

**REPORT FOR: EDUCATION STRATEGY  
CONSULTATIVE FORUM**

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<b>Date of Meeting:</b>	30 January 2013
<b>Subject:</b>	Information Report : Revenue Budget 2012-13 to 2014-15 including School Funding Reforms
<b>Key Decision:</b>	No
<b>Responsible Officer:</b>	Emma Stabler, Finance Business Partner – Children’s Services
<b>Portfolio Holder:</b>	Cllr Mitzi Green, Portfolio Holder for Children, Schools and Families
<b>Exempt:</b>	No
<b>Decision subject to Call-in:</b>	No
<b>Enclosures:</b>	N/A

**Section 1 – Summary and Recommendations**

This report provides a summary of the draft Council’s budget for 2013-14 to 2016-17, as considered by Cabinet on 13 December 2012. The Education Strategy Consultative Forum is one of a series of meetings held with stakeholders to share information on the Council’s budget. The report also updates the Forum on the significant changes to school funding effective from 2013/14.

**Recommendations:**

The Education Strategy Consultative Forum is requested to note this report and offer comments.

**For Information purposes only**

## Section 2 – Report

### Introductory paragraph

1. In 2010 the Government's austerity measures meant Local Government (along with the Welfare System) received the most challenging funding settlement in decades, resulting in a 28% cut to the Council's controllable costs over the 4 years to 2014/15, some £62m in Harrow's case from 2010/11 levels of expenditure. This is on top of the £45m we have already saved before this, meaning that by 2015 we will have been making savings of over £10m a year for the last nine years.
2. The reduction in spending we are facing will inevitably start to impact on some of the services residents value and trust the most, but it is clear we are no longer in a position to continue to fund the breadth, depth & quality of services we currently offer. We are therefore faced with some very difficult decisions, including whether or not to put up council tax in order to help prevent bigger cuts to some of our most important service areas and help fund some of the much needed improvements and demand pressures we are facing. Any proposal to raise council tax above a Government defined limit will require the Council to hold a referendum. For 2013-14 the limit is 2%.
3. To this end the draft budget reported in December seeks to realign expenditure to key outcomes within the Council's Corporate priorities:
  - Keeping neighbourhoods clean, green and safe,
  - Supporting and protecting people who are most in need,
  - United and involved communities and
  - Supporting our town centre, our local shopping centres and businesses.

#### And reflects 5 key principles:

- Continuing to make savings in the Civic Centre
  - Ensuring the services residents care about are protected from drastic cuts
  - Protecting residents most in need, in particular, by helping them get out of poverty and back to work
  - Encouraging growth and investment in Harrow, supporting the Town Centre, local businesses, district centres and by opening up our land to investment.
  - Working with our partners and listening to our residents to make sure the right decisions are made for the community
4. As far as is possible we want to try to limit the levels of cuts and savings required from service areas that play a vital role in delivering key outcomes in priority areas. But Harrow Council will be a very different organisation in the future. A council that is even more innovative and

ambitious in the way we deliver our services and that works even better with our community.

### **Draft Summary Medium Term Financial Strategy (MTFS)**

5. The draft summary MTFS was submitted to Cabinet in December. The change in the budget requirement for 2013-14 can be summarised as follows:

<b>Table 1: Budget Requirement for 2013-14</b>	
	<b>£m</b>
<b>Budget Requirement 2012-13</b>	<b>173.1</b>
Capital financing costs and investment income	1.1
Technical changes (including Specific Grant changes)	18.9
Inflation	3.2
Budget Pressures	12.2
Savings including Transformation Programme	-20.3
Funding Gap	-5.2
Increase in Council Tax	-1.8
<b>Draft Budget Requirement 2013-14</b>	<b>181.2</b>

6. The funding gap remaining for 2013-14 is £5.2m which will have to be closed prior to agreeing the final budget in February.

### **Children's Services**

7. The Children's Services draft budget for 2013-14 includes growth of £1.8m to deal with the forecast increase in the child population, the loss of Youth Justice Board funding and new responsibilities for funding youth remand, plus strengthening of the social care workforce. The savings proposals in 2013-14 are £2.6m, with a total of £4.95m over 2 years. The details are provided in Appendix A and include:
- **Children's Centres:** £0.57m in savings over 2 years will come from further remodelling of the Children's Centres, of this £0.37m is to be delivered in 2013-14
  - **Procurement Savings:** £0.64m has been identified as general procurement savings, of this £0.57m is delivered in 2013/14. This is expected to be partly delivered through the West London Alliance Children's efficiency workstreams.
  - **Commissioning budgets :** £0.67m reduction in various commissioning budgets, including connexions, drugs & alcohol and parenting support
  - **Staffing :** Further savings on staff delivering a total of £0.67m
  - **Special Needs Transport:** Savings of £0.64m over the next 2 years on Special Needs Transport. This will be delivered through exploring options for delivery of the SNT service, including market engagement, and through managing demand through initiatives such as Independent Travel Training.

