

**REPORT FOR: EDUCATION  
CONSULTATIVE FORUM**

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**Date of Meeting:** 25<sup>th</sup> January 2012

**Subject:** Information Report : Revenue Budget  
2012-13 to 2014-15

**Responsible Officer:** Julie Alderson, Interim Director of  
Finance

**Exempt:** No

**Enclosures:** N/A

**Section 1 – Summary**

This report provides a summary of the draft Council's budget for 2012-13 to 2014-15, as considered by Cabinet on 15 December 2011. The Education Consultative Forum is one of a series of meetings held with stakeholders to share information on the Council's budget.

**FOR INFORMATION**

## Section 2 – Report

### Vision and Priorities

1. The Council agreed its vision and priorities in February 2011 following an extensive engagement and consultation with residents through Lets Talk - a new conversation with residents about what they want from the council and how they could give back to the community.

The vision and priorities for the administration are:

Vision: Working together: our Harrow, our community

Priorities:

- Keeping neighbourhoods clean, green and safe
- Supporting and protecting people who are most in need
- United and involved communities: a Council that listens and leads
- Supporting our town centre, our local shopping centres and businesses

### Context

2. This year's budget setting has taken place within the context of one of the most difficult financial environments local government has ever faced. Despite this, Harrow is working towards setting a three-year budget which is innovative, transformational and has involved residents in many of its key decisions.
3. In relation to Education legislative changes introduced through the Academies Act 2010 and Education Act 2011, support the Government's drive towards increasingly autonomous schools. There will be a presumption that any new school will be an academy or free school. Academies will be able to provide 14-19 age education and alternative education provision. Schools will become responsible for careers advice; the requirement to have an admissions forum will be removed and the remit of independent exclusions appeals will be curtailed. This legislation is already impacting on Harrow with seven out of the twelve High Schools (including Special schools) in the borough opting to become Academies this year.
4. The borough is also experiencing a significant increase in the number of children in the borough. School roll projections show a significantly increased demand for school places in the next few years. 6-8 permanent additional forms of 30 pupils will be required in the primary sector by 2016, in addition to the bulge classes (4 – 6 per year) provided by a rolling programme. Planning will take place for the additional places that will be needed in the secondary sector as the increased number of pupils move from primary to secondary school in 2016/17 and for the special schools.

- Children's Services is also seeing an increase in the number of children who are the subject of a Child Protection Plan, Children with complex Special Educational Needs and Older Looked After Children with challenging behaviours and complex needs.

## **Current Position – Council Funding**

### Central Government Funding

- The 2012/13 funding settlement was confirmed in December and will be incorporated into the final budget report approved by Council in February. Although broadly in line with the forecast the funding settlement does represent a significant reduction in funding.

### Council Tax Strategy

- In 2011/12 the government provided a grant to reduce the Council Tax increase from 2.5% to nil. The Government has announced a similar council tax freeze scheme for 2012/13, however it is less generous as it only provides funding for one year rather than the four years funded in 2011/12. If Harrow freezes its council tax for another year it will receive a one off grant equivalent to raising council tax by 2.5%. DCLG estimate that Harrow will receive £2.6m from Government for 2012/13. It is not expected that this scheme will be repeated again for 2013/14, resulting in an additional budget pressure in 2013/14 due to the loss of the potential extra Council Tax from the base.
- The change in the draft budget requirement for 2012-13 can be summarised as follows:

	<b>£m</b>
Budget Requirement 2011-12	175.5
Capital financing costs and investment income	0.2
Technical Changes (including specific grants)	(4.0)
Inflation	2.6
Investment in services	7.4
Transformation programme and other efficiencies	(10.4)
Funding Gap	(2.4)
<b>Budget Requirement 2012-13</b>	<b>168.9</b>

- The funding gap remaining for 2012-13 is £2.4m which will have to be closed prior to agreeing the final budget in February. The remaining gaps for 2013-14 and 2014 -15 are £6.1m and £5.8m reduced from £11.2m and £13.4m respectively from the February 2011 MTFS. This means that the Council has identified a total of £17.0m in savings for the three year period of the MTFS through the Commissioning Panels and service reviews conducted throughout the year.

### Children's Services

11. At quarter 2 the Children's Services budget is forecasting an under spend for 2011-12 of £0.600m, mostly due to savings made on the new integrated model for Children's Services, savings on the new model for Children's Centres and savings on the number of children in care. The position on children in care is volatile and could change. Therefore, the contingency provided in the budget, provides a safeguard if an increase in demand materialises. Extensive work has been undertaken in the current year by the Corporate Director for Children's Services and her management team to successfully implement the new operating model. The go live is planned for February 2012 when outlying staff will be relocated to the civic centre and the new Business Support hub is set up.
12. The Children's Services draft budget for 2012-13 includes growth of £0.56m to deal largely with the forecast demographic growth and the loss of Youth Justice Board funding (estimated at £0.12m). The savings proposals in 2012-13 are £2.3m, with a total of £4.5m over the 3 year period including:
- £1.2m in savings over 3 years will come from the new operating model for Children's Centres, of this £0.8m is to be delivered in 2012-13
  - £1.37m has been identified as general procurement savings over 2 years, of which £0.87m is in 2012-13 This has been made possible through the appointment of an interim procurement business partner for Children's services as part of the Council's strategy to strengthen procurement
  - Additional procurement savings of £0.21m spread over 3 years on placements
  - Substantial savings on staff of £0.45m over 2 years, of which £0.35m is in 2012-13, achieved through the new integrated service delivery model.
  - Savings of £0.198m over the next 3 years (net of costs) planned for increasing independent travel in the Special Needs Transport (SNT) service, and another £0.260m is planned in 2014-15, where different options for delivery of the SNT service are being examined.

