

**SCHOOLS FORUM MEETING**

**WEDNESDAY 3<sup>RD</sup> DECEMBER 2003**

**SCHOOL BUDGET ISSUES 2004/05**

**1.0 Introduction**

- 1.1 The Secretary of State for Education and Skills made a statement in the House of Commons in July 2003 that contained a number of announcements in relation to school funding in 2004/05. The main items are as follows:
- Every school will receive a guaranteed per pupil increase in funding – details will be announced in November at the time of the overall provisional finance settlement. (The minimum increase will be based on the average cost pressures being faced by schools)
  - Barring wholly exceptional circumstances, every LEA will be required to passport the full increase in its Schools Block Formula Spending Share (FSS) into the Schools Budget. (The Secretary of State will exercise his reserve powers if LEAs refuse to do this)
  - LEAs will not be permitted to increase the retained portion of the Schools Block (mainly Special Educational Needs funding) by a greater percentage than the delegated schools budget without DfES approval
  - There will be a two year settlement on teachers pay
  - The planned reduction in the Standards Fund over the next two years will be reversed and funding maintained at 2003/04 levels plus inflation
  - Authorities' Formula Spending Shares will be announced in mid November
  - LEAs are required to notify the Secretary of State of their Schools Budget by 31<sup>st</sup> December 2003 in order to demonstrate that they have met the passporting requirement (bullet point 2 above)
- 1.2 The impact of the above could not be even provisionally assessed until November when details of both the minimum per pupil funding percentage and the Education FSS became available. Even then, the final position cannot be assessed until after the pupil number count on the third Thursday in January (the PLASC return). Both the minimum per pupil funding increase and the requirement to passport will have a potential impact on the rest of the Council's budget, which will increase if pupil numbers rise.
- 1.3 In addition to the above, there will be a significant impact on schools in 2004/05 and beyond as a result of the workforce reform requirements (the transfer of several functions within a school from teachers to non teaching staff) and the impact of single status in schools. However, no specific funding has been provided for this by central Government who

believe that any additional funding within the ISB over and above that required to meet inflation can be used to address these issues.

## **2.0 Latest Position**

- 2.1 Towards the end of October, announcements were made by the DfES that provided some of the details required to assess the impact on the Council's budget.
- 2.2 The main announcement was that school budgets would increase by a minimum of 4% per pupil between 2003/04 and 2004/05. Although this is the headline figure and broadly states the position, the actual calculation of a schools' minimum guaranteed increase is slightly more complex. Schools with the same pupil numbers at January 2004 as at January 2003 will receive the minimum 4% increase. Schools with rising rolls receive additional protection based on the 2003/04 funding per pupil plus 4% but reduced to reflect the fact that only part of a school's budget is pupil driven. The reduction is 20% for primary schools and 12.5% for secondary (these figures are based on the national average in each case). Schools with falling rolls have a reduction to the base position on the same basis. Because of the reduction to reflect the pupil driven element only, schools with very significant increases in roll could have an overall per pupil increase of less than 4% and this is protected further in that no school can have an overall increase per pupil of less than 3.4%. The protection does not apply to either special schools (because their place weighting drives most of their funding and that will increase by at least 4%) nor nursery schools (because they are officially formula funded for the first time from 1<sup>st</sup> April 2004 and there is therefore no 2003/04 base position to work from. Statements of special educational need, 6<sup>th</sup> form funding and National Non Domestic rates are excluded from the calculation of the protection (in each case this is reasonable and the appropriate funding for 2004/05 will be added to the protected level where appropriate).
- 2.3 The teachers pay award has been announced for two years. It will be 2.5% for 2004/05, effective from 1<sup>st</sup> April 2004 and a slightly higher figure (2.95%) for 2005/06. This will give schools some surety of projection of their funding requirements.
- 2.4 The DfES reiterated that the non-devolved element of the Schools Block Budget cannot rise by a higher percentage than the devolved element. Again, there is a complex calculation and some exclusions. The budget areas covered by the restriction in non-devolved funding increased are mainly SEN related (e.g. out borough placements) and LEAs can apply to the DfES for special dispensation where they feel that their SEN provision needs to be increased beyond this restricted level. It was thought at first that this would not apply to Brent, but there have been significantly increased out borough SEN placement costs in 2003/04 that have recently come to light and these will continue into 2004/05. The additional provision required is likely to be at least

£1.7m. This is in addition to some growth items that had already been identified in relation to Home Tuition, the Pupil Referral Units, Teachers attached to Children's Centres and the Portage scheme. Officers will therefore be seeking the necessary dispensation from the DfES. Although applications can be received up to 13<sup>th</sup> February 2004 (providing the LEA is intending to passport the SFSS increase – see below), the Council intends to apply for this dispensation in early December 2003, seeking a decision by mid-January 2004 at the latest in order to have certainty when setting the overall budget and Council Tax.

- 2.5 The DfES has announced LEA's Standards Fund allocations for 2004/05. As promised by the Secretary of State in July, these allocations have been maintained at 2003/04 levels plus inflation.
- 2.6 The final main element in the equation that determines the basis for school funding in 2004/05 is the passporting figure. This is based on the increase in the Schools Block Formula Spending Share (SFSS) between 2003/04 and 2004/05. LEAs are expected, as a minimum, to increase their schools block budget by at least that amount. The FSS figures were announced on 19<sup>th</sup> November. Brent's SFSS increase is £8.257m, which means that the Schools Block must increase from £124.258m (net of LSC 6<sup>th</sup> Form funding) to £132.515m. Brent started from a slightly higher base position in 2003/04 as the final Schools' budget for that year exceeded the passporting requirement and Appendix A sets out the Schools Block Budget showing the 2003/04 base position and the changes required in 2004/05 to meet the passporting figure.