- **Educational Psychology:** £0.21m from the introduction of charging for non-statutory Educational Psychology

### **Changes to 2013/14 School Funding Formula**

8. In March 2012 the DfE announced their intention to introduce a new school funding methodology with effect from April 2013. The Dedicated Schools Grant (DSG) is a ring fenced grant the majority of which is used to fund individual school budgets. It also funds certain central services provided by the local authority such as Early Years (private and voluntary sector nurseries) and fees for out of borough pupils at independent special schools.
9. The new regulations introduce the following changes with effect from April 2013:
  - Require the implementation of a new school funding formula from 2013/14 which can only use a few limited factors and must use the data provided by the DfE
  - Introduce new funding arrangements for pupils with high value special educational needs
  - Significantly restrict the DSG that can be held by the local authority to fund central services

### **Implementing a revised School Formula Funding for 2013/14**

10. In the future the DSG will be split into the following three blocks:
  - School Block
  - High Needs Block
  - Early Years Block
11. The legislation requires all authorities to revise their school funding formula. Working with Schools Forum a revised formula was devised that would:
  - Comply with the new statutory requirements
  - Minimise turbulence in school budgets
  - Recognise pupil need
  - Preserve funding across sectors, which prevents movement between the primary and secondary sectors

The revised formula was issued to all Harrow schools for consultation in September and was formally agreed by Schools Forum on 16 October.

The following eight factors are included in the 2013/14 school funding formula:

- i. Basic Per Pupil Entitlement
- ii. Deprivation – using eligibility for Free School Meal (FSM) and the Income Deprivation Affecting Children Index (IDACI)
- iii. Looked After Children (LAC)
- iv. Low Cost High Incidence SEN - Use of Prior Attainment Data

- v. English as an Additional Language (EAL)
- vi. Pupil Mobility
- vii. Lump Sum which must be applied to all mainstream schools.
- viii. Rates

### **New funding arrangements for pupils with high value special educational needs**

12. The most significant area of change is in respect of SEN provision with local authorities becoming commissioners of provision for high needs pupils aged up to 25. The DfE are defining high needs pupils as those which require provision costing more than £10,000 per year. In addition it includes school age pupils in Alternative Provision (AP).
13. These pupils will be funded from the High Needs Block which includes funding for the following:
  - Harrow Special Schools
  - Additional resourced provision in Harrow mainstream schools
  - Places in out of borough special schools and independent special schools
  - High Value Costed Statements in mainstream schools
  - Post-16 SEN expenditure including FE settings
  - Special Educational Needs (SEN) support services and support for inclusion
  - Alternative Provision including Pupil Referral Units & education out of school
14. From April 2013 high needs pupils will be funded on a mixture of places and pupils, which the DfE is referring to as 'place-plus'. Under the place-plus approach funding comprises the following three elements, which is being applied across all provision for high needs pupils.

**Element 1, or 'core funding'**: the mainstream unit of per-pupil education funding (DfE assumed level of £4,000).

**Element 2, or 'additional support funding'**: a clearly identified budget for providers to provide additional support for high needs pupils or students with additional needs up to an agreed level (DfE assumed level of £6,000).

**Element 3, 'top-up funding'**: funding needed in addition to Elements 1 & 2 to meet the total cost of the education provision required by an individual high needs pupil or student, as based on the pupil's or student's assessed needs. This is commissioned and funded by the local authority from the High Needs Block
15. From April 2013 the place plus funding replaces the current formulas for both Harrow special schools, additional resourced provision in mainstream schools and high value costed statements in mainstream schools.
16. There are growing concerns about the financial risks posed by the changes to the funding for SEN provision. The 2013/14 High Needs Block is frozen at the 2012/13 budget level and does not make any allowance

for the increase in pupil numbers. The DfE have not confirmed how they will fund growth in the High Needs Block in the future. In addition from August 2013 new responsibilities are being transferred in respect of Post 16 responsibilities.

17. The legislation also removes the current inter authority recoupment arrangements for SEN funding. This duty now transfers to individual schools.

