

**TO: SCHOOLS FORUM**  
**DATE 9 FEBRUARY 2012**

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**INITIAL 2012/13 SCHOOLS BUDGET PROPOSALS  
AND OTHER FINANCIAL MATTERS  
(Director of Children, Young People & Learning)**

**1 PURPOSE OF REPORT**

- 1.1 The purpose of this report is to update members of the Schools Forum on preliminary budget information provided to schools on their potential 2012/13 budget and to seek views on the latest proposals from the Council for the 2012/13 Schools Budget. Initial views of the Schools Forum are now being sought so that any necessary amendments can be made in advance of the March Forum meeting where final recommendations will need to be made to the Executive Member in order to meet the statutory deadline for setting the budget.
- 1.2 The proposals in this report build on the outcomes from the financial consultation undertaken with schools in the autumn and now provide updated cost estimates for a number of the potential new developments.
- 1.3 Whilst the Executive Member is responsible for making most of the budget decisions, a number are for the Forum to determine, and these are also identified now, together with an initial assessment as to whether a request will be made for them to be exercised in March.

**2 RECOMMENDATIONS**

**That the Schools Forum:**

- 2.1 **NOTES that based on current information, a funding gap of £1.459m exists (Table 1, paragraph 5.17).**
- 2.2 **AGREES that in light of the financial position:**
- i. the items set out in Table 2 are not affordable (paragraph 5.18 - 5.21).**
  - ii. and subject to other decisions in this paper relating to funding pressures and savings, the funding rates to be used in the BF Funding Formula for 2012/13 remain unchanged from the 2011/12 values (paragraph 5.23).**
  - iii. the hourly funding rates paid to providers of the free entitlement to early years education and childcare for 2012/13 remain unchanged from 2011/12 values, subject to previously agreed transitional adjustments (paragraph 5.23).**
  - iv. the budget proposals set out in Table 3 are included in the provisional Schools Budget for 2012/13 (paragraph 5.24).**

- 2.3 NOTES that schools face real terms reductions in funding (paragraph 5.26);**
- 2.4 AGREES the self balancing budget virement relating to the Looked After Children's Education Service (paragraph 5.29);**
- 2.5 NOTES the changes introduced by the DfE in respect of funding school through the Pupil Premium (paragraphs 5.32 – 5.34);**
- 2.6 AGREES that the arrangements in place for the following are appropriate (paragraph 5.37):**
- a. provisions for statemented pupils (where not delegated).**
  - b. pupil referral units and other education out of school.**
  - c. arrangements for insurance.**
  - d. administrative arrangements for the allocation of central government grants.**
  - e. arrangements for free school meals.**
  - f. arrangements for early years.**
- 2.7 NOTES the extent to which the Forum is expected to be requested to exercise its statutory powers (paragraph 5.38).**
- 2.8 NOTES that the Council will receive £5.7m of un-ring fenced education related capital grants that are intended to meet pressures for additional pupil places and improving the condition of school buildings (paragraph 5.39).**
- 2.9 NOTES that in order that final budgets reflect the most up to date data, there will be a need to revisit any preliminary budget decisions agreed now in March (paragraph 5.41).**
- 2.10 AGREES now any further work required in respect of the 2012/13 Schools Budget (paragraph 5.41).**

### **3 REASONS FOR RECOMMENDATIONS**

- 3.1** Statutory Regulations require the Schools Forum to be consulted on relevant budget proposals and arrangements in place for the provision of services to schools.
- 3.2** Further views of the Schools Forum are now being sought so that a budget package can be finalised at the next meeting in March and be recommended to the Executive Member for a final decision on the 2012/13 Schools Budget within the statutory deadline.
- 3.3** The Schools Forum also needs to consider whether any request to exercise their statutory decision making powers will be agreed.

### **4 ALTERNATIVE OPTIONS CONSIDERED**

- 4.1** These were set out in the finance consultation documents and previous reports to the Schools Forum.

## 5 SUPPORTING INFORMATION

### Background and update from previous meetings

- 5.1 By 31 March 2012, all Local Authorities (LAs) have a statutory duty to provide each of their schools and early years providers with an actual budget for 2012/13. There are no forecast budgets available for 2013/14 and beyond as the Government have presented a one year funding settlement pending a detailed review of education funding which is likely to include significant changes from April 2013, of which the Department for Education (DfE) has indicated that detailed information will be available early in 2012.
- 5.2 This report presents the Forum with the latest stage in the development of the 2012/13 Schools Budget and builds on the key decisions and headline information that was available at the last meeting on 8 December, namely:
- a) To help planning, a budget strategy was agreed, as attached at Annex A.
  - b) It was agreed that the outcomes from the financial consultations with schools to identify and prioritise budget pressures, should be built into the initial budget proposals in this report.
  - c) A small number of other financial matters were agreed, including changing the data to be used to fund schools with Looked After Children through the BF Funding Formula for Schools.
  - d) The key information from the Spending Review, announced in October 2010 was the most up to date information and should be used in budget planning until any changes are confirmed by DfE. The key elements are as follows:
    1. There will be annual real terms growth of 0.1% for 5-16 year olds;
    2. That there is an assumed £1 billion of savings to be made by schools in back office functions and procurement;
    3. That overall, there will be a 60% reduction in capital spend;
    4. That funding for the Pupil Premium, to be targeted at disadvantaged pupils, will reach £2.5 billion by 2014/15.
  - e) Taking account of the available information, the following funding assumptions are being used in the initial preparations of next year's budget.
    1. Funding allocated through the Pupil Premium to double, which when taken into account with the assumed £1bn savings in back office functions and procurement, will absorb the 0.1% real terms growth.
    2. Per pupil funding from the DfE through the Dedicated Schools Grant (DSG) will therefore remain at the same amount as that received in 2011/12 i.e. a cash standstill for the second consecutive year, meaning no increase has been made to reflect rising inflation.
    3. The Minimum Funding Guarantee to remain unchanged at a maximum decrease in per pupil funding of 1.5%. This means the maximum reduction in per pupil funding that a school can receive next year compared to now is 1.5%.

