

Spending Review 2010

1. Purpose of the Report

This report looks at the recent Spending Review and the announcements that have been made since. The report considers the likely impact on both Schools and Local Authorities. The next few years will see difficult annual settlements for some if not all schools and the report considers practical ways in which the schools planning cycle can be improved.

Recommendations

- Forum note the report.
- The Forum agree to the setting up of an all schools meeting to discuss federations, collaborations and partnerships.
- Forum agree that the budget setting timetable be brought forward and schools are notified of their budgets in early March.
- The Forum re-arrange the 20 January meeting to the 10 January
- The 17 March meeting be held on the 17 February

2 Context

- 2.1 The Chancellor of the Exchequer, revealed details of the Comprehensive Spending Review(CSR) on 20 October 2010, it covers the four years from 2011-12 to 2014-15. Since then various announcements have been made by the Department for Education(DFE) clarifying some of the details.
- 2.2 It is expected that we will receive notification of the level of the Dedicated Schools Grant , Formula Grant and other grants in early December. Until then we will not know the exact effect of the CSR.
- 2.3 The key announcements in the Spending review on Education are as follows
 - Revenue expenditure by DFE will rise each year, from a baseline of £50.8bn to £53.9bn in 2014-15.
 - Capital expenditure will be reduced by 60% from baseline £7.6bn to £3.4bn by 2014-15 or £15.8n in total over the period.
 - Overall resource savings in DfE's non-schools budget of 12 per cent in real terms by 2014-15.
 - 33% real terms reduction in the DfE's administrative budget by 2014-15.

- Sure Start will be refocused on its original purpose of improving the life chances of disadvantaged children and targeting early intervention on families who need the most support.
- Sure Start services will be maintained in cash terms with an expansion in the numbers of Sure Start health visitors.
- The 15 hours a week of early years education and care will be extended to all disadvantaged two year olds from September 2012.

2.5 For schools specifically

- There will be a real terms increase in the 5-16's school budget of 0.1% in each year of the spending review.
- £2.5bn will be invested in a pupil premium, with investment starting in September 2011.
- An assumed efficiency of £1billion in schools non-pay costs.
- A freeze on pay, saving £1.1billion.
- Underlying per pupil funding will be maintained in cash terms thereby funding demographic growth.
- £15.8bn of capital funding for new schools, rebuilding or refurbishing but some existing BSF projects will be subject to reductions of 40%.
- Funding for specialist schools, including for High Performing Specialist Schools (HPSS), will be mainstreamed from April 2011. This funding, approximately £450 million for 2010-11, is not being removed from the schools system and will now be routed through the Dedicated Schools Grant.
- School sport funding will no longer be ring-fenced and the Department will not continue to provide ring-fenced funding for school sport partnerships. The Department is ending the requirements of the previous Government's PE and Sport Strategy.
- The Government will continue with plans to raise the participation age to 18 by 2015.
- The support currently provided by Education Maintenance Allowances (EMAs) will be limited to students from more disadvantaged backgrounds in future and will be distributed by schools and colleges.
- The total Further Education resource budget (includes 6th forms) will require savings of 25% in unit costs.

2.6 For Local Government

- budget cut on average of 7.1% per year (This to be front-loaded with a 10.7% reduction in the first year).
- Funding in all four years of the Spending Review to enable local authorities to freeze their council tax in 2011-12.
- Greater personalisation and increasing delivery through the voluntary and community sector.
- Ring fencing of all revenue grants will end from 2011-12, except for the DSG and a new public health grant

- The number of separate core grants will be radically reduced from over 90 to less than 10.

The nine grants are:

- Early intervention (likely to include current grants for Teenage Pregnancy, substance and alcohol abuse, young people at risk of becoming NEET, and elements of Sure Start). This to grow to £2billion per annum at the end of the spending period.
- Dedicated Schools Grant(DSG)
- Learning Disabilities
- Public Health grant from 2013 -14
- New Homes Bonus
- Council tax freeze grant
- Housing benefit and Council tax benefit admin grant
- PFI grant
- Preventing Homelessness grant

The first community budgets will be run in 16 local areas (including Lewisham) from April 2011 for families with complex needs. These will pool departmental budgets for local public service partnerships (see 2.15).

2.8 The DFE schools baseline will have the following separate grants merged within it:

- One to one tuition
- 'Every child programmes' such as Every Child a Reader
- Extended schools
- School lunch grant
- School Standards grant
- School Development grant
- Specialist schools grant
- Ethnic Minority Achievement grant
- The National Strategies' budgets that were allocated to schools
- Dedicated Schools grant
- London Pay Addition grant
- Academies running costs.

2.9 Post 16

16-19 provision will be funded to allow schools and colleges to manage the increase in the number of young people. To live within this settlement schools and colleges will have to make unit-cost reductions in the 16-19 participation budgets.