### **Restrictions on the DSG that can be held to fund central services.**

18. For services currently funded from centrally retained DSG these are either included in the High Needs block or Early Years block where appropriate, with the remaining falling into the School block. All the funding in the schools block has to be passed to schools apart from the following named exceptions which can still be retained but are frozen at 2012/13 levels:

- Co-ordinated Admissions,
- Carbon Reduction Commitment
- Servicing of Schools Forum

19. This change results in the following services being delegated to schools from 2013/14:

- Behaviour Support Services
- Support to underperforming ethnic minority groups and bilingual learners
- Trade Union Facilities Time

If maintained schools in a phase collectively agree – through the Schools Forum – these services can be provided centrally by returning funding to the local authority. Academy schools will not be part of these collective agreements. They would receive the funding and would have to buy back separately. These proposals remove the DSG clawback in respect of academies and enable the Education Funding Agency to fund academies directly. Schools Forum have indicated they would consider a de-delegation request is expected in respect of Trade Union Facilities Time.

20. The legislation also allows authorities to seek Schools Forum approval to create a ring fenced Growth Fund from the DSG in order to fund in year pupil growth. This is important for Harrow given the scale of additional classes identified through the Primary Expansion Programme.

### **2013/14 Settlement**

21. The 2013/14 DSG is based on the number of pupils on the October 2012 school census. The total DSG for 2013/14 is £177,954,960. Separated between the following three blocks:
  - School Block Funding –based on a Guaranteed Unit of Funding (GUF) of £4,927.48 and a pupil count of 28,693 as at October 2012 census. This results in a schools block total of £141,384,184. This is

£2,434,175 more than reported to Schools Forum in November 2012, due to an increase of 494 pupils.

- Early Years Block Funding - the 2013-14 Early Years Block allocation is a provisional figure, based on January 2012 census data. This results in a provisional allocation of £9,000,560 to the DSG. These allocations will be updated based on January 2013 and January 2014 census data. The GUF is £4,320.96.
- High Needs Block Funding – The HNB is based on the 2012/13 spend levels (adjusted for baseline adjustments such as hospital top slice and recoument adjustments). Initially the DfE stated that the HNB was to remain at the 2012/13 cash levels. However the DfE is currently finalising growth for the high needs block based on returns made to the DfE over the last few months. The indicative growth equates to £279,167

22. A legal Minimum Funding Guarantee (MFG) is retained for individual schools budgets to provide some protection to school funding however it is a negative figure. The regulations state that no school will experience a reduction in their school budget greater than 1.5% per pupil. The new formula generates movements in school budgets. Given that schools losing funding are protected by the Minimum Funding Guarantee of -1.5% to ensure affordability of the new formula all gains also need to be capped.

23. Schools also receive the Pupil Premium in respect of pupils who have ever been eligible for Free School Meals (FSM) in the last 6 years plus Children Looked After continuously for more than 6 months. The rate for 2013/14 has been confirmed at £900 per eligible pupil, a rise from £623 in 2012/13. In addition a pupil premium is allocated to children of service personal at a rate of £250. Schools can decide how they will use the additional funding to achieve improved outcomes for deprived children.

24. From September 2013 early education will become a statutory entitlement for around 20% of eligible 2 year olds, increasing to 40% in 2014/15. The eligibility criteria is:

- a. Looked After Children
- b. Children who meet the Free School Meal eligibility criteria

To fund this new entitlement the DfE are allocating £2.3m through the Dedicated Schools Grant (DSG) from April 2013.

### **School Budgets 2014/15 onwards**

25. The DfE have yet to confirm any details of the school funding settlement for 2014/15 however they have confirmed the MFG of -1.5% will remain in place. They also wrote to the authority in October to state that there is likely to be a MFG in subsequent years however they did not confirm an amount. The revisions to schools funding are been viewed as a step towards a national school funding formula that could be in place as early as 2015/16.

## Financial Implications

26. The financial implications are integral to the report.

## Risk Management Implications

27. The key risks are in respect of the high needs provision, especially in respect of affordability. The risk will be formally reviewed when the details of the high needs block are finalised in March 2013.

## Equalities implications

28. An Equalities Impact Assessment has been undertaken on the new school funding formula. Given the application of the minimum funding guarantee it limits movements in school budgets consequently it has neutral impact. Following confirmation of the arrangements of the High Needs Block a further assessment will be undertaken to assess the implications for high needs pupils.

## Corporate Priorities

29. The revised funding formula aims to support the corporate priority of narrowing the gap.

## Section 3 - Statutory Officer Clearance

Name:	Emma Stabler	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date:	18.1.13		
Name:	Sarah Wilson	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date:	18.1.13		

## Section 4 - Contact Details and Background Papers

**Contact:** Emma Stabler, Finance Business Partner – Children's Services  
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Background Papers:  
None