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- f) The calculations made in December indicated a provisional funding gap of £1.844m, which is a similar position to that faced at the same stage last year at the initial review of the 2011/12 budget position
- g) That to help schools with their financial planning, the Director of Children, Young People and Learning was authorised to produce indicative 2012/13 budgets to schools, on the basis of the above decisions, and these were distributed on 12 December.

### Proposals for the 2012/13 Schools Budget

#### *Overview of the Schools Budget*

- 5.3 The details of the Local Government Finance Settlement, which were in line with expectations and our initial preparations, were announced on 13 December, just after indicative budgets were sent to schools.
- 5.4 The Schools Budget is funded by a 100% ring fenced government grant called the DSG. Any under or overspending in a year must also be ring fenced and applied to a future Schools Budget. LAs can add to this grant from their own resources, but are not allowed to plan to spend at a lower amount. The strategy of the Council is to plan for the Schools Budget to be funded to the level of external funding.
- 5.5 The DfE requires the DSG to fund delegated school budgets and certain pupil related budgets that the Council manages on behalf of schools. Annual increases in spending on budgets managed by the Council are ordinarily limited to the average percentage change on both delegated school budgets and payments to early years providers in the private, voluntary and independent sector (PVI). However, if there are unavoidable cost increases on Council managed budgets that require a greater percentage rise, or new developments are considered desirable, the Forum has the power to agree to larger increases.
- 5.6 Each school's budget is protected through the Minimum Funding Guarantee (MFG) which limits the change in per pupil funding a school can receive each year. As set out above, the DfE has again set the MFG at a negative amount and schools can receive a **reduction** in per pupil funding of no more than 1.5%. This is the same rate as applied in 2011/12.

#### *Estimated income from the DSG and accumulated balances*

- 5.7 Income for each financial year from the DSG is based on actual pupil numbers in schools at the January prior to the start of each financial year multiplied by per pupil LA funding amounts set by the DfE. BFC is funded at £4,861 per pupil. A relatively accurate assessment of pupil numbers will not be available for budget setting purposes until the middle of February, after returns from schools and other providers from the January census have been collected and summarised.
- 5.8 Therefore, the final cash amount of DSG is unknown at this stage as it will be determined by multiplying the guaranteed per pupil amounts by the actual number of pupils on roll, which the DfE does not confirm until June each year which is after the start of the relevant financial year. As there is a statutory requirement to publish the Schools Budget before the start of each year, it will always be set on provisional data, and may therefore be subject to change when final DSG amounts are confirmed.

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- 5.9 It is worth reminding members of the Forum that this calculation is not just based on pupil numbers in maintained schools, but also those on roll in private special schools, those receiving education out of school, e.g. in a pupil referral unit, and early years pupils in the PVI, which means that a sizeable element of head count data (around 870 full time equivalent pupils, 6% of the total) is subject to estimation.
- 5.10 For current planning purposes, the October 2011 maintained school census has been used as a projection for January 2012 statutory aged pupil numbers in BFC schools, with pre-statutory aged pupil numbers based on estimates provided by individual schools. We do not have any up to date data for DSG pupils in other settings, so at this stage are using the numbers on roll in January 2011.
- 5.11 An added complication on the calculation of DSG is funding for 3 and 4 year olds. This arises as each LA will be funded at a minimum of 90% of its total 3 year old population, irrespective of how many 3 year olds are receiving childcare and education. This methodology has been adopted to encourage take-up.
- 5.12 Estimating the number of 3 and 4 year olds in the PVI sector has proved to be the most difficult element of this calculation. Therefore, at this stage it is assumed that there will be no financial impact from changes in numbers of 3 and 4 year olds with any change in DSG funding being matched by an equivalent change in funding allocated to providers. This will need to be reviewed when census data is confirmed and may result in a net pressure or saving, which may be significant.
- 5.13 In terms of balances available to the Schools Budget, these are estimated at £0.4m. This amount will need to be kept under review and may be subject to change.
- 5.14 A contingency has been built into the pupil forecasts used to estimate the level of DSG income to cover a possible over estimation of numbers or an under estimation of costs, including the potential impact from more schools converting to academy status. This has initially been set at £0.243m, equivalent to DSG income from 50 pupils, and reflects the uncertainty around the exact number of pupils on roll, and therefore level of income to be received. It also provides a buffer in the management of high cost, volatile central budgets that can rapidly change, mainly around Special Educational Needs. The level of contingency will need to be reviewed in March as part of setting the final budget.
- 5.15 Provision also needs to be made in the budget to finance the loss of funding on centrally managed Schools Budget items as a result of academies. This is because the DfE reduce DSG funding in respect of budgets that academies are responsible for, rather than the council. This is part of the national funding process for academies which receive funding from a Local Authority Central Services Equivalent Grant (LACSEG grant). Based on the current position of academies in the borough, £0.086m is proposed to be set aside for this purpose.
- 5.16 Taking account of the above information and assumptions, the initial estimate of likely income from the DSG after the £0.086m LACSEG top-slice for academy schools is £75.627m, an increase of £1.103m from the current budget. Adding the £0.400m estimated surplus in accumulated balances from 2011-12 results in an increase in total funding of £1.503m. Full details of estimated income are set out in Annex B.

