006/07 and 2007/08 respectively based on these announcements.
- 3.3 The DSB includes both the funding delegated to schools (the Individual Schools Budget or ISB) and some Local Authority expenditure, mainly related to the direct provision of education outside its mainstream schools (e.g. out-borough SEN schools and the Pupil Referral Units). The majority of the items outside the ISB fall within the Central Expenditure Limit (CEL). The CEL is restricted by a requirement of DfES regulations that the year on year percentage increase in the CEL cannot be greater than the percentage increase in the ISB. Because any contingency items allocated to schools during the year (rising rolls, new statemented pupils) will fall within the CEL rather than the ISB from 2006/07 onwards, the CEL will need to be adjusted accordingly. The DSB for 2006/07

shown in the appendix assumes that the CEL will increase by the same percentage as the ISB and the items included within it are broadly the same as for 2005/06.

- 3.4 The DSG for 2006/07 and 2007/08 has increased by more than 8.2% and 8.1% respectively in cash terms because the DfES has assumed rising rolls in both years within their calculation of the Dedicated Schools Grant. The provisional calculation of the overall DSG for the two years is as follows:

	2005/06 (Baseline)	2006/07	2007/08
Per pupil funding baseline (A)	£3,988.67	£4,315.53	£4,663.30
Percentage increase		8.2%	8.1%
Pupil Numbers (B)	35,903.5	36,171	36,694
Percentage increase		0.7%	1.4%
Dedicated Schools Grant (A*B)	£143,207,218	£156,097,036	£171,115,130
Percentage increase		9.0%	9.6%

- 3.5 Within the CEL, most items have been increased by inflation alone. However, there are a few areas where a larger increase is deemed necessary and these are detailed below. In every case, any increase above inflation has been contained within the overall CEL limit. The Executive is asked to approve these items and the related budget provision.

New Pupil Referral Unit

- 3.6 The Council's Executive and the Schools Forum both agreed to the need for an additional Pupil Referral Unit as part of the 2005/06 budget process. The full year revenue costs of a new PRU would be £500,000. The Schools Forum agreed last year that £196,000 be set aside within the non-delegated element of the 2005/06 Schools Block to cover the set up costs of the new PRU in that year. A further £302,000 will be required in 2006/07 to bring the 2005/06 base allocation up to the full year provision that is required.
- 3.7 The new provision will be in addition to the existing Key Stage 3 and Key Stage 4 PRUs. It will provide for pupils, both with and without statements, with high-level support needs which cannot be met in existing provision. This will help reduce the need for placements outside of the Authority.

Costs Associated with Running the Schools Forum

- 3.8 The DfES regulations related to the Dedicated Schools Budget permit the costs of serving the Schools Forum to be charged to the DSB. In the past, it has not been felt necessary to charge officers' time and other costs in this way since Council funding effectively met all the costs. However, under the new arrangements, the

Forum costs would fall to be met by the Dedicated Schools Grant and it is therefore felt reasonable to adjust for this. A significant proportion of the time of an Assistant Director is spent in supporting the Forum, writing papers and managing elections etc. There are also other costs associated with minute taking, stationery etc. In view of the overall increase in DSG and the complexity and demands of the new school funding regulations, as well as the increased role of the Schools Forum in the future, it is felt that an allocation of £30,000 to cover these costs is reasonable. This funding would effectively create income within the Children and Families Finance Team that would be used to support the additional demands created by the new Children and Families Department and which if not covered would potentially reduce the time available to the Assistant Director to support the Forum.