## **School Funding**

### **2012/13 Settlement**

13. Dedicated Schools Grant (DSG) is used to fund both the individual schools budget (ISB) and centrally retained items. The former goes to schools, whilst the latter is held by the Local Authority to spend on specific items such as Early Years (private and voluntary sector nurseries) and fees for out of borough pupils at independent special schools.
14. The Department for Education (DfE) announced in December the school funding settlement for 2012/13. The per pupil DSG funding in 2012/13 has been confirmed as £5,536, a cash freeze on 2011/12. Based on indicative pupil numbers it is estimated that the council will receive £171.5m of DSG in 2012-13, an increase from the 2011/12 allocation £167.9m solely due to the forecast increase in pupil numbers. The actual 2012/13 DSG is based on the January 2012 pupil level annual school census (Plasc)

numbers, with the grant being finalised by DfE in the summer 2012. Schools will be notified of their final 2012-13 budget, based on January 2012 pupil numbers, by March.

15. The forecast DSG includes the funding in respect of academies. Under the current regulations the council continues to calculate the basis of the academy budgets through the Harrow Schools Funding Formula. The DfE then recoup the DSG in respect of the academy budgets and pass this funding onto the academies in their General Annual Grant. Based on the 2011/12 school budgets the clawback of DSG anticipated in respect of academies is expected to be £45m.
16. A legal Minimum Funding Guarantee (MFG) is retained 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, before the pupil premium is applied.
17. The 2012/13 school's budget was considered by School's Forum in November and the following are unavoidable growth items that require funding in 2012/13.

**Unavoidable growth required in 2012/13**

	<b>£'000</b>
Additional Class Funding for increase in pupil numbers	540
SEN – New Statements in 2011/12	450
SEN – New Statements in 2012/13	450
Additional Places in ARMS Units	137
Special School Growth	53
<b>Total</b>	<b>1,630</b>

- Additional Class Funding – £540k is required to fund in year growth in pupil numbers based on initial plans to provide 11 additional full classes from September 2012.
  - SEN – New Statements in 2011/12 – This is the full year cost of the growth in new high value costed statements allocated to schools in 2011/12.
  - SEN – New Statements in 2012/13 – This is the forecast cost of the growth in new high value costed statements that will need to be allocated to schools in 2012/13.
  - Additional Places in ARMS & ASD units - £137k has been allocated to fund a total of 6 ASD places across Aylward and Priestmead and 5 new ARMS places across Cedars and Elmgrove Junior.
  - Special School Growth - £53k is required to fund part year increases in places at Shaftesbury and Alexandra expected from September 2012.
18. Given there is no growth in funding these pressures will have to be funded from an overall reduction in school budgets though of course reductions can not be more than the 1.5% set by the MFG.

## Pupil Premium

19. Schools also receive the Pupil Premium for disadvantaged pupils. The pupil premium for 2012/13 has increased from £488 to £600 per eligible child. The children who are eligible for the pupil premium have been extended to include any pupil who has ever been eligible for Free School Meals (FSM) in the last 6 years, as at the January 2012 census. In addition schools also receive pupil premium of £600 for any Child Looked After continuously for more than 6 months and £250 pupil premium for service children. The pupil premium is expected to provide a further £4.44m funding to Harrow schools in 2012/13.

## Central Items

20. The budget for the central items within the Dedicated Schools Grant total £11,889 for 2011/12. It is proposed to apply a cash freeze to central items expenditure for 2012/13.

21. In addition a clawback of DSG in respect of centrally retained items is expected in 2012/13, forecast to total £189k. This will reduce the DSG available for central items in 2012/13. Buyback from the academies is expected in respect of the admissions and Harrow Tuition Service however there is a significant impact for the Ethnic Minority Improvement Services. To address this a review of the service is being undertaken to ensure its long term viability.

## Schools Specific Contingency

22. Historically Harrow Schools Forum has retained funding in Schools Contingency to provide for identified in year pressures and financial risks. In recent years the major area of spend has been to fund pupil growth, through the 'Additional Class' funding and in year 'Trigger' funding. The DfE wrote to all Local Authorities in October to confirm that from 2012/13 onwards they will include the funding held in Schools' Contingency when calculating the additional funding allocated to Academies. If monies are retained in Schools Contingency in 2012/13 it will be partially allocated to academies based on total pupil numbers and therefore will not be fully available to fund the additional classes needed in September 2012. This policy change has necessitated a full review of the expenditure currently funded from Schools' Contingency.

