



8 March 2010

The Rt. Hon. Ed Balls MP
Secretary of State for Children, Schools & Families
Sanctuary Buildings
Great Smith Street
London
SW1P 3BT.

Dear Secretary of State,

DSG Funding Formula Review and Developing Financial Pressures on Education Budgets

As you will know, the f40 Group has made representations in various quarters to try and establish when the Government will make the long-anticipated announcement about the Funding Formula Review, and launch the promised consultation. Statements from Government sources constantly refer to something happening 'shortly'. But nothing is happening and we are beginning to get extremely frustrated and disappointed.

It is our view that this delay is having a very unsettling effect on all councils, but particularly on f40 authorities, who as you know through this special interest group have campaigned for the introduction of a fairer allocation system.

We would very much appreciate an announcement one way or the other as soon as possible, or alternatively a commitment to a date on which the Government is going to commence the consultation.

We would also like to take this opportunity to bring to your attention significant concerns that are worrying f40 authorities in particular. We have recently identified a wide range of new and growing cost pressures on councils' education budgets. These are appended to this letter.

As you will appreciate, additional financial pressures will have a major effect on the education budgets of all councils, but a devastating impact on those who are disadvantaged by being the lowest funded authorities – mainly f40 members.

It is our view that the combined pressure of all of the changes and proposals in the system is putting intolerable strain on our schools and staff, and local authorities have no wriggle room to mitigate the impact.

As you know, the f40 Group has worked closely with your department and PriceWaterhouseCooper to ensure as comprehensive Funding Formula Review as possible. We have submitted evidence and taken whatever action we could to accommodate the review and ensure its success. We now feel that it is vital that you take into account these additional financial pressures in the final stages of the Review and ensure that all new proposals are adequately funded or withheld.

We would welcome acknowledgement that the Government understands and appreciates the challenge that these pressures are having on f40 councils now, and how they will intensify in the future.

We would be happy to meet you or your team at any time to discuss these additional issues.

Yours faithfully

Cllr Ivan Ould
Chair of f40,
Lead Member for Children &
Young People's Services,
Leicestershire CC

Gillian Hayward
Vice Chair of f40
Chair of Gloucestershire Schools Forum

Attachment: Increasing Cost Pressures on Education Budgets



8 March 2010

Increasing cost pressures on school budgets

Over the last few months f40 member authorities have reported a number of important issues that will cause all authorities, but particularly the lowest funded, additional concerns in the future.

It is our view that the combined pressure of all of the changes and proposals in the system is putting intolerable strain on our schools and staff, and local authorities have no room to mitigate the impact.

We now feel that it is vital that these additional financial pressures are taken into account in the final stages of the Review and ensure that all new proposals are adequately funded or withheld. In no particular order they are:

- **Free school meals** – The potential increase in free school meals scheduled from this September. An additional £85m will be provided in 2010-11, but this may be insufficient to cover the increased demand.
- **School transport** costs arising from the increase in the participating age to 18. There does not appear to be any clear information about who will meet the extra costs arising.
- **Sure Start Budgets and education for 3 and 4 year olds** – The extension of provision for 3 and 4 year olds to 15 hours, with the additional requirement for increased flexibility, is a major challenge everywhere, with no guarantee of the continuation of promised grants in future years. The challenge is greatest in rural areas given the funding mechanism takes no account of sparsity.
- **Harnessing Technology** – where there are strong rumours that the grant will cease in 2011. This will mean that the funding of servicing and network maintenance of broadband will not be funded.
- **LSC funding** – the transfer of funding from the LSC to local authorities, which continues to cause worry that the available money will be insufficient to fund existing courses. The requirement, both at pre- and post-16, to fund a wider range of provision will create diseconomies of scale which are not reflected in either the level of, or the basis of, distribution of existing grant.
- **Nursery education** – where pilot projects are currently underway for 2 year olds. If this is mainstreamed there will be huge cost implications.
- **School support staff** – who now have their own Board for pay and conditions of service and who expect parity with teachers pay awards. Teachers are already guaranteed a 2.3% pay increase for the forthcoming financial year and there undoubtedly will be pressure for parity from the support staff.
- **Building Schools for the Future** – an area where some development costs fall on the local authority. Given the current state of finances in LAs, this is another unfunded burden.

- **Value for Money** – ongoing demand from the DCSF for savings. It is being reported that joint procurement (such as for energy) is becoming difficult, with increased costs and/or poor service.
- **School balances** – the implications stemming from government policy on balances.
- **Admission codes for under-5s** - the impact of changing requirements. The Rose review recommended a single point of entry – at the moment there is a scattered approach. A single point of admission for 'rising 5s' will mean an adjustment to the funding formula as 'non-statutory' (e.g. less than 5) children will have to be funded – this will draft money from other areas of the system, as will the raising of education/training to 17/18.
- **'Southwark judgment'** – the financial implications of the recent judgment and outcomes following the Chair of the LGA Children & Young People's Board, meeting with Dawn Primarolo MP, Minister of State. The Minister told top tier local authorities that they already have the money for this cost, which is strange as housing has always been the responsibility of the borough/district councils. The Southwark judgment has very worrying implications for us all.
- **Section 106 agreements** – the dropping away of developer's contributions to fund education capital build arising from new housing development. The blame for the drop can be traced to government insistence that 40% of new build homes have to be affordable. The developers then claim that they cannot afford Section 106 contributions, as they are only making very low profit on each house. It is questionable whether this is true, but regardless, the issue is becoming a really serious issue for LAs.
- **One to one tuition** – the cost is proving more expensive than had been presumed, as now that it is happening during the day, unions are insisting it is paid for at supply rate, which is more than the £25/hour allowance. This, plus management costs, mean it will be an extra burden.
- **Carbon trading** – this process is something of an unknown quantity, but it will inevitably involve significant monitoring, reporting and administration, together with a central management/advisory service. These would all be new and additional costs.
- **Special Educational Needs** – Ongoing increases in the level and complexity of need of children with special educational needs that are not reflected in any national funding formulae.
- **Children & Young People's agenda** – The requirement to support the wider Children & Young People's agenda, in co-operation with Children's Trusts, by additional preventative provision if we are to address the current rapid rise in spending pressures on safeguarding and the related rapid increase in funding needs for children in care.
- **Teachers' Pay** – The cost of incremental progression to the teachers pay bill, which means that the actual level of teacher pay inflation is well above the headline annual pay increase.
- **Formula changes** – Potential move of School Standards Grant, School Standards Grant(P) and School Development Grant into the DSG. It is important that any changes to the formula for allocation of these grants once mainstreamed do not further adversely impact f40 local authorities.

- **Academies** – There has been suggested that academy recoupment may revert back to being based on a 'Guaranteed Unit Funding' calculation, rather than local formula and Section 52 calculation. Whilst this will simplify the calculations it has potential for increasing calculated clawback amounts. In addition, the need for local authorities to meet a potential converting school deficit balance of an academy, should there be one, is harder to do for lower funded local authorities.
- **Equal pay claims** – some authorities that are currently settling equal pay claims for school employees are utilising the DSG in order to manage the overall liability within the council's available resources. Whilst some local authorities may have already gone through this process (when funding was more generous), for those who haven't and do not have significant contingency funding within the DSG to support their payment, the additional cost is significant in a time of reducing funding from the Government.
- **School capital allocations** – Potential reductions in school capital allocations, DFC, modernisation and basic needs will continue to further stretch the DSG in the need to maintain and repair ageing school buildings.