Unplaced Pupils Provision

- 3.9 The Council has a statutory duty under section 14 of the 1996 Education Act to secure that sufficient schools for (a) primary and (b) secondary education are available for their area. Local Authorities are not themselves obliged to provide all the schools required but to ensure that they are available for their area. For example, like Brent, some London Boroughs, e.g. Kensington and Chelsea, have never had sufficient school places within the borders of the Borough to meet demand and have relied on places being available in neighbouring boroughs or elsewhere in London.
- 3.10 If no places are available and all avenues for placement have been explored, Local Authorities have a power to instruct schools to admit above capacity. This power is more limited in the case of the schools of another LA. This power is subject to the schools' rights to appeal to the Secretary of State who takes the final decision
- 3.11 Demand for school places within Brent has increased faster than expected in the last year.
- 3.12 Discussions with the DfES and schools have been undertaken to provide additional places. The Executive on November 14th agreed to the creation of an Academy to provide 900 extra places by 2009. Preston Manor School have submitted a proposal to expand by 1 FE or 150 places by September 2007 at the earliest. Discussions are being held with Copland School (150 places by 2009 at the earliest), John Kelly Colleges (300 places by 2011 at the earliest) and Queens Park School (300 places by 2009 at the earliest) to provide extra places. The resources to provide the Academy places will be allocated by the DfES. At present funding is not secured for all the additional places needed by the expansion of existing schools. This is the subject of discussion with the DfES.
- 3.13 A sum of money has been reserved within the capital programme to provide additional temporary accommodation at existing secondary schools should this be required in the short term following discussions with schools.
- 3.14 In November 2005 the Authority set up assessment centres for secondary aged pupils who are seeking places. The centres will provide information which will aid the process of placing children in appropriate provision whether that be places in

schools, specialist provision for new arrivals with language needs or vocational courses in conjunction with the College of North West London for Key Stage Four students. The costs of this provision will be met from within the current School Budget. However, there will be a need to continue to provide for at least some of these pupils into 2006/07. A precise estimate of the likely cost will not be available until after the assessment process has been completed, but it would be prudent to assume that it would be in the region of £300,000, and allowance has been made in the draft DSB for such an allocation. This is in addition to £150,000 that is already available to support Year 10 and 11 pupils in college provision.

Home Tuition Service/Education Otherwise than at School

- 3.15 There is an increasing demand on the home tuition and education otherwise than at school service. The Local Authority has a duty to provide education for all of its school age children who are not in school and has no option but to provide for the additional cost of this service. Based on the level of provision required for 2005/06, an increase of £150,000 will be required in 2006/07.

Nursery Education Grant (NEG)

- 3.16 An increase in the level of NEG from £1,248 per annum (based on the level set by the Government in 2000) to £1,297.92, from 1st April 2006, an increase of £49.92 (4%) to bring Brent more into line with neighbouring authorities was agreed by the Schools Forum at its meeting on 5th December 2005. In addition, growth of £273,000 will be required to fund the increase in entitlement from 33 weeks p.a. to 38 weeks.

Prudential Borrowing

- 3.17.1 Part of the new arrangements for the Dedicated Schools Budget is to allow borrowing costs resulting from capital spend which gives rise to savings in the DSB to be charged to the DSB.
- 3.17.2 The Council already runs a schools loan scheme which allows schools to borrow to fund capital spending and pay back over a period of time, subject to repayments not being more than a specified proportion of the school's revenue budget.
- 3.17.3 The new arrangements allow prudential borrowing which yields wider benefits to the Dedicated Schools Budget to be charged to the DSB. The charges would count as centrally retained costs. Growth in centrally retained costs is limited to the growth in the Individual Schools Budget, unless otherwise agreed by the Schools Forum or Secretary of State for Education and Skills, and borrowing charges would be included within this central expenditure limit.
- 3.17.4 The benefit of allowing prudential borrowing costs to be charged to the DSB is that it allows the council and Schools Forum to consider funding capital spending over and above that which the Council could otherwise afford.

- 3.17.5 The DFES guidance on prudential borrowing gives a number of examples of the kind of savings that can be taken into account in deciding whether costs of prudential borrowing are met from the DSB. These include savings from:
- rationalisation e.g. amalgamation of schools;
 - replacing expensive out-of borough provision for special needs; and
 - premises savings e.g. reductions in repairs and maintenance or energy costs as a result of modernisation or replacement of buildings.

The guidance also recognises that in some cases there may be a combination of service improvement and revenue saving and that not all the borrowing costs need to be treated as being offset by savings.

- 3.17.6 The Council has in recent years funded a higher level of schools' capital spending than provided for by DFES and used General Fund resources to fund the additional borrowing costs. Current pressure on the General Fund budget – with a loss of £8m per annum through the introduction of the Dedicated Schools Budget – means the council will not be able to continue doing this. The arrangements for prudential borrowing will allow consideration to be given to alternative sources of funding for capital spending where it yields revenue savings.