### 3.0 **Issues for Brent**

- 3.1 There are a number of issues arising from the above that need to be taken into consideration with regard to decisions relating to both the schools budget and the schools funding formula for 2004/05.

#### **Passporting**

- 3.2 In order to achieve the passporting figure set out above, the Schools' Block budget for 2004/05 (excluding any new growth other than to achieve passporting) would need to be £132.515m. Appendix A sets out a draft EAL budget for 2004/05 on this basis and page 2 of the appendix shows the projected schools budget for 2004/05 to meet the passporting requirement. The total allocated Individual Schools Budget at this draft cash limit level would comfortably meet the 4% minimum funding requirement (see paragraph 2.2 above). This draft cash limit proposes an increase in the Individual Schools Budget of 5.5% on the adjusted 2003/04 figure.
- 3.3 The additional funding allocated to the Schools Block to meet the passporting requirement will need to be split between the devolved and non-devolved sections of the Schools Block.

### Devolved/Non-Devolved Funding with the Schools Block

- 3.4 As is mentioned above, special dispensation is required from the Secretary of State where an LEA wishes to increase the non-devolved element of the Schools Block by a greater percentage than the devolved element. There are a number of new growth items proposed within the non-devolved element of the draft budget at Appendix A that will need to be addressed:

Item	Cost
	£k
Home Tuition Service	200
Key Stage 4 (KS4) Pupil Referral Unit (PRU)	60
Portage Service	0
Out borough SEN placements	1,700
Teachers Attached to Children's Centres	84
Total	2,044

- 3.5 All the above items are considered essential. Full details are contained within Appendix C. The Home Tuition Service and the Out-borough provision for children with Special Educational Needs (SEN) are both increases responding to substantial increases in volume of demand for the services. The LEA has no choice but to meet this increased demand. The funding for the KS4 PRU is also driven by legislative requirements (to provide full-time education for children out of school). The Portage service provides early intervention under five with SEN and Surestart has recommended that at least 0.5 of a teacher be attached to each of the Children's Centres. The allocation of this growth does not affect the passporting position but does mean that the non-devolved element of the Schools Block increases by a far greater percentage than the devolved element and as such will require the approval of the DfES. Assuming that Members confirm their in principle decision to passport the SFSS increase this submission for dispensation will need to be made to the DfES by 13<sup>th</sup> February 2004. As stated in Section 2.4, the Council intends to apply for this dispensation in early December 2003.

### Standards Fund

- 3.6 The original intention of the DfES was to reduce the level of Standards Fund funding to LEAs from 2003/04 onwards. However, following the issues raised over funding for schools earlier this year, the DfES changed its position and confirmed that the Standards Fund would remain at the 2003/04 level in 2004/05, plus inflation. Because of the original announcement, one of the savings proposed by EAL officers to meet the EAL cash limit was a reduction in the matched funding for the Standards Fund. This was proposed to be taken from those Standards Fund items that were not delegated to schools so as not to reduce funding available to schools. Now that detail of the allocations have

been received from the DfES it is possible both to split the Standards Fund between the Schools Block (delegated items) and the LEA Block (non-delegated) and to identify the shortfall in matched funding. Appendix B sets out in summary form the Standard Fund allocations for Brent in 2004/05. Overall, there is a potential shortfall in matched funding of £740k. This is entirely within the non-devolved element of the Standards Fund and outside the Schools Block. There is, therefore, no impact on the passporting requirement arising from any shortfall. The Executive are considering the non-Schools' Block EAL savings proposals on 8<sup>th</sup> December. If the reductions are agreed, there will be both a loss of grant (50%) and possible redundancies since much of the funding is related to ongoing provision of 2003/04 schemes, most of which involve staffing.

### Funding Formula Changes

- 3.7 There is a requirement on every LEA to consult with its schools annually on potential changes to the funding formula for allocating resources to schools. This consultation was carried out in Autumn 2003 for 2004/05 and focussed on a number of issues:
- Changes to the social deprivation factor
  - Whether to change the needs-led factor
  - Nursery school funding
  - Floors and ceilings within the formula
  - The John Kelly Language Project
  - Funding for schools with reducing standard numbers
  - Extending the split site factor to Federations
  - Reducing the number of formula factors
- 3.8 The proposals for change and the responses will be considered by the Schools Forum on 3<sup>rd</sup> December 2003 and then by the Executive on 4<sup>th</sup> February – when the final decisions will be made alongside the other 2004/05 budget issues. If there are changes made to the funding formula, there will be shifts in resources between schools resulting in gainers and losers. This effect is complicated for 2004/05 by the minimum funding per pupil requirement. Two of the proposals (the John Kelly Project (£150k) and the split site factor for Federations (£250) will require extra funding and this has been assumed within the passporting budget shown in Appendix A. Major changes could impact significantly on the allocations to individual schools and might then result in an increase in the funding required to meet the minimum per pupil increase. Consequently, officers will not be recommending any major changes to the Funding Formula in 2004/05. It is expected that any shifts in funding from minor changes will be contained within the headroom between the 4% protection and the actual increase in the ISB proposed in Appendix A to meet the passporting requirement.

**Final Pupil Number Figures**

- 3.9 The pupil numbers that drive the funding for schools for 2004/05 come from the January 2004 PLASC (Pupil Level Annual School Census). This is not undertaken until the third Thursday in January and it is often February before all the data is in from schools. Current projections as to the impact of the budget and the formula are based on pupil data collected from schools in September 2003. If there are significant changes in pupil numbers between September 2003 and January 2004, it would have an impact on some of the conclusions drawn within this report, but these are not expected to be significant.

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