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### *Budget pressures and developments*

#### Current position

- 5.17 Taking account of the preliminary decisions of the Schools Forum, the Local Government Financial Settlement and the latest calculations of all pressures, economies and developments i.e. it includes absolutely everything, Table 1 below summarises the current position on next year's Schools Budget. This indicates an estimated funding shortfall of £1.459m. Annex C provides more information on pressures, economies and developments.

Table 1: Provisional summary of 2012/13 Schools Budget changes

Item	Amount £ 000
<b><u>Net Pressures:</u></b>	
Net pressures on delegated school budgets	2,387
Net pressures on LA managed budgets	575
<b>Total net pressure</b>	<b>2,962</b>
<b><u>Additional Income:</u></b>	
Estimated under spend from 2012/13	400
Estimated increase in DSG	1,103
<b>Total additional income</b>	<b>1,503</b>
Funding shortfall	1,459

#### Proposals to manage the budget gap

- 5.18 Clearly, there is a significant budget gap to bridge and this will require a number of difficult decisions, however, it is similar to the position faced last year. Table 2 below sets out proposals that remove the funding gap which the Forum are asked to agree are adopted at this stage. The numbered references correspond to those in Annex C if more detail is required.
- 5.19 The proposals to manage the budget gap follow three themes: national cost pressures that have not been reflected in the funding settlement and not therefore affordable; desirable budget developments that are not essential items; lowest priority and not affordable in the current climate.
- 5.20 In respect of funding schools for the full time admission of 4 year olds from September (item 6 in Table 2 and Annex C), due to the difficult budget settlement and the fact that excepting one school, all others took some form of admissions for 4 year olds in September without receiving any funding, it is proposed that no further funding is allocated for this item at this stage.
- 5.21 The following proposals reduce costs by £1.525m and result in an unallocated balance of £0.066m which will be recalculated with the most up to date information, and will be taken into account when final budget proposals are presented to the Forum in March.

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**Table 2: Summary of proposals to reduce the budget gap (these items are NOT proposed to be funded)**

Ref	Item not to be funded	2012/13 current estimates		
		Delegated to schools £ 000	Managed by LA £ 000	Total £ 000
<b><u>Cost pressures not recognised in the funding settlement</u></b>				
1	Inflation	250	120	370
2	Increase in employer LGPS rate	40	10	50
	Net cost pressures not funded by DfE	290	130	420
<b><u>Desirable budget developments (not essential)</u></b>				
3	Additional 0.5% inflation to minimum costs	230	30	260
4	Building maintenance	50	0	50
5	Learning Support Units	185	0	185
6	4 year olds from September 2011 – balance of pressure not funded in 2011-12	460	0	460
7	Additional speech and language support	0	50	50
	Net non-essential budget developments	925	80	1,005
<b><u>Alternative funding source identified</u></b>				
8	Capital expenditure	0	100	100
	Net alternative funding source	0	100	100
	<b>Total pressures not to be funded</b>	<b>1,215</b>	<b>310</b>	<b>1,525</b>
<b>Current Estimated Shortfall</b>				<b>1,459</b>
<b>Unallocated balance</b>				<b>66</b>

5.22 If the above proposals are not supported, alternative cost reductions will need to be presented in order to balance the budget.

5.23 In line with the national funding settlement, the above proposals do not include funding for inflation or other known pressures. The consequence of this is that the funding values used in the BF Funding Formula for Schools will be mainly unchanged in 2011/12. Funding rates payable to providers of the free entitlement to early years education and childcare will also need to remain at current rates, subject to changes previously agreed through the transition arrangements.

Summary Schools Budget position

5.24 The budget proposals set out above have been formulated in accordance with responses from schools to the financial consultation and the agreed objectives as set out in Annex A. They also comply with how the statutory Funding Regulations are expected to be framed. Overall, delegated school budgets are proposed to increase by £1.173m, and those managed by the LA by £0.265m. The proposed changes are summarised below in Table 3, with more details in Annex D.