- 3.17.7 There is no scope within the central expenditure limit for 2006/07 to fund borrowing costs arising from prudential borrowing. However, the position is being reviewed for future years and it is planned to report again on this to the Executive and Schools Forum during the summer.

- 3.17.8 However, it should also be noted that there is a pressing alternative need for the resources which are forecast to be available within the Central Expenditure Limit for 2007/08. This is to fund lead professional posts to work with clusters of schools to implement the Common Assessment Framework following the Children's Act 2004 and to develop integrated services with a focus on prevention. It is proposed to consult during 2006/07 on this proposal to use central expenditure funds in 2007/08 for integrated services with matched funding from schools.

Decision Required

- 3.18 The Executive is asked to agree the provisional DSB for 2006/07 and 2007/08 as set out in Appendices A and B, noting that any (probably minimal) fluctuation in pupil numbers from the January 2006 counts will require amendment to the overall figures for 2006/07. Depending on when the final figures are available, it may not be possible to bring the updated DSB to an Executive meeting prior to the date when schools will need to be provided with their budget information and the Council to publish its overall budget information. However, whatever revisions are required, the detail of the individual items within the CEL will remain unchanged and the overall percentage increase in the CEL will be no more than the percentage increase in the ISB. The final DSB will be reported to the Schools Forum at its first meeting in the 2006/07 financial year. The DSB for 2007/08 is still very provisional and dependent upon pupil numbers at January 2007. The DfES figure assumes a further increase in roll and if this does not occur at the level expected, the DSG for 2007/08 will reduce. However, the per pupil increase of 8.1% between 2006/07 and 2007/08 is secure.

School Funding Formula 2006/07 and 2007/08

- 3.19 Local Authorities are required to review their school funding formulae on an annual basis. Due to the new school funding regulations and the introduction of multi-year budget periods, the changes for 2006/07 will also apply to 2007/08. Schools were consulted on possible changes to the funding formula for 2006/07 during the autumn 2005 and the responses are summarised below and in Appendix C to this report. Actual copies of all the responses are enclosed with your documents for this meeting. For ease of reference, a copy of the consultation paper on the funding formula issued to schools is enclosed with your documents for this meeting. The issues raised were summarised in the table at section 17.1 of the consultation paper.
- 3.20 There were 15 comments received, 8 from primary schools (including one from the primary heads group); 3 from secondary schools; 1 each from a special and a nursery school; 1 from a governing body clerk and 1 from the Teachers' Panel. There was general support for replicating the 2005/06 model for funding threshold payments, although one respondent felt that schools should not be "rewarded" for high historical spending in this area. With regard to the social deprivation factor, there were mixed responses as to whether the value should be increased or remain the same and a number of respondents suggested removing the £1,000 threshold. There is general agreement with the proposed change to the split site factor for Alperton and Kingsbury High (although the primary heads felt that there should be no increased value overall) and most respondents felt that the Federation factor should be phased out in line with the Forum's proposals. All who responded on the change to the nursery school factor supported the proposal. One school wanted the nursery increase applied to primary schools, but it would be difficult to do that directly since primary schools cannot have a place factor. Those who responded with regard to the new financial regulations supported them unanimously. There were varying views on decoupling. Although there was general support, the level of the threshold was felt to be key and some respondents wanted it kept quite low (which would result in little movement to the non-stated factor and result in little change to the current position). Extra funding was also an issue. There was mixed response to the proposal to provide transitional funding for merging schools. Some respondents felt that the LA should pick up the cost centrally (there is no provision for this – it would have to come from the DSB), others supported it. The schools directly affected feel that £300,000 over two years, rather than the £200,000 proposed in the consultation paper, will more accurately reflect the true additional costs. The small loan scheme was supported, with some comments that it should not be too onerous and bureaucratic for schools. The Hard to Place Children contingency proposal was welcomed. Other comments covered three main areas: there were a number of comments from primary schools (including the primary heads group) about addressing relative funding differences between the primary and secondary sectors as well as picking up on cost pressures around TLR, workforce reform and Inner London Weighting; there were proposals to increase Free School Meals funding above inflation to address healthy eating issues (the draft Budget Shares are based on a 4.5% increase); and one respondent proposed a

significant simplification of the whole formula, based on Additional Educational Needs and pupil numbers with the minimum of further factors.