2.10 Educational Maintenance Allowance (EMA)

The Educational Maintenance Allowance (EMA) will be replaced by an enhanced discretionary learner support fund. Decisions about which young people should receive financial support will be made by schools, colleges and training providers. This new fund will target those young people who face a real financial barrier to participation. Young people currently receiving the EMA will continue to receive it for the rest of the academic year. They will not receive it in the next academic year. The EMA scheme will close to new applicants from January 2011.

- 2.11 The Carbon Reduction Commitment has been changed so that there is no longer leagues tables of performance, fines and penalties and a market place trading allowances. It is replaced by an energy levy.
- 2.12 The DfE view is that the voluntary and community sectors play, and will continue to play, a significant role in reforming services for children, young people and families. They are planning to open up public services to enable the voluntary sector to become better involved in delivering key services. Although they do not say yet how much of the overall DfE budget will go to the voluntary sector. They intend to pay and tender for more services rather than be the default provider (this includes children's centers' and mental health). The Government will also look to set specific service areas that should be delivered by non-state providers including voluntary groups (includes youth services) and introduce new rights for communities to run services, own assets and for public service workers to form cooperatives.
- 2.13 There is likely to be a national careers service but the responsibility for NEETS to remain local.
- 2.14 There have been recent critical reports on the complexity of Diploma's so the level of grant funding maybe subject to close scrutiny.
- 2.15 The use of personal budgets will be extended across many services included SEN and support for children with disabilities. The Government will introduce a new and simplified Early Intervention Grant. £2billion will be invested in this grant by 2014-15. This is not a ring fenced grant. The Spending Review also announced a new national campaign to support and help turn around the lives of families with multiple problems. The campaign will be underpinned by local Community Budgets focused on family intervention. These will pool departmental budgets for local public service partnerships to work together more effectively. Councils and their partners will have greater flexibility to work across boundaries in health, policing, worklessness and child poverty. Lewisham is one of the pilot sites. DfE has confirmed that these budgets will be funded from the early intervention grant.

3. Interpretation of the settlement.

- 3.1 While the above contains a lot of detail there are significant number of grants and funding streams that are not mentioned or about which there is only a general comment. At this point in time we can only draw speculative conclusions about what may be in the final allocations. Appendix A lists all the current grants and highlights those that we know about and those we have had to make assumptions about and whether they may or may not be available in the future. Some of these grants are allocated to schools either partially or in their entirety.

3.2 The Institute of Fiscal Studies have published a report which suggests that the impact of the CSR is not the 0.1% real terms increase quoted but rather a real terms reduction of 0.6%. Their message is

- DfE to receive total real-terms cut of 10.8%
- Schools spending including pupil premium to grow by 0.1% per year in real-terms (or 0.4% in total)
- but total pupil numbers to increase by average of 0.7% per year
- total schools spending per pupil to be cut in real-terms by 0.6% per year (total of 2¼%)
- Assuming flat-rate pupil premium of £2,400 (stated total cost £2.5 billion) and underlying funding per pupil frozen in cash-terms
 - 60% of primary school pupils in schools where real funding falls
 - 87% of secondary school pupils in schools where real funding falls
 - 43% of pupils in (less deprived) schools would see cuts of 5% or more
 - 1 in 8 pupils in (very deprived) schools would see increase of 5% or more

3.3 The department admit that some schools will lose funding from their proposals while some will gain, however it is not possible to say how many schools in Lewisham will be affected. This will depend on the level of the Dedicated Schools Grant we receive and the operation of our own funding formula. Decisions will also have to be made about protection levels for the grants that will be incorporated into the DSG. It will mean that some schools will face significant resource issues over the next few years. The only doubt is the number of schools affected and the extent.

3.4 It is difficult to prove or disprove both the DfE and IFS figures as we do not have all the source data and the inflationary assumptions that have used. It is clear that this is going to be, by far, the tightest settlement for schools for some years. Some schools will receive lower levels of funding over the next few years. These problems are unavoidable and it is important that schools start considering their plans as early as possible.

4. The way forward

4.1 At its meeting in July meeting, the Forum was alerted to some of the expected financial difficulties over the coming three years. At that time the Forum asked officers to hold a number of workshops with schools on value for money. In particular these workshops were intended to focus on providing support for schools to work in federations, partnerships and collaborations. To aid this the sessions were organized by the new area groupings.

4.2 The workshops were held during September and October, at the end of each session, schools were asked how they would like to take the agenda forward. Discussions varied but the main themes were

- Secondary Schools would like to discuss further possibilities at their strategic meetings.

- There should be presentations made by schools who have had experience of collaborative working, describing the benefits and the practical obstacles.
- There should be more opportunities to share staffing policies between schools with the same number of forms of entry.

