



Haringey Council

The Children and Young People's Service

Report to Haringey Schools Forum

**Agenda Item
9**

Report Status

For information/note
For consultation & views
For decision

Report Title: DSG Budget Strategy 2011-12

Authors:

Neville Murton, Head of Finance for the Children and Young People's Service

Telephone: 020 8489 3176 **Email:** neville.murton@haringey.gov.uk

Steve Worth, School Funding & Policy Manager

Telephone: 020 8489 3708 **Email:** Stephen.worth@haringey.gov.uk

Purpose: To consider the issues affecting the determination of the Dedicated Schools Grant (DSG) in 2011-12 and its allocation within the context of the Dedicated Schools Budget (DSB).

Recommendations: Members are asked to note the factors affecting the DSG Budget Strategy.

1. Background and Introduction.

- 1.1. 2010-11 is the final year of the current multi-year funding settlement. The government announced the outcomes from its Comprehensive Spending Review on 20 October 2010, setting out its high level financial planning assumptions until the end of the current parliament (2015).
- 1.2. As previously announced in its response to the recent consultation on school funding, the government has confirmed that it will continue with the 'spend-plus' methodology in determining Local Authorities 2011-12 DSG allocations.
- 1.3. This report considers a range of issues affecting the determination and application of the DSG including the spending review announcement. Detailed allocations of DSG will not be available until early December 2010; at that time a further report will be brought to the Forum seeking

their views on proposals to be submitted to the Council's Cabinet for decision as part of its budget and Council Tax setting proposals for 2011-12.

2. The Comprehensive Spending Review (CSR) 2011-15

- 2.1. The Chancellor made his long awaited statement on the Comprehensive Spending review on 20 October 2010; the highlights inasmuch as they relate to schools revenue budgets are summarised below.
- 2.2. Whilst the Comprehensive Spending Review (CSR) sets out departmental spending limits for the period to 2014-15 it also confirmed the government's intention to continue with the spend-plus methodology for determining the DSG in 2011-12; i.e. there will be no return to a formula based allocation for the Schools Budget before 2012-13 at the earliest.
- 2.3. Unfortunately the implication of this is that there will be no opportunity for Haringey to benefit, through its DSG funding element, from changes to the Area Cost Adjustment (ACA) in 2011-12. However, the stated reason for continuing with this approach, in the recent consultation on introducing the Pupil Premium (PP), is to enable its introduction without other potentially distorting changes; in this respect it is therefore encouraging that the methodology for recognising area costs in the PP is the hybrid method favoured by Haringey in its recent consultation response.
- 2.4. A key element of the announcement and the subject of previous consultations in 2010 is the proposed introduction of a Pupil Premium (PP) to provide additional resources for disadvantaged pupils up to age 16 in schools. The PP is to be provided by way of a separate ring fenced grant which must be passed on to schools with disadvantaged pupils.
- 2.5. The CSR also announced the following:
 - 2.5.1. Real terms increases (i.e. above assumed inflation) of 0.1% in each year of the SR period for the overall DfE 5-16's School Budget, including the introduction of a £2.5bn Pupil Premium by 2014-15. The table below summarises the government's inflation assumptions for the SR period.

	2011-12	2012-13	2013-14	2014-15
Inflation Rate	2.40%	1.90%	2.00%	2.00%

- 2.5.2. Underlying per pupil funding maintained in cash terms for 5-15 year olds. However, a decrease in per pupil funding for 16-19 year olds.
- 2.5.3. Simplification of the grant system into a new Early Intervention Grant (worth £2bn by 2014-15) and the Dedicated Schools Grant. The destination of existing grant funding streams is still unclear although

mention has been made in the recent consultation paper (Introducing a Pupil Premium) of subsuming certain grants into DSG e.g. School Development Grant and School Standards Grant (including personalisation) – this is a somewhat shorter list than that originally referred to in the School Funding consultation which also included the London Pay Additional Grant, the School Lunch Grant, the Ethnic Minority Achievement Grant, Extension of the Early Years free Entitlement and Extended Schools Sustainability and Subsidy.