3.21 The Schools Forum considered the responses at its meeting on 5th December 2005 and made the following recommendations:

Issue	Schools Forum View
Allocation of Threshold grant	Historical data should be used for 2006/07 and 2007/08. Review the position before 2008/09 to consider moving in a phased way to a more data driven approach
Social Deprivation Factor	No change
Split Site factor	Agree the proposal for Alperton and Kingsbury High split site calculation
Proposed Extension of the Split Site Factor for Cardinal Hinsley/Convent Federation Beyond 2006/07	Should be phased out over three years – 2/3 in 2007/08, 1/3 in 2008/09 and no allocation in 2009/10
Place Factor for Nursery Schools	Agree to proposal
Review of Financial Regulations for Schools	Agree with the proposed financial regulations *
SEN Issues Arising from the Review	Note that there is no need to revise the funding formula itself and that a report on the weighting changes required to address the issues in the SEN Review will come to the next Forum meeting in February 2006
SEN funding - Decoupling	Agree to a consultation paper being sent out. Threshold should be set at £5,000 and impact should be phased in over three years. Result of consultation to be reported back to the next meeting of the Forum in February 2006
Transitional Funding for Merged schools	Agree that merging schools should be provided with some transitional protection The annual figure should be less than £100,000 and should apply from the date of merger
Small Loan Scheme	Agree with the small loans scheme
Hard to Place Children	Agree that a contingency be created for Hard to Place Pupils and with the criteria and methodology set out in the consultation paper

* Some technical adjustments relating to new EU regulations were recommended by the Council's solicitors to Section 7 (Procurement) of the Financial Regulations and these were approved by the Schools Forum at its meeting on 6th February 2006.

- 3.22 In most cases, the Executive is asked to agree to the recommendations from the Forum as set out above. However, in relation to the split site factor for Cardinal Hinsley/Convent Federation, it is proposed that the factor should continue but be phased out over a further three-year period starting from 2007/08. The proposed phasing would be 85% in 2007/08, 65% in 2008/09 and 45% in 2009/10, with 2009/10 being the final year. This is in order to ensure that the excellent progress made by Cardinal Hinsley during the operation of the Federation can be brought to a successful conclusion. In relation to the transitional funding for merged schools, the Chair of the Wembley Manor Shadow Governing body has produced an assessment of the additional costs associated with the merger (Appendix G), and in the light of this it is proposed that the original proposal for two annual allocations of £100,000 be confirmed. This and the lump sum proposal at paragraph 3.30 below are best viewed as technical adjustments rather than real additional funding and reflect the need to protect the newly merged school from what would otherwise be a cut in funding due to the way in which the funding formula operates.
- 3.23 One issue was deferred, that of SEN decoupling, as the Forum felt that schools should be consulted separately on this issue. A copy of the consultation paper sent to schools is enclosed with your papers for this meeting. There were 9 responses to the consultation, three of them from different sources at the same school (Head, Chair of Governors and Finance Committee). The responses are summarised at Appendix D and full copies of all responses are enclosed with the pack of supplementary papers issued to Members of the Executive. The first two responses were generally in favour of the Schools Forum position that decoupling be introduced as a pilot phased in over three years, with the threshold set at £5,000. The possibility of moving to a £7,500 threshold would be subject to review. The third response did not support decoupling for 2006/07 due to the impact on pupils with statements below £5,000. The fourth response (supported by the school's governors in the fifth and sixth responses) was also against decoupling. However, these three responses indicated a misunderstanding in the way in which the scheme would operate. The concerns were primarily based on an assumption that statements with a value below £5,000 would continue to be produced but would not be funded. This is not the case. Statements would not be produced if they had a value below £5,000 and many of the concerns raised would, therefore, be groundless. The seventh response (from the Primary Heads Group) proposed that a decision be deferred pending clarity on the impact of other funding and formula changes on the primary sector and on the implications of the decoupling proposals. The eighth response is also proposing deferral pending more clarification, although if the proposals are proceeded with, it supports a £4,900 threshold and protection. The final response also wished to retain the status quo, but similarly states that if the proposal does proceed they would support a £5,000 threshold and protection. In the light of the above, it is recommended that the decoupling proposal be introduced from 1st April 2006, based on the School's Forum's original view of a £5,000 threshold. All secondary schools would lose by varying amounts under the proposals and it is therefore also recommended that protection be provided for secondary schools over three years at a cash figure equal to the current level of projected loss shown in the consultation paper exemplar (a total of £163,679). This latter point addresses concerns about protection. Although a small number of primary schools would also lose under the proposal, they would all gain significantly more through the allocation of £1.6m to the primary sector recommended in this

