

Levies, Contribution and Subscriptions

The table below shows the main levies, contributions to other bodies, and subscriptions that the Council will pay in 2012-13. These sums are set by other bodies and are outside the Council's control. With the exception of the subscriptions to London Councils and the Local Government Association, the payments are compulsory.

	2011-12	2012-13	Change	Change	Comments
	£000	£000	£000		
West London Waste Authority	5,598	6,741	1,143	20%	
Lee Valley	259	264	5	2%	estimated
London Councils	193	176	-17	-9%	
London Boroughs Grants	411	338	-73	-18%	
Freedom Passes	8,337	8,951	614	7%	
Environment Agency	178	183	5	3%	estimated
Traffic Control	306	330	24	8%	
Local Government Association	44	42	-2	-5%	provisional
London Pension Fund Authority	299	305	6	2%	estimated
Total	15,625	17,330	1,705	11%	

Policy on Use of Contingency

General Principles

1. As a general principle, directorate budgets should be structured to cover business as usual and any Priority Actions and initiatives that have been agreed as part of the budget and service planning round.
2. Budgets which are “demand led” should be set to deal with the forecast level of activity. For example; the predicted client numbers and needs in Adults and Children’s social care; the usual level of activity for planning appeals; winter gritting average weather conditions
3. Income budgets should be set take into account likely activity levels and any changes in fees and charges.
4. The contingency is there to deal with unforeseen/exceptional items and one-off projects that are approved during the year.

Appropriate uses

5. It is recommended that the contingency is used for the following purposes:

Category A: Unforeseen items/pressures

- To deal with demographic risk, where the number of clients or cost per client varies from the estimate in Children’s or Adults services
- To deal with unexpected increases in demand for services due to policy changes, for instance an increase in homelessness due to housing benefit changes
- To deal with seasonal risks, such as exceptionally bad weather or a flu pandemic
- To deal with tonnage risk, where the number of tonnes disposed of via West Waste varies from the estimate in Environment services
- To deal with the consequences of the recession
- To deal with major planning appeals and litigation
- To deal with uncertainty due to consultation on proposals
- To deal with unexpected income shortfalls due to changes in the external environment or changes in the law/regulations

Category B: One-off items

- To fund small one-off projects which are high priority and have the Leader’s support
- To fund one off procurement exercises
- To fund invest to save proposals

Criteria

6. It is recommended that any bids to use funds from the contingency should meet the following criteria:

Category A: Unforeseen items/pressures

- Event is unforeseen/exceptional and could not reasonably have been predicted during the budget round

Category B: One-off items

- Project is high priority or will generate future savings

7. Clear evidence will be required to support variations from estimated demand agreed at the Commissioning Panels.
8. Contingency funds will not be used where there has been a failure to deliver planned savings (except where this is due to the outcome of consultation) or properly manage spending.

Approval Process

9. Any use of the contingency will be decided by the Leader, in consultation with the Chief Executive and Interim Director of Resources.
10. Use of the contingency will be reported to Cabinet as part of the quarterly budget monitoring.
11. The sum available will be split between Category A and Category B in a ratio of approximately 80:20.

Unspent balances

12. The first consideration for any unspent balance from the contingency will be to add it to general reserves at the end of the year.

School Budget 2012-13

- **Introduction**

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.

- **2012/13 Settlement**

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.

Schools also receive the Pupil Premium for 2012/13 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. 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.

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.

- **Schools Budget 2012/13**

Based on indicative pupil numbers it is estimated that the Council will receive £171.5m of DSG in 2012-13, which is a slight increase from £167.9m in 2011/12 due solely to the increase in pupil numbers. The actual 2012/13 DSG is based on the January 2012 pupil level annual school census (Plasc) numbers and as this will differ from the pupil projections used to estimate the grant this figure is subject to change. Schools will be notified of their final 2012-13 budget, based on January 2012 pupil numbers, by March. The final DSG is not expected to be confirmed by DfE until July 2012.

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.