- 2.5.4. Maintaining free 15 hours of childcare a week for all 3 and 4 year olds and extending it to all disadvantaged 2 year olds.
- 2.5.5. The government are also expecting £2.1bn of 'efficiency savings' to be released to fund frontline teaching from procurement and back office savings (£1bn) and the public sector pay freeze (£1.1bn); however it needs to be clearly understood that this is not new money.

3. Demographic Changes

- 3.1. Forum Members are reminded that the DSG is calculated through the multiplication of a Guaranteed Unit of Funding and actual pupil numbers as recorded in the relevant January PLASC (i.e. January 2011 for 2011-12)
- 3.2. The pupil number trend between 2009-10 and 2010-11 is set out below. Information from the September Termly count is now also available and will be used to assist in the estimation of our DSG for 2011-12 in time for the December meeting of the School Forum when it is anticipated that the Authorities GUF will also be known.

	2009-10	2010-11
Relevant Pupil Numbers	31,876	32,088

Note relevant pupil numbers are those FTE used to calculate DSG including those pupils in alternative provision.

4. Grants

- 4.1. The position on grants is extremely unclear at the moment. Schools benefit directly from a number of specific grants and, additionally indirectly from other grants provided to the LA but subsequently devolved to schools, through for example the Area Based Grant mechanism (ABG).
- 4.2. The general position on grants for 2011-12 as we currently understand it is that there will be three main education based grants: the Dedicated Schools Grant and the Early Intervention Grant. Thirdly it is also envisaged that the Pupil Premium will be made available as a specific grant. What is less clear is the extent to which existing grants will be subsumed into those grants and, perhaps more importantly, at what level.

4.3. Michael Gove wrote on 27 October following the Spending Review announcement and included information on existing grants continuing to be 'protected' albeit without existing ring fence arrangements and therefore for schools to 'have complete freedom over how this money is spent'. The grants referred to with Haringey 2010-11 values are:

- Dedicated Schools Grant (Including London Pay grants) [£173.033M];
- School Standards Grant (Including personalisation) [£7.904M]
- School Development grant; [£11.085M]
- Ethnic Minority Achievement Grant; [£4.993M]
- Extended Schools; [£1.916M]
- One-to-One Tuition; [£1.289M]
- School Lunch Grant; [£0.393M]
- National Strategies' budgets allocated to schools; [£1.856M]
- Every Child programmes; [Included in National Strategies line]
- Specialist Schools Grant [£1.550m]; and
- Academies running costs [n/a].

Total resources in 2010-11 = £204.019m

4.4. It is possible that this refers to moving these grants to form part of an enhanced DSG although it should be emphasised that the level at which such a transfer might take place is not known. It is therefore difficult to draw many conclusions about the overall headline funding increases that are referred to in respect of the Schools Budget.

5. The Pupil Premium

5.1. A significant development announced as part of the Spending review is the introduction of the Pupil Premium (PP). The Forum is reminded that a specific consultation on its introduction has recently ended. We await the outcome of that consultation to confirm the detailed arrangements for distributing and defining who will benefit from the PP.

5.2. The Spending Review did, however, identify that £2.5bn nationally will be made distributed via the PP over the period starting September 2011 and (we assume) until the end of the SR period (i.e. 2014-15).

6. Inflation

6.1. There are a number of areas in which the actual inflation experienced by schools is likely to be influenced. These are issues which are a combination of national and local issues but which will, have relevance to Haringey schools' funding in comparison to the governments setting of the level of the Minimum Funding Guarantee (MFG).

6.1.1. The government has announced its expectation of a national pay freeze for public sector workers.

- 6.1.2. A previously announced increase in National Insurance contributions is anticipated to increase employer NI costs by 1% per annum with effect from April 2011.
- 6.1.3. The triennial review of Haringey Council's pension fund is currently underway and it is possible that this will result in a change to employer contributions for those staff who are members of the local Government Pension Scheme (LGPS). In addition the government has commissioned an independent review into Local Authority pensions (The Hutton report). The final report is expected at the time of the March 2011 budget although as part of the spending review announcement it made the following significant points:
- It will carry out a public consultation on the discount rate used to set contribution rates in the public service pension schemes; and
 - Implement progressive changes to the level of employee contributions equivalent to 3% on average by 2014-15, starting in April 2012.