report. The Schools Forum considered this issue further at its meeting on 6th February 2006. The minutes of that meeting are at Appendix F (to follow) and the Executive is asked to review this recommendation in the light of the proposals on this issue from the Schools Forum and decide whether to agree any alternative recommendation from the Forum on this issue.

- 3.24 When the provisional 2006/07 Budget Share allocations were notified to schools in December, an amount of £2.6m was held back from the total allocation used. This was to enable the Schools Forum and the Executive to make decisions regarding formula changes and changes to the direction of resources to sectors that could be met from this sum and would therefore not have a detrimental impact on the notified provisional Budget Shares of schools not directly benefiting from the changes. Proposals for allocating this sum are set out in paragraph 3.32 below.

Contingencies

- 3.25 A basic assumption contained in the new DfES school funding regulations is that all delegated funding should be allocated at the start of the financial year and that most in-year unallocated ISB/contingency adjustments are relatively minimal and schools should be able to manage without such in-year additional allocations. However, the DfES recognise that some in-year adjustments may be felt desirable and Forums can recommend that they continue. However, any such retained allocations will in future have to be regarded as contingencies within the Central Expenditure Limit (CEL) rather than as unallocated ISB items – a category that will no longer exist under the new arrangements. Ironically, this potentially reduces school funding since any balance remaining at the year end in any current unallocated ISB provisions will be redistributed across all schools whereas there will be no requirement to do this with any unspent contingencies within the CEL (although they will be carried forward for use in future years).
- 3.26 Having considered this issue at their meeting on 5th December 2005, the Brent Schools Forum recommended that all the current unallocated ISB items should cease from 1st April 2006 apart from those related to in-year changes to statements of SEN and in-year rising rolls. In relation to the latter point, the DfES preference is that only increases in whole forms of entry should in future be funded in year. This is in contrast to the Forum's proposal, which would retain the current Brent's formula of funding increases of ten in any one form at September. In the light of the DfES's comments, the Forum was asked to reconsider this issue at its meeting on 6th February and the Executive is asked to approve the decision made by the Forum as set out in the minutes of that meeting.
- 3.27 The DfES have drawn attention to the fact that the calculation of the Dedicated Schools Grant includes a number of factors, including personalised learning, practical learning options 14 to 16 and workforce reform. The Schools Forum at its meeting on 6th February considered whether to reflect any of these within the Brent funding formula and the Executive is requested to agree any recommendations from that meeting in relation to these items.
- 3.28 Primary colleagues have been making the case for many years that the level of funding to the primary sector is relatively lower than for secondary. For 2005/06, a comparison between the delegated funding per pupil for the two sectors and the London average is as follows:

	2005/06 London Average	2005/06 Brent
	£	£
Primary	3,500	3,421
Secondary	4,445	4,700

The Brent primary funding per pupil is £79 (2.25%) below the London average and the secondary funding is £255 (5.7%) above the average. 2.25% of the provisional primary allocations for 2006/07 is £1,600k and so a case could be made for allocating this proportion of the £2.6m hold back to the primary sector in order to bring them up to the London Average. A further similar allocation in 2007/08 would largely redress the balance of funding between the sectors. The Forum considered this issue at its meeting on 6th February, and the Executive is asked to confirm the recommendation from that meeting.