Table 3: Summary proposed budget changes

Ref	Item	2012-13 Estimates		
		Delegated to schools £ 000	Managed by LA £ 000	Total £ 000
1	Mainstream pupil number changes – includes impact from Jennett’s Park	596	0	596
2	KLS pupil number changes	142	0	142
3	SEN statements number / needs changes	65	0	65
4	SEN statements – cost review	70	0	70
5	Non pupil data changes	232	0	232
6	SEN Resource Units	32	0	32
7	Traded Service – Education Welfare	18	0	18
8	Traded Service – Education Psychology	18	0	18
9	Alternative Education Provision	0	60	60
10	Increase in external SEN placements	0	80	80
11	Increase in incidence of maternity leave	0	25	25
12	Family Intervention Project	0	100	100
	<b>Total pressures and savings</b>	<b>1,173</b>	<b>265</b>	<b>1,438</b>

5.25 There are five new pressures that are proposed to be funded compared to the items presented to the Forum in December:

- a) Mainstream statements – cost review at £0.070m (item 4 in table 3). This item was identified by schools in the financial consultations and suggested that funding allocated to support statemented pupils was not sufficient to cover costs. A detailed review has now been undertaken which concluded that there was a funding shortfall.
- b) SEN resource units at £0.032m (item 6 in table 3). This item was also included on the financial consultations with schools and related to the possibility that the development on more SEN resource units could save money in the medium to long term, but may require some short term additional funding while the units are being established. More information on this proposal is provided on a separate agenda item.
- c) Traded Service – Education Welfare at £0.018m (item 7 in table 3). The Education Welfare Service works with schools, children and families to improve attendance and arranges prosecutions where all other strategies have failed. The service is currently fully funded from the Council, but from April 2012, it is proposed that the DSG contributes £0.018m to support non-statutory activities such as additional support to schools and families to secure high levels of pupil attendance.
- d) Traded Service – Education Psychology at £0.018m (item 8 in table 3). The Educational Psychology Service provides specialist consultation and assessment for vulnerable children together with a range of intervention, research, development and training services. These focus on issues arising from the social, emotional and cognitive development of children and young people, and involving or affecting their carers and/or



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educators. The service is currently funded by the Council but from April 2012 it is proposed that the DSG contributes £0.018m to allow schools to purchase additional services to increase the frequency of visits or commission training and support.

- e) Family Intervention Project at £0.100m (item 12 in table 3). The Family Intervention Project (FIP) works with families who are experiencing multiple problems and supports all members of the family regardless of age. Intervening to support families with multiple problems can have a big impact on behaviour and attainment. Research suggests a third of excluded children are from these families and also that where intervention occurs, there is a 54% reduction in school truancy, exclusion and bad behaviour. The service is currently fully funded from the Council, but from April 2012, it is proposed that the DSG contributes £0.100m to reflect the benefits to pupil education.

### Unavoidable cost increases

5.26 Whilst proposals have been made that at the moment allow for a balanced budget to be set, it does not result in all of the unavoidable pressures schools will face next year being fully funded. This means there will be a real terms reduction in funding for schools that will need to be managed through greater efficiencies or reducing or stopping some current activities / provisions or a combination of all these options. The key areas for cost increases that schools will need to take account of when setting their budgets are:

- Contractual increments due to staff.
- Increase in contribution to the employers Local Government pension scheme to reduce the level of accumulated deficit.
- General inflation on non pay at around 2.5%.

### Potential for further changes

5.27 The main area that could still be subject to significant change relates to updating the October 2011 budget data with actual January 2012. This is the single most significant variable in terms of both the level of DSG income and budget allocations to individual schools and early years providers.

5.28 The DfE have yet to release the statutory funding regulations that LAs must follow in issuing school budgets. Any unexpected requirements from the regulations may impact on current proposals and required changes.

### Other items

#### Self financing budget transfer (budget virement)

5.29 A separate paper on this agenda sets out increasing pressures on council budgets arising from additional numbers of looked after children. There is also an impact on the Looked After Children's Education Service (LACES Team) who work with looked after children to ensure that they are integrated into their schools and obtain the maximum benefit from their education. In order to better support these children, it is proposed to increase staff support by a 0.4 full time equivalent. This is estimated to cost £0.020m and would be funded by an equivalent saving from the cost of transport

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to school. This part of the budget has under spent on average by £0.020m in each of the past 4 years. Therefore, there is a net nil financial effect from this proposal.

### Minimum Funding Guarantee (MFG)

- 5.30 The MFG must be applied to ensure that all schools receive the minimum per pupil funding increase determined by the DfE if this is not ordinarily received through the application of the Funding Formula. With the rate now set at a maximum reduction of 1.5%, and unavoidable cost pressures for schools estimated at around 0.6%, schools funded at the MFG will face a real terms cost pressure of 2.1%. The LA is available to assist schools with advice and support in such situations, but there is the potential that an increased number of schools will be facing financial difficulties. There is currently £0.304m in the budget to support schools in financial difficulties, which is expected to be sufficient to meet future needs.

### Limit on central expenditure (CEL)

- 5.31 If the budget package set out above is supported, it seems likely that a proposal will be brought to the next meeting of the Forum requesting consent to exceed the central expenditure limit. These proposals are estimated to exceed the CEL by £0.073m.