## **Changes to the School Formula Funding**

23. In 2011/12 the following items were held in schools contingency:

- Pupil & FSM Trigger Funding
- Additional Class Funding
- Various School Improvement Programmes including Good to Outstanding, Leadership development
- AST funding

Given the DfE's inclusion of Schools Contingency in the clawback of DSG in respect of academies Schools Forum are considering the following changes to the Harrow Schools Funding Formula with effect from 1 April 2012:

- **Removal of in year trigger funding with funding based solely on January Census pupil numbers**

It is a statutory requirement that the school funding formula uses the January census data. Historically Harrow has adjusted the January pupil numbers for known and expected changes to pupil numbers due in the following September. These adjustments are designed to reduce the time lag between changes in pupil numbers and funding.

Downward adjustments are also made where a school has reduced its PAN and this is working through the school. In these cases the January pupil numbers are reduced from the September. There is also a range of Trigger funding paid during the year to immediately compensate schools for significant increases in pupil numbers and FSM eligibility.

To pay for in year Trigger funding requires monies to be retained in School's Contingency and going forward, given the DfE's proposals on Schools' Contingency, this is not an option. It is therefore recommended that for 2012/13 onwards schools are funded solely on their January census pupil numbers with no in year trigger funding payments.

These proposals would have limited impact on the majority of schools however it's more significant for those with volatile pupil numbers or changes to PAN. For those affected it just introduces a delay in funding for both increases and decreases in pupil numbers and there would be no reduction or increase in funding overall.

- **Additional Class Funding**

Harrow, like most London Boroughs, is facing an unprecedented increase in pupil numbers. The growth in pupil numbers in 2012/13 is expected to result in up to 11 additional classes being required from September 2012. Currently the Additional Class Funding is held in Schools' Contingency until the autumn when the school receives funding for the places actually filled, based on the October census.

With effect from April 2012 it is proposed to amend the Additional Class Funding to allocate it to schools that are identified as running a bulge class when setting the budget rather than waiting for the actual pupil numbers in the October census. This would also apply to new schools, such as Krishna Avanti. Given that the actual pupil numbers will not be known at that time the formula will have to assume the class is full. Based on 7/12ths AWPU and a class size of 30 the proposed 2012/13 funding for Additional Classes running from September 2012 will be £60,650. This funding factor is school specific and will be excluded from the minimum funding guarantee.

- **School Improvement Initiatives, including Good to Outstanding, Leadership Development & AST**

Currently the funding for these initiatives is retained centrally in Schools' Contingency. The DfE proposal on Schools' Contingency

would result in a proportion of this funding being allocated to Academies based on pupil numbers. The school community will need to consider if and how they wish to fund these initiatives going forward.

With regard to Advanced Skills Teachers (AST) in 2011/12 the funding is held centrally in Schools' Contingency and payments are being made to schools for days actually delivered. It is proposed that this funding be allocated out to schools through AWPU for 2012/13. However this leaves the school community to consider how they wish to fund school to school support going forward.

### **Capital Allocations**

24. Devolved Formula Capital remains at the 2011/12 level with each maintained school receiving a flat rate of £4,000 plus £11.25 per pupil for primary schools, £16.88 per pupil for secondary schools and £33.75 for special schools. The VA schools' rate is slightly higher to take account of the VAT.
25. The capital grant allocated to the LA in 2012/13 is confirmed at £5.1m (a reduction on the £6.744m allocated in 2011/12), with a further £638k LCVAP for VA schools. The priority for this funding is the primary school expansion programme, as detailed in the recent consultation.
26. It was announced as part of the Autumn Statement that there is to be an additional £600m for pupil places nationally although we don't yet know when or how this funding will be allocated. Harrow has fared badly from the current allocation method and we believe that we have received less capital grant for our actual pupil growth to date than any other outer London borough. This issue has already been raised formally with the DfE and the case for a fairer allocation for Harrow is being raised more widely.

### **School Budgets 2013/14 onwards**

27. The DfE has indicated that there will be a continued cash freeze in school budgets however they have not confirmed any funding details for future years. Significant changes are expected to school funding from 2013/14 which will inevitably impact on Harrow schools.

## **Section 3 – Financial Implications**

These are integral to the report.

## **Section 4 - Equalities implications**

There are no direct equalities impacts arising from the decisions within this report.

## **Section 5 – Corporate Priorities**



The budget for 2012-13 supports delivery of the Council's new vision and priorities.

Name: Julie Alderson



Chief Financial Officer

Date: 13.1.12

## **Section 7 - Contact Details and Background Papers**

**Contact:** Emma Stabler, Finance Business Partner -Children's Services,  
020 8424 1978

Background Papers: Revenue Budget 2012-13 to 2014-15, reported to Cabinet on 15th December 2011