4.3 It is recommended to the Forum that an all schools meeting is held at which presentations are made regarding the practical aspects of federations. These to be given by a combination of head teachers with experience in these areas and also by officers sharing experiences from other Local Authorities / Schools. The session to be a half day held in early January.

5. Budget Planning

- 5.1 As we all know the financial year does not operate on the same timescales as the academic year. In order to make savings the most appropriate time to avoid disruption to the delivery of the curriculum is at the start of the academic year. This has the consequence that any savings in the first year are only a part year effect. The full savings are only seen in the following year. If decisions are not implemented in September the savings will not materialise for eighteen months and by then the school budget may have spiraled out of control, with drastic action needed to bring the budget back in line with the resources available. It is essential that all decisions are implemented by the September in the first year.
- 5.2 This creates practical difficulties, if teaching staff adjustments need to be made, any decisions have to be agreed and ratified by governing bodies before the middle of May, this then allows the appropriate timescales for the necessary consultations with staff and the Trade Unions. The appropriate notice can then be given to the individual teachers concerned.
- 5.3 Currently schools receive notification of their formula allocations and other grants such as the school development grant and school standards grant around the third or fourth week of March. With Easter usually in April this leaves schools with little time to plan and come up with appropriate budget strategies, if they have not already started considering their strategies.
- 5.4 In order to help schools, the earlier schools receive budget notification the better. In practical terms the earliest we could notify schools of their actual funding would be in either late February or the first week of March. There are a number of constraining factors that prevent this from happening currently. Although some can be overcome. The data used in the formula allocation is complex and detailed. The later data is collected the more accurate it is likely to be. For example one factor within the formula is the number of pupils eligible for free school meals, the number in March is likely to be more up to date than the February number as more applications may have been submitted. Although this is true of any data the question that needs addressing is whether collecting data earlier in the year would be significantly different and have a detrimental effect on a school's budget. The data requirements are shown in Appendix B and it is not believed that there is a major risk of schools being funded at significant different levels if the data collection is brought forward.

- 5.5 The major obstacle though is the decision making process that confirms the level of the schools budgets and the method by which the formula allocation operates. The Forum traditionally meet in mid March to consider this. In order to notify schools of their budget in late February or the first week in March this meeting would have to moved to mid February.
- 5.6 If this was agreed it would seem appropriate to move the January (currently 18th) to early January(10th), otherwise two meetings would be held within three weeks of each other. The overall level of the funding settlement for Lewisham would be known at this time and indicative thoughts and options could be considered. Headroom projects or as is more likely in the current financial circumstances, whether existing headroom projects will continue would also be discussed at this meeting.
- 5.7 In a period of tight settlements it is important that schools are planning ahead as early as possible to formulate their plans. In theory schools need not wait to find out their formula allocations to start planning. They should be looking at their budget and likely staff costs in November. The biggest determinate of their budget allocation will be the pupil numbers within the school. In theory the September intake should provide a school with a good guide to there January roll, on which the budget will based. It would seem appropriate that a funding modeling tool is available to schools to aid there forecasting of the funds available to them. It is proposed that a spreadsheet model is provided in early January via the internet to help schools plan ahead. If schools agree to provide forecasts of their January pupil numbers in November the model will contain these numbers. These forecast would also be useful to the decisions being considered by the Forum, if it is agreed to move the January and March meetings stated above in 5.6.
- 5.8 Schools budgeting is complex especially as there are a number of unknowns, such difficulties include future inflation rates and cost of services, some of these will of course be the services provided by the Local Authority. At the time of sending out the budget we will consider whether it is possible to send out the charges for these services.
- 5.9 The indications are that some schools will have financial difficulties during the coming years and this will mean they will need to make staff redundant. Putting aside the human cost, this in itself is a costly exercise and these costs normally can fall on the School Budget and occasionally on the central element of the Dedicated Schools Grant. Ironically we could find at the same time some schools need to take on staff especially in the Primary sector where the increasing pupil numbers will mean extra classes will have to be opened. The governing body of each school are solely responsible for staff appointments and cannot be required to take on other staff from another Lewisham school. However it may well be at this time, worthwhile invigorating and publicising the redeployment policy.

6. Conclusion

There is currently insufficient detail to be able to determine the exact financial impact on schools of the Comprehensive Spending Review. Any conclusions drawn are based on assumptions and conjecture. Perhaps the one thing we can say with some certainty is that some schools will have financial difficulties over the next few years. The only thing we do not know is how many schools

will experience this and the extent of problems they face. If anything it is more likely to prove more difficult for secondary schools especially those with post 16 provision, whereas Primary schools will be protected to a degree by rising pupil numbers coming through the system. Although this does not mean that they will be immune from financial difficulties. Perhaps at the current point in time it is essential that schools start formulating their financial plans and assess how they can be delivered.

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