### The Pupil Premium

- 5.32 Funding arrangements have also been confirmed for the Pupil Premium which is the only source of new money for schools in the local government financial settlement. The majority of the funding will be allocated to schools on the basis of pupils on roll each January who have been eligible to a free school meal at any point in the last 6 years. This is called the 'Ever 6' methodology. This is a change from the current year, which allocated funds based purely on pupils on roll who were eligible to a free school meal at the time of the January census.
- 5.33 The core funding for the free school meals element of the Pupil Premium will rise from £488 per eligible pupil to £600, with children looked after for more than 6 months also qualifying for the £600 funding. Children whose parents are in the armed forces will be funded at £250, up from £200. Overall, Bracknell schools are estimated to receive in total around £1.2m from the free school meals element of the grant, an increase of £0.480m compared to the current year, which is the only area of new money announced for next year. To maximise income from this new grant, schools have been reminded to ensure relevant parents and carers provide the evidence to support eligibility at the January 2012 census.
- 5.34 There is also other information from the DfE relating to new reporting requirements associated with the Pupil Premium, and whilst there are still gaps on exactly what will be required from September 2012, the various documents mention "we will include new measures in the performance tables, to report the attainment of pupils who are eligible for the pupil premium" and "Schools will have to publish [on-line] details of their Pupil Premium allocation and plans to spend in the current year. For the previous year a statement confirming allocation and how the money was spent and the impact this had on educational attainment [will be required]".

### Other Grant funding

- 5.35 Secondary schools will continue to receive grant funding to finance their sixth forms (initially £5.249m in 2011/12) from the Education Funding Agency (the replacement for the Young People's Learning Agency). Detailed budget information is not

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expected to be available for schools before March. However, a statement on the provisional funding settlement has been published with the key elements being:

- a. The 16-19 bursary Fund will continue for the coming academic year;
- b. Transitional protection will be put in place during the period of funding reduction, with a maximum 3% fall in per learner funding;
- c. Reduction in the success factor will be limited to 2%, but increases in success factor will be fully funded.

### Additional delegation

- 5.36 The new funding arrangements that are anticipated from April 2013 include requiring council's to delegate further responsibilities and funds to schools. To help prepare for this requirement, a number of services are currently being reviewed to determine whether it would be beneficial to delegate them to schools from April 2012. If appropriate, proposals on potential areas will be brought to the Forum for consideration in March.

### Other budget matters

- 5.37 The LA is also required to formally consult with the Forum on an annual basis in respect of the arrangements put in place to deliver a number of specified functions. Listed below are the relevant items, with no changes proposed to service delivery, although some budgets are recommended to be increased to meet changes in demand or to fulfil new statutory duties:
- a. The education of pupils with statements of special educational needs (where not delegated);
  - b. For the use of pupil referral units (PRUs) and the education of children otherwise than at school;
  - c. Insurance;
  - d. Administrative arrangements for the allocation of government grants paid to schools;
  - e. Arrangements for free school meals.
  - f. Arrangements for early years.

### Decisions for the Schools Forum

- 5.38 In certain circumstances, the Schools Forum has a statutory decision making power. These are set out below with a comment at the end of each item to indicate the likelihood of the Council requesting a decision, which where necessary, will be brought to the March meeting of the Forum:
- a. a Local Authority proposal to increase its central expenditure to exceed the limit. At this stage it is likely that the Council will seek this permission from the Forum;
  - b. a Local Authority proposal to increase its central expenditure in relation to either the initial determinations or any subsequent redeterminations of a future year's Schools Budget (even where this does not result in a breach of the central expenditure limit). This regulation is not relevant for 2012/13 as this is a one year budget period; and

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- c. a Local Authority proposal to deduct from its Schools Budget expenditure under the following circumstances:
1. expenditure on financing capital debt, where there is at least an equivalent saving on revenue allocations to schools. There are no plans from the Council to seek this permission;
  2. expenditure in respect of premature retirement of, or for the purposes of securing the resignation of, any person employed in a maintained school. Any proposal should be able to demonstrate that there are accompanying revenue savings to the Schools Budget that are equal to or greater than the costs incurred. There is approximately £0.050m set aside in the Schools Budget for this purpose which the Council considers an appropriate level;
  3. expenditure on school specific contingency. Local Authorities are required to hold centrally any funding required to implement amendments to school budget shares as provided for by their Funding Formula, in a school specific contingency. Funding held in the school specific contingency centrally should only be needed where, as a result of the recalculations of school budget shares under the provisions of a local authority's Funding Formula, there is a net cost arising. For Bracknell this will mainly cover support to statemented pupils, including any redeterminations required for Kennel Lane Special School and changes in participation rates relating to the provision of the free entitlement to early years education and childcare. It can also be used, in accordance with the previously agreed criteria to provide additional funds to schools experiencing significant in-year growth in pupil numbers. The March meeting of the Forum will need to agree an appropriate budget for this item and a proposal will be made by the LA at that time;
  4. expenditure by schools on unexpected costs. This basically covers the type of allocations historically made by the LA. There is approximately £0.015m set aside in the Schools Budget for this purpose which at this stage, the Council considers an appropriate level;
  5. expenditure on combined services with Children's Social Care. The Forum has previously agreed funding of £0.591m for these types of activity (subject to annual uplift for inflation), and there are proposals to increase this amount by £0.100m relating to part funding the Family Intervention Project, as set out above in paragraph 5.25 (e);
  6. SEN transport. Limited to where there are consequential savings made in the Schools Budget due to the placement of a pupil in maintained provision who was previously placed in non-maintained provision, the transport costs arising from this, which would otherwise fall in the LA Budget, can be charged to the Schools Budget on condition that they are less than the savings generated and the Schools Forum agrees. There are no plans to seek consent to this type of budget.
- d. To approve changes to the scheme for financing schools, provided the scheme meets the minimum requirements specified in regulations. A separate paper on the agenda makes proposals for changes to the scheme for

