



Haringey Council

The Children's Service

**Agenda Item
8**

Report Status

For information/note
For consultation & views
For decision

Report to Haringey Schools Forum – 8 December 2011

Report Title: 2012-13 Budget Strategy

Authors:

Neville Murton – Head of Finance (Children and Young People's Service)
Contact: 0208 489 3176 Email: neville.murton@haringey.gov.uk

Steve Worth – Finance Manager (Schools Budget)
Contact: 0208 489 3708 Email: stephen.worth@haringey.gov.uk

Purpose:

To consider the issues affecting the determination of the Dedicated Schools Grant (DSG) in 2012-13 and its allocation within the context of the Dedicated Schools Budget (DSB).

To seek the views of the Forum so that they can be made available to the Council's Cabinet when making their decisions on the overall 2012-13 budget.

Recommendations:

- (i) The Forum are asked to note the indicative DSG for 2012-13 at £208.503m. (Para 2.2)
- (ii) The Forum are asked to agree the continuation of the treatment in respect of targeted and universal grants adopted in 2011-12. (Paras 3.2.1 and 3.2.2)
- (iii) The Forum are asked to agree support for the Music Service in 2012-13 through a DSG subsidy of £167,724. (Para 3.3)
- (iv) The Forum are asked to note the proposal to add the resources provided for extended services in 2011-12 to headroom in 2012-13. (Para 3.4)
- (v) The Forum are asked to note the change in arrangements for the pupil premium at new schools. (Para 4.1)
- (vi) In the light of the proposed national changes to schools funding the Forum

- is asked to agree to the continuation of the formula change in respect of Haringey VI Form agreed in 2011-12. (Para 4.2)
- (vii) The Forum is asked to agree to consult on the proposal for the treatment of bulge classes in 2012-13. (Para 4.3)
 - (viii) The views of the Forum are sought in respect of the treatment of paid meal subsidies and the former School Lunch Grant through the school meals factor. (Para 4.4)
 - (ix) The Forum is asked to agree to consult on the proposal to change the basis of the premises factor. (Para 4.5)
 - (x) The views of the Forum are sought in respect of the creation of a small secondary schools factor and to agree to consult on that basis if necessary. (Para 4.6)
 - (xi) The Forum are asked to agree to the continuation of funding for additional places at the ILC and Heartlands Resource Unit (Para 5.1)
 - (xii) The Forum are asked to note the pressures on the centrally retained element of the DSB in respect of: LACSEG, the educational component of LAC and school specific contingencies. (Paras 6.2 – 6.4)
 - (xiii) The Forum are asked to agree that the pressures set out in recommendation (xii) are met from a combination of resources reallocated within central expenditure and the relevant proportion of any pupil number increases. (Para 6.5)
 - (xiv) The Forum are asked to note that any breach of the CEL will be the subject of a specific separate report (Para 6.5)
 - (xv) The Forum are asked to agree the approach in respect of centrally retained contingencies set out in paragraphs 6.6.1 – 6.6.3
 - (xvi) The Forum are asked to note the achievement of the 16% target for resources distributed by deprivation measures. (Para 7.1.1)
 - (xvii) The Forum are asked to agree not to implement a negative MFG in 2012-13 unless insufficient resources are available to meet cost pressures in the ISB. (Para 7.1.2)
 - (xviii) The Forum is asked to agree that any remaining headroom available following the above recommendations should be delegated to schools via Key Stage Funding Units including the hourly rates applicable to the Early Years Single Funding Formula and planned places (Para 7.1.3)

1. Background and Introduction.

- 1.1. The Dedicated Schools Grant (DSG) is a ring-fenced government grant that must be used in support of the Dedicated Schools Budget (DSB). The latter covers both funding delegated to governing bodies and retained funding used for pupil focused central services such as special needs placements and pupil support centres. As well as the DSG the DSB also includes funding for pupils aged 16+ from the Young People's Learning Agency (YPLA) and the Pupil Premium.
- 1.2. In 2011-12 the DSG was increased to include funding previously channelled through various Standards Fund grants and the Schools Standards Grant.
- 1.3. The DfE have consulted on a major proposal to change the methodology for allocating funding to local authorities and schools. The proposals were reported to the Forum on 22 September 2011 and a joint response with the Council was agreed and sent. The outcome of the consultation has not yet been announced but the consultation made it clear that any changes would not be introduced until 2013-14 at the earliest.
- 1.4. The DfE has also consulted on interim funding arrangements for academies proposals for revising the arrangements for calculating the Local Authority Central Services Equivalent Grant (LACSEG) and the outcome of this is also outstanding.