7. Efficiencies

- 7.1. In its Spending review statement the government made reference to the need for schools to make efficiencies amounting to £2.1bn to fund frontline teaching i.e. it is expected that, within the schools budget procurement and back office savings will allow at least £1bn to be invested directly in frontline teaching and the public sector pay freeze is expected to free up an additional £1.1bn. This is not new money.

8. The Minimum Funding Guarantee (MFG)

- 8.1. The government has in the past used the Minimum Funding Guarantee (MFG) to ensure that all schools received on average increases sufficient to meet inflationary pressures in comparison to its previous years funding. Sections 6 and 7 above set out in broad terms some of the issues that are likely to be reflected in any MFG.
- 8.2. In its recent consultation 'Consultation on School Funding 2011-12 - introducing a Pupil Premium' the government set out its intention to retain an MFG in 2011-12. It suggested that it would be a more flexible arrangement less dependent on historic funding levels in schools to allow local formulae to operate more effectively. It also suggested that the MFG could be negative, which would allow it flexibility to reflect the 'efficiencies' it has said it expects schools to be making.

9. DSG Pressures

- 9.1. With the transfer of grants into the DSG which previously have funded a range of activities and other more traditional budget pressure areas, it is likely that the Forum will need to consider a range of 'pressures' against an enhanced DSG. Given the uncertainty, particularly around grant

transfer, we have identified the following as potential pressure areas at this stage:

- Increased provision for SEN - either as a result of developing additional in-house provision such as the Inclusive Learning Campuses and/ or as a result of increased demand for SEN in the borough.
- The implementation of a Carbon Reduction Scheme – the Forum has received previously details about this scheme which was originally envisaged as a ‘carbon credit trading arrangement’. It has now been announced that there will be no trading and so in essence it has become a carbon tax. Schools are included in the arrangements although the charging details are currently unclear.
- The need to create headroom to enable SEN transport costs to be charged against the DSG as previously agreed by the Forum and allied to corresponding savings from bringing SEN pupils into more cost effective placements.

10. The Early Years Single Funding Formula (EYSFF)

10.1. Separately on the agenda is the consultation document for the EYSFF. Once there is greater clarity about the overall level of resources available the Forum will need to consider whether additional resources are necessary in this area to assist in its smooth implementation or to enable the targeting of needs at this early stage of educational development. Any prioritisation of this area would clearly be at the expense of other age groups within the DSG and would be achieved either by prioritising the use of any available headroom or by topslicing existing DSG resources.

11. Other Formula Changes

- 11.1. The Forum has previously agreed a number of potential formula changes on which it wishes to consult all schools. The consultation documents have been issued and it may be that there are either distributional or quantum issues associated with these changes.
- 11.2. Additionally the government has made clear previously its intention to allow School Forum to implement formula factors which mirror the 2010-11 distribution of grants moved into DSG in 2011-12. Once we know better which grants are involved we will be in a position to recommend whether such arrangements are desirable.

12. Future Developments and Other Issues

- 12.1. In addition to the above there are a number of other areas which may have resource implications for 2011-12 or later years and which may require the views of the School Forum to be sought. These include:
- The governments stated intention to ‘secure unit cost-reductions in 16-19 learning’;
 - The impact of the academies programme on centrally retained resources and the LA’s central services;

- The impact of reductions in the Council's resources outside of the DSG and the impact of this upon schools;
- The priority for resources within the DSG in the light of the Council's and the Forum's previous commitments to increase the proportion of resources delivered through AEN measures; and
- The future implementation of a Formula based allocation for DSG including the use of a fair methodology for recognising Area Costs.

13. Conclusions and Recommendations

13.1. This report highlights, in advance of the detailed funding information, some of the issues and challenges faced in determining the DSG for 2011-12.

13.2. The Forum will be asked at its December 2011 to express its views on these and other relevant issues to the Council's Cabinet to inform their decisions in respect of the DSG as part of its on budget strategy deliberations.

13.3. At this time there are significant uncertainties which mean detailed meaningful analysis will not be possible until late November early December but this report identified the broad areas where the Forum needs to direct its efforts.

The Forum is therefore asked to note the above factors affecting the DSG budget strategy for 2011-12.

NEVILLE MURTON