

EXPLANATORY MEMORANDUM TO
THE FINANCING OF MAINTAINED SCHOOLS (ENGLAND)
REGULATIONS 2004
2004 No. 3130

THE LEA BUDGET, SCHOOLS BUDGET AND INDIVIDUAL SCHOOLS
BUDGET (ENGLAND) REGULATIONS 2004
2004 No 3131

1. This explanatory memorandum has been prepared by the Department for Education and Skills and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments and the House of Lords Merits Committee

2. Description

2.1. The LEA Budget, School Budget and Individual Schools Budget (England) Regulations 2004 define the classes and descriptions of expenditure which comprise the LEA Budget and the Schools Budget. Local authorities may deduct particular expenditure from their Schools Budget, and hold it centrally for particular purposes. The regulations impose a limit on the amount that may be retained. The remainder comprises the individual schools budget and is allocated to schools under the provisions of the Financing of Maintained Schools (England) Regulations 2004.

2.2. The Financing of Maintained Schools (England) Regulations 2004 set out the methodology which local education authorities are required to use in determining the budgets of the schools they maintain for the financial year 2005/2006. Authorities are required to devise a formula which details the factors used in determining schools' budget shares and to allocate budget shares in accordance with that formula. They are obliged to consult relevant schools' governing bodies and head teachers upon any changes they propose to make to the formula in operation for the previous financial year. The regulations contain provisions to ensure that schools are guaranteed to receive an increase in their funding of at least a minimum amount. Both sets of regulations are made annually.

3. Matters of special interest to the Joint Committee on Statutory Instruments

None

4. Legislative Background

- 4.1. The LEA Budget, Schools Budget and Individual Schools Budget Regulations (England) Regulations 2004 are made under section 45A and section 138(7) of the Schools Standards and Framework Act (SSFA) 1998. They are made in conjunction with the Financing of Maintained Schools (England) Regulations 2004 which are made under sections 47, 48(1) and (2) and 138(7) of that Act. Together they set out the regulatory framework within which LEA and school funding operates.
- 4.2. The annual updating of these instruments enables any additions or changes to be made.

5. Extent

- 5.1. These regulations apply to England.

6. European Convention on Human Rights

- 6.1. Not applicable

7. Policy background

- 7.1. The parent Act sets out the budgetary framework for schools maintained by local authorities. The policy objective in making these regulations is to ensure consistency and maintain control over the expenditure of public funding on local authority services and schools amongst the 150 local authorities in England, and also to ensure consistency in the way in which authorities fund schools from the resources mainly provided under provisions in the Local Government Act 2003.
- 7.2. None of the changes implemented by these regulations are politically or legally important. The changes in the LEA Budget, Schools Budget and Individual Schools Budget (England) Regulations 2004 are relatively minor ones. Local authorities are now permitted to retain as central expenditure the costs associated with borrowing money for the purpose of improving the school estate provided particular conditions are met. There are also changes to the calculation of the limit on the amount that a local authority can deduct from its Schools Budget for expenditure on central provision. The change will simplify the calculation methodology but does not alter the principle or the intention of the central expenditure limit.

- 7.3. There are limited changes to the funding regime for maintained schools for 2005-06 in the Financing of Maintained Schools (England) Regulations 2004. They relate in the main to how the minimum funding guarantee for schools operates. The guarantee was introduced last year, and some minor adjustments are being made to the detail in the light of the experience of its operation during this first year.
- 7.4. Consultation on the proposed changes to the regulations has been undertaken with LEAs, professional associations, local government associations, governor associations, unions and other partners. The Department received 16 responses to the consultation. Those who responded welcomed the changes. There has been no media attention.
- 7.5. The addition of prudential borrowing to the scope of the Schools Budget was welcomed by all respondents. There were a few queries on some of the detail of the LEA's responsibilities in bringing this class of expenditure into the scope of the Schools Budget. This will be provided in guidance to LEAs prior to the beginning of the 2006-07 financial year.

8. Impact

- 8.1. The impact on the public sector is minimal therefore no Regulatory Impact assessment has been conducted

9. Contact

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