- 3.29 There was a late response to the autumn funding formula consultation. It was agreed that this response, which dealt with mobility funding, should be discussed at the Forum meeting in February. The Forum was asked whether it wished to increase the funding for this element of the formula from its current proposed 2006/07 level of £113,307, and the Executive is asked to agree the Forum's recommendation, contained in its minutes.
- 3.30 The merger of the Wembley Manor schools to create a four form entry primary school requires a revision of the lump sum formula element, since the new school will not fit the Group 5 school categorisation that it would otherwise be in. There are two issues, firstly that the school will require an additional deputy and secondly that the Head's salary is in the Group 7 range. It is therefore proposed to create a new "Group 5 Primary" (i.e. above Group 4) category and the lump sum, taking into account these two issues, would be £353,228 in 2006/07. None of the other lump sums are affected by the change, and it can be funded from within the reduction in Budget Share arising from the merger without impacting on other schools. The Executive is therefore recommended to agree the change.
- 3.31 Local Authorities are permitted to include in their Schemes of Delegation provision for them to claw back high surplus school balances where those balances are not earmarked by the school for specific schemes or purposes. The DfES define high balances as 5% of the current year's budget share for secondary schools and 8% for primary. This power can only be used if authorities provide their schools with three-year budget information (which will be the case automatically from 2008/09 under the new funding arrangements). Brent schools stated in their 2004/05 Consistent Financial Reporting (CFR) returns to the authority and the DfES that their year-end balances were appropriately earmarked and in each case identified the type of expenditure concerned. In previous years schools with high balances have been asked to state specifically what schemes their balances were for and they all did this. In the light of this position, it is not proposed to include a claw back provision within the scheme at this time. However, this position could be reviewed in future if schools were not properly earmarking their balances.

Decision

- 3.32 The Executive is asked to consider all the above issues and agree the changes to the funding formula for 2006/07 and 2007/08. It is proposed that the £2.6m held in reserve be allocated as follows:

Formula Item	2006/07 Allocation	2007/08 Allocation
	£k	£k
Split Site Factor	86	
Nursery Place Factor	37	
Merging Schools	100	100
SEN Review	300	
Mobility	77	
Sub Total	600	
Target to Primary Sector - AWPU	1,600	1,600
Target to Secondary Sector – Decoupling Protection	164	164
Target to Secondary Sector - AWPU	236	236
TOTAL	2,600	

4.0 Financial Implications

- 4.1 The cost of all of the issues covered in this report will fall within the Dedicated Schools Budget.
- 4.2 The Dedicated Schools Budget (DSB) will, from 1st April 2006, be funded by the Dedicated Schools Grant (DSG), a 100% grant from the DfES. There will therefore be no cost to the Council or the Council Tax arising from the recommendations contained in this report.
- 4.3 It is estimated that the DSG for Brent will be £156,097,000 for 2006/07 and £171,115,000 for 2007/08, subject to adjustment when final pupil number data is available. Details of the DSB for the two years are contained in Appendices A and B to this report.

5.0 Legal Implications

- 5.1 The Council is required to produce a Dedicated Schools Budget for 2006/07 and 2007/08 before 1st April 2006. It is also required to agree, in consultation with its Schools Forum, the school funding formula for the same two-year period. It is also required to spend its DSG wholly on items contained within the DSB and for no other purpose. This report fulfils all those requirements.

6.0 Diversity Implications

- 6.1 The funding formula will direct resources to individual schools on the basis of a variety of data sets, some of which will reflect pupil's backgrounds. However,

apart from statements of Special Educational Needs, the resources are not earmarked and schools are free to spend them as they wish. All pupils in Brent schools will benefit from the resources. Some schools with a specific religious ethos will benefit specific sections of the community (e.g. Muslim and Jewish children), including the Muslim school (The Avenue Primary School) that became Voluntary Aided from 1st April 2005.

7.0 Staffing/Accommodation Implications (if appropriate)

7.1 There are no specific staffing issues for the Council arising from this report. Although, of course, individual schools will make staffing decisions based on the amount of resources allocated to them through the formula.

8.0 Supplementary Documents

8.1 The following supplementary documents related to this report are included in your papers:

- The main funding formula consultation paper (Brent Schools Circular Number 1596)
- The decoupling consultation paper (Brent Schools Circular Number 1731)
- Main consultation paper responses
- Decoupling consultation responses

Background Papers

- i) DfES school funding regulations 21st July 2005, DSG Baseline 28th November 2005, School Funding Settlement 2006/07 and 2007/08 7th December 2005
- ii) Section 52 (Estimate) Statement 2006/07 and 2007/08 Draft Guidance Notes
- iii) Brent School Circulars 1596 and 1731

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