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financing schools.

- e. To agree abatement of the MFG where aspects of it produces anomalous outcomes that affects less than 50% of pupils in schools. At this stage it not anticipated that such permission will be sought from the Forum.
- f. Approval to changes to the funding formula for schools after the start of a three year budget period. At this stage it not anticipated that such permission will be sought from the Forum.

### Capital Funding

- 5.39 The council will receive un-ring fenced education related capital grants of £5.7m - £3.8m to allow for capacity increases at schools facing rising rolls and £1.9m for planned maintenance. Funding that goes directly to schools through the Devolved Formula Capital grant will also continue, with the average sized primary school in the borough receiving around £7,000, with £22,000 going to the average sized secondary school. More information on capital budgets is set out on a separate report on this agenda.

### Conclusions

- 5.40 The financial settlement made available for schools through the LA provides no new money, other than for increases in pupil numbers, and expansion of the Pupil Premium, which is a specific grant and therefore, not available as part of the funding which the Schools Forum can influence. Therefore, very few budget pressures can afford to be funded and schools are faced with real terms reductions in funding.
- 5.41 Further data changes from the January School Census are expected, and depending on their significance, revisions to this proposed budget may be required in March when final decisions on these matters will need to be taken together with requests to the Forum to agree matters relating to its statutory powers. Further work on changes to these proposals or new areas for consideration can be undertaken in the meantime if required by the Forum, but they will need to be identified now if the resultant work is to be complete within the budget setting timetable.
- 5.42 The Executive Member is responsible for deciding where the increase in DSG should be applied in the Schools Budget, and in making these decisions will consider any comments arising from this report and any further comments that may be made at the next meeting of the Forum on 15 March. These final Executive Member decisions are expected to be taken later in March, with schools receiving their actual 2012/13 budget notifications shortly afterwards.

## **6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

### Borough Solicitor

- 6.1 The relevant legal requirements are contained within the body of the report.

### Borough Treasurer

- 6.2 The financial implications arising from this report are set out within the supporting information. These are provisional calculations and subject to review once data is available from the January 2012 school census and other appropriate returns. The

final Schools Budget will be limited to the level of available external funding, mainly from the DSG and other specific government and non-government grants. Due to the tight financial settlement, there is the potential for an increase in the number of schools facing financial difficulties.

#### Impact Assessment

- 6.3 There are no specific impact assessments arising from this report. These will be considered should any of the proposals be agreed.

#### Strategic Risk Management Issues

- 6.4 A sum of £0.243m has been deducted from the anticipated level of DSG income to meet the possibility of an over estimation of pupil numbers in the calculation of DSG income and the costs of unpredictable or unforeseen items that would represent in year budget risks, including further academy conversions. The Executive Member will need to consider whether this is an appropriate amount in March.

#### Other Officers

- 6.5 There are no issues arising from this report that are relevant to other officers.

## **7 CONSULTATION**

#### Principal Groups Consulted

- 7.1 Schools.

#### Method of Consultation

- 7.2 Written consultation document with written responses to the Director of Children, Young People & Learning.

#### Representations Received

- 7.3 Included in this report.

#### Background Papers

Various reports to Schools Forum and DfE guidance notes

#### Contact for further information

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### **Budget Strategy Agreed for 2012-13**

Taking account of the need to minimise the number of changes to budgets within a Spending Review Period, and to have regard to government spending priorities, the following strategy has been agreed for setting the Schools Budget:

1. To help schools with their financial planning, indicative budgets should be made available to schools before the end of autumn term. This requires outline agreement from the Schools Forum on all areas of the Schools Budget – both delegated and LA retained – for each remaining year of the Spending Review Cycle.
2. Aim for steady and consistent changes to delegated school budgets in each year, thereby removing the potential for significant fluctuations in funding.
3. Fund unavoidable school and LA managed pressures and developments as a first priority. This ordinarily covers meeting the Minimum Funding Guarantee, inflation, change in pupil numbers and other data used for funding purposes, such as pupil eligibility to a FSM, numbers and needs of SEN pupils, including those places outside of the Borough. It also applies to funding full year effect costs from a new development that started part way through the previous year. Any agreed funding changes relating to unavoidable pressures will be allocated to schools on the basis of where the pressure is expected to arise, and will not, therefore, be applicable to all schools.
4. All schools should receive a reasonable change in funding.
5. After taking account of these objectives, views of schools and the Schools Forum to be taken into account in agreeing the allocation of the remaining “headroom” to new budget developments.
6. Should any funds remain after meeting all identified budget pressures, they will be allocated 85% based on an equal amount per pupil, and 15% as an equal amount per school. This method of allocation also to be used if no obvious alternative method exists.
7. Should there be insufficient funds to meet all unavoidable budget pressures, then any over allocation will be removed through a reduction to the general inflation allocation that is applied equally to all schools, rather than by reducing funding on unavoidable pressure which will be targeted to where cost increases are expected to arise.