2. Finance Settlement 2012-13.

- 2.1. The financial settlement for 2012-13 will follow the same pattern as in 2011-12 (i.e. the spend plus methodology) with a single Guaranteed Unit of Funding multiplied by the number of pupils recorded in the various pupil censuses in January.
- 2.2. The Guaranteed Unit of Funding (GUF) in 2011-12 was £6,306.81 and will continue at this level in 2012-13. This represents a standstill at cash levels although clearly the effect of inflation means that, for this element of the budget, schools will experience a real terms decrease in their funding in 2012-13. On the basis of the final 2011-12 pupil numbers and the GUF above the estimated DSG for 2012-13 will be set at **£208.503m**.
- 2.3. Pupil numbers are expected to be higher than in January 2011 but for the purposes of this report those for January 2011 will be used. The views of the Forum on the use of any higher DSG, after allowing for variable pupil led costs will be sought as part of this report.
- 2.4. This report will set out in overall terms the current issues and the proposed strategy for the Schools Budget for 2012-13 an updated report will be presented to the next meeting of the Forum on 26th January 2012.

- 2.5. The Pupil Premium was introduced in 2011-12, initially providing £430 per pupil eligible for Free School Meals (FSM) in the January census. In year this was increased to £488 per pupil. In last year's financial settlement the national total was set to double in 2012-13. It is possible that the methodology will also change to bring pupils who have been eligible for FSM within a given period into the eligibility criteria.

3. Reconsiderations.

- 3.1. In 2011-12 the majority of the Standards Funds and Grants were incorporated within the DSG. The Forum agreed the following approaches.
- 3.2. Delegated Grants. Forum agreed two methods depending on whether the grants were 'universal' or 'targeted'.
 - 3.2.1. Universal Grants. Forum agreed to provide to schools a lump sum equivalent to the 2010-11 allocation of universal grants reduced by 1.5% to reflect the negative Minimum Funding Guarantee (MFG). In light of the forthcoming national changes to school funding it is recommended that this approach continues.
 - 3.2.2. Targeted Grants. For 2011-12 Forum endorsed the recommendation to add the relevant sum to headroom because the strong indication from the government's approach in subsuming these grants into the DSG is that these should no longer be targeted. However, in practice schools in receipt of these various streams will continue to receive protection for their 2010-11 cash amounts through the MFG. Forum agreed to review this position for future years. Given the forthcoming national changes it is recommended that the same approach is continued for 2012-13.
- 3.3. Music Service. Uncertainty over the continuation of the Music Education Grant (MEG) led the Forum to agree 'That the service should be wholly or partly funded from headroom as appropriate.' The Music Education Grant did continue but at a lower rate, leaving a shortfall of £126.6K to be made up from DSG. We have now received details of the Music Grant for 2012-13 and the contribution required in 2012-13 to make up the shortfall is £167,724; the view of the Forum is sought on whether the DSG funding subsidy for the Music Service should continue.
- 3.4. Transitional Funding for Extended Provision. A one-off allocation of £0.522m was made to enable schools to take on the running of breakfast and after school clubs. For the future, the costs are expected to be met from parental contributions. This sum will therefore not be required and it is recommended that this be added to headroom.

4. Formula Changes

- 4.1. Heartlands Pupil Premium. The Forum agreed to provide an additional lump sum for Heartlands because the Pupil Premium did not recognise the disadvantage to new schools of using the January count to determine

allocations. This anomaly has now been rectified by the DfE and so a specific lump sum will no longer be required.

- 4.2. Haringey Sixth Form Centre. The Forum agreed an increase to the Centre's lump sum pending a wider review of Haringey's Schools Funding Formula and in particular funding for Special Units. The local review has been overtaken by the recent consultation proposing a national review and potentially a national Funding Formula and, in the light of this, it is recommended that the changes agreed last year continue pending the outcome of the government's consultation on a national funding formula.
- 4.3. Protection for Bulge Classes. The Council has approached several schools to expand to by a 'bulge' class to accommodate the increase in reception age children. It cannot be guaranteed that the bulge class will remain full and the current arrangements in KS1 only provide for an average of 24 pupils in a year group, providing 'ghost' funding where numbers fall below the minimum. This could disadvantage schools that have agreed to a bulge class and require the diversion of existing resources to support the new class. We are therefore recommending that for bulge classes in KS1 'ghost' funding is applied to ensure that the new class is funded for a minimum of 24 pupils.
- 4.4. Catering. The Council provides £283k as a subsidy of £0.22 per meal for paid primary school meals. In addition, the Forum agreed for 2011-12 to retain funding of £140k equivalent to the former Schools Lunch Grant to provide a further subsidy of £0.12 for primary schools who abide by the Council's recommended charge to parents. The view of the Forum is sought on whether these subsidies should continue.
- 4.5. Premises. All mainstream schools are receiving funding through a general premises factor. This is based 50% on floor area, 25% on building suitability and 25% on building condition. The condition and suitability factors were brought in on the recommendation of the Audit Commission at a time when condition and suitability were regularly reviewed. Such reviews are not now undertaken regularly and the Forum's view is sought on whether we should revert to an allocation based only on floor area. Although this issue affects all schools it is most pressing in respect of the secondary sector following BSF where it is clear that the historic surveys do not reflect the impact of BSF works on building condition or suitability.
- 4.6. Small Secondary School Protection. We have previously identified concerns with the financial viability of secondary schools where they are 'small'; this has tended to be in respect of new schools where numbers build up over time and the problem works itself through the system. In those cases we have recognised the inefficiency through an enhancement to the Minimum Basic Allocation (MBA) that tapers out as numbers grow.
- 4.7. More recently we seen evidence of schools being unable to deal with falls in pupil numbers that are so significant they create a small school and, despite taking action to reduce costs, significant deficits are evident. It is clear that, if the authority wishes to retain such schools, it will need to make provision within

the formula to support the financial inefficiencies that exist for small secondary schools and the Forum's views are sought in respect of the creation of a small school factor which operates in both the situation of a new and growing school as well as a secondary school which is small for other reasons.