The 2012/13 school's budget was considered by School's Forum on 24th January. Given the cash freeze in per pupil funding any growth will need to be

funded from corresponding savings elsewhere in the school budgets. Schools Forum was consulted on unavoidable growth pressures and agreed that the following items be funded.

Unavoidable growth required in 2012/13

	£'000
Additional Class Funding for increase in pupil numbers	540
SEN – New Statements in 2011/12	500
SEN – New Statements in 2012/13	450
Additional Places in ARMS & ASD Units	132
Special School Growth	104
Carbon Reduction Commitment	155
Total	1,881

- 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.
- (a) 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.
- i. SEN – New Statements in 2012/13 – This is the forecast cost of the growth in new high value costed statements is anticipated to be allocated to schools in 2012/13.
- ii. Additional Places in ARMS & ASD units - £132k 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.
- iii. Special School Growth - £104k is required to fund part year increases in places at Shaftesbury and Alexandra expected from September 2012.
- iv. Carbon Reduction Scheme - £155k following a consultation in August we are still awaiting clarification as to the liabilities that will fall on the school budget. It is recommended that the forecast liabilities under the current scheme of £155k is seen as a call on headroom in 2012/13 until the legislation is confirmed.

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.

Central Items

The budget for the central items within the Dedicated Schools Grant total £11,914k for 2011/12 and it is agreed to apply a cash freeze to central items expenditure for 2012/13.

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. Details of central items for 2012/13 is provided in the table below.

Central Items	2011-12 Budget £'000	Movement £'000	2012-13 Budget £'000
SEN – Out of Borough	6,891	0	6,891
SEN & Specialist Support Services	2,420	0	2,420
Pupil Referral Unit	1,354	0	1,354
Admissions	706	0	706
Early Years	540	0	540
Other	3	0	3
Clawback of DSG in respect of DSG LACSEG		(189)	(189)
Total	11,914	(189)	11,725

Schools Specific Contingency

Historically Harrow Schools Forum has retained funding in Schools Contingency to provide for identified in-year pressures and financial risks. The schools specific contingency forms part of central items and in 2011/12 contained the following:

Description of Items	2011-12 Budget £'000
Pupil & FSM trigger funding	500
SEN - New Statements	450
Good to Outstanding	80
AST Co-ordinator	30
Leadership Development	30
Carbon Reduction Commitment	180
Total	1,270

The DfE wrote to all Local Authorities in October 2011 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 pressures identified, especially in respect of 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

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

1. 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. 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 on their January census pupil numbers and the current trigger funding factors be removed from the schools' funding formula.

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.

2. Factor for changes in Planned Admission Numbers (PAN)

By using unadjusted January pupil numbers schools will no longer automatically receive additional funding where pupil numbers in the following September exceed those in the January count. 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 these places are funded through 'Additional Class' funding, which is held in Schools' Contingency until the autumn. At that point schools receive funding for the actual number of pupils in the bulge class, based on the October census.

With effect from April 2012 Schools Forum has agreed to amend and extend the 'Additional Class' factor to cover all changes in PAN. The new 'Changes in PAN' factor will fund increases in PAN of at least 10 places expected in the following September. The increased numbers will be funded for 7/12th of the year (from September to March). Given that the actual pupil numbers will not be known at the time of setting the budgets the formula will use the increase in PAN, thereby assuming the places are filled. This will provide funding for bulge classes, planned permanent expansions and new schools with growing rolls, such as Krishna Avanti Primary.

Similar arrangements apply in reverse where a school's PAN is reduced. This will be based on the estimated number of new entrants (reception, year 3 or 7) in September less the number of pupils due to leave in July (year 2, 6

or 11). This is to ensure that schools do not retain funding for pupils they will not be keeping for a whole financial year.

This funding factor is school specific and will be excluded from the minimum funding guarantee.