### Breakdown of estimated DSG and available balances for 2012-13

Ref	Item	Value
<u>January 2011 headcount data</u>		
1	DSG pupil numbers in maintained schools	14,522.1
2	DSG pupil numbers other than maintained schools	906.9
3	Final adjusted pupil numbers for 2010/11 DSG	15,429.0
<u>Estimated changes to January 2011 headcount data</u>		
4	Change in numbers in maintained schools as at October 2011 census	+232.6
5	Change in numbers other than in maintained schools	-35.9
6	Contingency for overstatement of pupil numbers, unforeseen cost pressure	-50.0
7	Total estimated change in pupil numbers	+146.7
<u>Estimated January 2012 headcount data</u>		
8	Total estimated pupil numbers	15,575.7
9	Annual change	1.0%
<u>Calculation of available income</u>		
10	Total Guaranteed DSG	£4,860.95
11	Total Estimated DSG Income	£75.713 m
12	Less provision for Academies funding deduction	-£0.086 m
13	Available DSG Funding	£75.627 m
14	Current DSG Base Budget	£74.524 m
15	Change in DSG funding	£1.103 m
16	Estimated balances	£0.400 m
17	Increase in income	£1.503 m



**Items NOT proposed to be funded in the 2012-13 School Budget – PROVISIONAL estimates**

Item	Delegated To schools £'000	Managed by The Council £'000	Total £'000
<p><b>1. Inflation</b> Most items have traditionally been increased at level of Minimum Funding Guarantee (MFG), the rate of which is set by the government and has previously been based on unavoidable national cost increases, less 1% for school efficiency gains. Exceptions have been applied, where previously agreed, for inescapable costs such as rates and insurance. Due to the public sector spending reductions, including the public sector pay freeze, the current budget assumption is that the national funding settlement will not include a provision for inflation. However, there will be an inflationary pressure on schools on non-pay items, and this is included at 2.5% on the 25% of school costs not linked to pay.</p>	250	120	370
<p><b>2. Employer contribution to pension schemes</b> The employer contribution to pension schemes is contractually committed and subject to change. An increase is expected to contribute to the Local Government pension scheme deficit.</p>	40	10	50
<p><b>3 Additional 0.5% inflation allowance</b> This is intended to be top up funding to the MFG rate to ensure all schools benefit from any additional resources that may be available.</p>	230	30	260
<p><b>4 Day to day building maintenance</b> Pressure is being experienced relating to the cost of undertaking day-to-day reactive maintenance of schools buildings. Adequate maintenance of school buildings is important from a health and safety perspective.</p>	50	0	50

Unrestricted

Item	Delegated To schools £'000	Managed by The Council £'000	Total £'000
<p><b>5 Creation of Learning Support Units at all secondary schools</b>                      Learning Support Units are funded at four secondary schools to reduce the number of permanent exclusions. This funding has been allocated to the schools facing the most challenging circumstances, and supports the Council's strategy for reducing fixed period and permanent exclusions, thereby aiding the reintegration of pupils. Requests have previously been made to consider extending the funding to all six secondary schools.</p>	185	0	185
<p><b>6 Full time admissions for 4 year olds</b>                      With effect from September 2011, schools were required to offer full time admissions for 4 year olds from the September following their fourth birthday, where this is requested by parents, rather than the previous provision for admission from the September following the fifth birthday. Due to the cash freeze in national per pupil funding in 2011/12, it was only possible to fund one third of the extra cost and an unfunded pressure remains. Prior to this statutory change, with the exception of one school, all were operating some form of admissions at September and were funding the impact from their overall budget. The £0.460m pressure would fully fund the remaining two thirds estimated cost.</p>	460	0	460
<p><b>7 Additional speech and language resources</b>                      This funding would be used to provide for assessments, individual speech and language therapy, small group work and to train teaching and learning support assistants to implement speech and language techniques within their schools. A needs gap analysis undertaken with key stakeholders including schools, health services and parents earlier this year has identified the level of provision as just meeting our statutory requirements at the cost of early intervention and prevention. Additional speech and language therapy would enable an ongoing plan of work to be developed to ensure schools have the right skills to implement basic speech and language techniques benefiting the whole school.</p>	0	50	50

Unrestricted

Item	Delegated To schools £'000	Managed by The Council £'000	Total £'000
<p><b>8 Planned Maintenance</b>                      The Planned Works Programme is ordinarily capital investment in maintained schools over £2,000 that can be foreseen and planned for, such as planned maintenance, disabled access, fire safety etc. These works are essential to ensure safe and continuous operation of school buildings. A summary of school condition works from the 2010 Asset Management Plan, which is in the process of being updated, identified £13.7m of condition works across all schools of which £4.2m is Priority 1 (Urgent). Combining funding from the Schools Budget with resources from the Council and government grants, this will allow for better progress in tackling the backlog.</p>	0	100	100
<p><b>TOTAL ITEMS NOT PROPOSED TO BE FUNDED</b></p>	<p><b>1,215</b></p>	<p><b>310</b></p>	<p><b>1,525</b></p>