5. The Individual Schools Budget (ISB).

- 5.1. The two Inclusive Learning Campuses (ILCs) and the new Resource Unit at Heartlands opened in September 2011. Part of the headroom created last year was used for the phased expansion in planned places in 2011-12 and, on a similar basis, resources are sought for 2012-13; an update on the required resource will be provided to the Forum in January.
- 5.2. Deprivation Funding. The Forum will recall that it had set itself a target of distributing 16% of funding to schools via Deprivation mechanisms. Following the decision of the Forum in 2011-12 to direct headroom generated by applying the Minimum Funding Guarantee (MFG) towards deprivation measures, the target has now been achieved.
- 5.3. As a result the Forum has a number of options available to it in respect of the MFG and headroom which are considered further below.

6. Centrally Retained DSB 2012-13

- 6.1. There are a number of issues relevant to the centrally retained elements of the DSB and, in order to maximise resources for schools and avoid breaching the Central Expenditure Limit (CEL) the Council will endeavour to manage these increase without any transfer of resources from the ISB to fund these pressures; if this does not prove possible the Forum will be alerted in their January report and specific agreement would be sought.
- 6.2. Implications of Academies. The Authority now has two schools that have chosen to convert to Academy status. The financial implications for 2012-13 are that funding equivalent to the school budget shares will be recouped from the DSG plus Local Authority Central Spend Equivalent Grant (LACSEG) of approximately £0.53m.
 - 6.2.1. The amount of LACSEG identified above represents the formulaic calculated reduction in the cost of central services (as opposed to costs that can actually be saved). The speed at which Haringey can reduce relevant costs within the centrally retained DSB will depend on a number of issues including whether economies can be made from delivering services to fewer schools and the Authority's ability to continue to provide services to Academies under trading arrangements.
- 6.3. Placements Budget. The number of Looked After Children (LAC) has risen steadily over the last few years and as part of that increase the number of children placed in residential accommodation outside of the borough, in which there is an educational component has also risen. Complex placements which contain elements of care relating to either health or the Special Educational

Needs (SEN) of those children are generally the subject of joint funding agreements.

- 6.4. The SEN component is charged against the DSB (and the NHS contribute to the Health component) however, it is now apparent that the educational component, which is provided as part of the placement as opposed to being met through a maintained school, has grown to such an extent that it cannot continue to be met from the Council's placement budget. This is classed as 'Education other than at School' and the Council is seeking to identify the estimated cost in 2012-13 and charge it to the centrally retained element of the DSB.
- 6.5. As these costs will be met from the centrally retained element of the DSB achieving this will be dependent upon making savings or from the centrally retained proportion of the estimated increase in pupil numbers (para 2.3); it is also dependent on not breaching the CEL.
- 6.6. Contingencies are part of the Centrally Retained DSB although they do, in reality, benefit schools. The views of the Forum are sought on the following issues relating to contingencies.
 - 6.6.1. It has been the practice to retain a contingency to cover in year transfers of pupils with special educational needs and new statements issued in year. As the number of pupils with SEN who will form the call on this budget are not currently known, any necessary adjustments for 2012-13 will be reported to the Forum in January.
 - 6.6.2. The Forum agreed to set aside a contingency of £450k for the pressure of new places in 2011-12 (bulge classes). Places in 2011-12 have not been fully resolved but it is anticipated that funding in the order of £383k will be required. Given the continuing pressure on places a similar contingency is requested for 2012-13.
 - 6.6.3. A Contingency for Schools in Financial Difficulties of £250k has been set aside for several years. Members are asked to endorse its continuation.

7. Headroom 2012-13

- 7.1. The Forum's view on the options for allocating any headroom is sought.
 - 7.1.1. In 2011-12 the Forum agreed to apply the negative MFG to most factors in the funding formula. This created headroom that was used to fund the increase in places at the ILCs and Heartlands and create a contingency for bulge classes. The remaining headroom was then redistributed through AEN factors enabling the Council's target of 16% to be reached.
 - 7.1.2. Given the target will be reached, we anticipate that the only current need for additional headroom will be for the expansion in planned places (para 5.1.1). Taking into account that the resources previously applied in support of the extended services will not be needed in 2012-13 (and will therefore also be added to headroom) the Council is of the view that it will only be necessary

to implement the negative MFG should there be insufficient headroom generated through higher pupil numbers and the use of the extended schools funding.

- 7.1.3. It follows from this that any remaining headroom will be distributed using the Key Stage funding mechanisms. The Forum is asked to endorse this approach.