3. Increase Fixed Cost Element for School Improvement Initiatives

Currently the funding for various school improvement initiatives, totalling £140k, is retained centrally in Schools' Contingency. The DfE proposal on Schools' Contingency has necessitated the school community to consider how they wish to fund these initiatives going forward. Schools Forum agreed to allocate this funding to schools, who then have the choice as to whether they buy back into the programmes. Of course there is a risk that not enough schools will buy back to ensure their viability. If this was to be the case then it is likely these programmes would cease.

The cost of School Improvement initiatives tend to be fixed per school rather than based on pupil numbers so this funding will be allocated equally across all 62 schools (including academies) which generates an additional £2,250 per school. Schools Forum recommend that the Fixed Cost Element in the School funding formula is increased by £2,250 with effect from 1 April 2012.

In 2011/12 the funding for ASTs has been held centrally in Schools' Contingency and payments are being made to schools for days actually delivered. Schools Forum recommends that the funding previously retained for ASTs be allocated to schools through AWPU with effect from 1 April 2012. The in-year payments made to schools in respect of ASTs in 2011/12 will be added to the 2011/12 base budget when calculating the 2012/13 Minimum Funding Guarantee (MFG). This will ensure that schools will not suffer more than the allowable 1.5% budget reduction as a result of this formula change.

4. School Budgets 2013/14 onwards

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 with the introduction of a new national funding formula which will inevitable impact on Harrow schools.

Risk Assessment

A risk assessment has been conducted. Whilst individually none of the risks are particularly high, a view must be taken on the likelihood of several of these risks materialising in any one-year, and the combined impact. Of course, several of these risks could generate either an over-spend or underspend – for instance interest rates can go up or down. There are other examples of opportunities or windfalls that need to be taken into account such as rate rebates and additional grant income.

The following approach has been used:

Likelihood			
Rating	Description	Range	Midpoint
A	Very High	>80%	90%
B	High	51-80%	65%
C	Significant	25-50%	38%
D	Low	10-24%	17%
E	Very Low	3-9%	6%
F	Almost impossible	1-2%	

Impact	
Rating	Description
I	Catastrophic
II	Critical
III	Marginal
IV	Negligible

For each identified risk, the worst-case scenario in terms of possible overspend or income shortfall has been identified and multiplied by the likelihood. The risks have been quantified as shown in the table above.

The total value of risk that has been quantified for 2011-12 is £6.8m.

However, the budget for 2012-13 includes a contingency of £1m which is intended to cover unforeseen costs and risks (demography, waste tonnage, homelessness, income generation etc). Therefore the net risk is £5.8m.

The risk level is greater in 2013-14 and 2014-15 due to the scale of the funding gaps and uncertainties surrounding Welfare Reform. It is however largely offset by planned contingency increases.

Budget Risk Register 2012-13

1. By-election
2. Inflation – pay and prices
3. Inflation – utilities
4. Treasury Management
5. Asset management
6. Income collection
7. Income from enforcement
8. Changes to grant regime
9. Economic risk – capital receipts
10. Economic risk – demand for services
11. Litigation against the Council
12. Major Fraud
13. Increased Pension fund contributions
14. Levies, Precepts and Subscriptions
15. Financial control environment
16. Insurance claims
17. Demographic changes: additional demand for social care
18. System failure
19. Lack of disaster recovery capability
20. New policy/legislation
21. Safeguarding
22. Natural disaster /accident/terrorist incident
23. Adverse weather conditions
24. Achievement of savings
25. Transformation programme
26. Strategic partnerships
27. Commercial partnerships

Likelihood	A Very High	Green	Orange	Red	Red
	B High	Green	Orange 9,10, 21	Red	Red
	C Significant	Green	Orange 2,3,7,11, 16,18	Red 17,19,20, 24	Red
	D Low	Green 1	Green 8,15,23	Orange 26, 27	Orange
	E Very Low	Green 14	Green 6,12,21	Green	Orange
	F Almost Impossible	Green 13,25	Green 5	Green 4	Green
		4 Negligible	3 Marginal	2 Critical	1 Catastrophic
	Impact				