**Items proposed to be funded in the 2012-13 School Budget – PROVISIONAL estimates**

Item	Delegated To schools £'000	Managed by The Council £'000	Total £'000
<p><b>1 Mainstream School pupil numbers – including the impact from new Jennett’s Park Primary School</b> Information from the October census has been used to provide a provisional figure for 2012/13. The new primary school for Jennett’s Park opened in September 2011 and is planned to expand from a 1 form of entry to a 2 form of entry at September 2012. During the rapid expansion in pupil numbers, funding will need to be allocated outside the normal Funding Formula as there will be significantly fewer pupils on roll at January 2012, the normal point to determine a school’s budget, compared to the start of the 2012-13 academic year which will determine the majority of costs.</p>	596	0	596
<p><b>2 Changes in numbers / needs in special schools</b> There is a statutory requirement to meet the needs of pupils set out in statements of special educational needs, with the most complex cases needing support from special schools which can either be maintained by BFC, other LAs or private, voluntary or independent sector providers. There are expected to be cost increases both at Kennel Lane Special School and non-maintained schools.</p>	142	80	222
<p><b>3 Mainstream School SEN statements – change in numbers / needs</b> There is a statutory requirement to meet the needs of pupil set out in statements of special educational needs, with the majority of children having their needs met in BFC schools. During the last 3 years, the average annual increase in cost of support has totalled £0.045m.</p>	45	0	45
<p><b>4 Mainstream School SEN statements – cost review</b> A review has been undertaken to compare actual costs incurred in schools in supporting named statemented pupils and the resources allocated through the funding formula. This indicated that costs exceed allocated funding.</p>	70	0	70

## Unrestricted

Item	Delegated To schools £'000	Managed by The Council £'000	Total £'000
<p><b>5 Non-pupil data changes</b> Besides pupil numbers changes, there are other data changes that can impact on funds allocated to schools. The main cost increase in 2011/12 related to a rise in the number of pupils eligible to a free school meal, and due to the prevailing economic conditions, this trend is expected to continue, although the October census indicates a reduction in the number of eligible pupils. Other data changes that impact on budgets include the number of newly qualified teachers, significant school redevelopments, attainment data, pupil mobility and rating revaluations.</p>	232	0	232
<p><b>6 SEN resource units</b> Work has been undertaken to determine the merits of opening addition SEN resource units in the borough and this is subject to a report on a separate agenda item. Current information indicates that significant savings can be achieved in the medium to long term, but there would be a small cost increase as the new units become established.</p>	32	0	32
<p><b>7 Education Welfare Service</b> The Education Welfare Service works with schools, children and families to improve attendance and arranges prosecutions where all other strategies have failed. The service is currently fully funded from the Council, but from April 2012, it is proposed that the DSG contributes £0.018m to support non-statutory activities such as additional support to schools and families to secure high levels of pupil attendance.</p>	18	0	18
<p><b>8 Education Psychology Service</b> The Educational Psychology Service provides specialist consultation and assessment for vulnerable children together with a range of intervention, research, development and training services. These focus on issues arising from the social, emotional and cognitive development of children and young people, and involving or affecting their carers and/or educators. The service is currently funded by the Council but from April 2012 it is proposed that the DSG contributes £0.018m to allow schools to purchase additional services to increase the frequency of visits or commission training and support.</p>	18	0	18

Unrestricted

Item	Delegated To schools £'000	Managed by The Council £'000	Total £'000
<p><b>9 Alternative education provision</b>                      In the 2010 schools White Paper, <i>The Importance of Teaching</i>, there was a commitment from the government to ensure that all pupils in alternative education provision should receive suitable full time education. The main impact on BF is that additional support will be required for pupils who are unable to attend school by reason of accident, illness or pregnancy or who are described as 'school-phobic'. A separate report on this change has previously been presented to the Forum.</p>	0	60	60
<p><b>10 Maternity leave cover</b>                      Schools are reimbursed for the net cost of classroom staff on maternity leave. This is in accordance with statutory employment conditions, with cost determined by the incidence of maternity leave cases, which has increased in the current year.</p>	0	25	25
<p><b>11 Family Intervention Project</b>                      The Family Intervention Project (FIP) works with families who are experiencing multiple problems and supports all members of the family regardless of age. Intervening to support families with multiple problems can have a big impact on behaviour and attainment. Research suggests a third of excluded children are from these families and also that where intervention occurs, there is a 54% reduction in school truancy, exclusion and bad behaviour. The service is currently fully funded from the Council, but from April 2012, it is proposed that the DSG contributes £0.100m to reflect the benefits to pupil education.</p>	0	100	100
<p><b>TOTAL ITEMS PROPOSED TO BE FUNDED</b></p>	1,173	265	1,438