



BROMLEY CIVIC CENTRE, STOCKWELL CLOSE, BROMLEY BRI 3UH

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DATE: 30 December 2014

EDUCATION BUDGET SUB-COMMITTEE

Meeting to be held on Tuesday 6 January 2015

Please see the attached reports marked “to follow” on the agenda.

- 7 EDUCATION PORTFOLIO BUDGET 2015/16 (Pages 3 - 16)**
- 9 USE OF UNSPENT DEDICATED SCHOOLS GRANT (Pages 17 - 22)**

Copies of the documents referred to above can be obtained from
<http://cds.bromley.gov.uk/>

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Report No.
ED15031

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker: EDUCATION BUDGET SUB COMMITTEE

Date: 6th January 2015

Decision Type: Non-Urgent Non-Executive Non-Key

Title: EDUCATION PORTFOLIO BUDGET 2015/16

Contact Officer: David Bradshaw, Head of Education, Care and Health Services Finance
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Chief Officer: Terry Parkin, Executive Director of Education, Care and Health Services

Ward: Boroughwide

1. Reason for report

- 1.1 The prime purpose of this report is to consider the Portfolio Holder's Draft 2015/16 Budget which incorporates future cost pressures and initial draft budget saving options which are being reported to Executive on 14 January 2015. Members are requested to consider the initial draft budget savings proposed and also identify any further action that might be taken to reduce cost pressures facing the Council over the next four years.
 - 1.2 Executive are requesting that each PDS Committee consider the proposed initial draft budget savings and cost pressures for their Portfolio and the views of each PDS Committee be reported back to the next meeting of the Executive, prior to the Executive making recommendations to Council on 2015/16 Council Tax levels.
 - 1.3 There are still outstanding issues and areas of uncertainty remaining. Any further updates will be included in the 2015/16 Council Tax report to the next meeting of the Executive.
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2. **RECOMMENDATION(S)**

The Education Budget Sub Committee are requested to:

- (a) Consider the update on the financial forecast for 2016/17 to 2018/19;
- (b) Consider the initial draft saving options proposed by the Executive for 2015/16.
- (c) Consider the initial draft 2015/16 Budget as a basis for setting the 2015/16 Budget; and,
- (d) Provide comments on the initial draft 2015/16 Budget for the February meeting of the Executive.

Corporate Policy

1. Policy Status: Existing policy.
 2. BBB Priority: Excellent Council.
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Financial

1. Cost of proposal: N/A
 2. Ongoing costs: Recurring cost.
 3. Budget head/performance centre: Education Services Portfolio Budgets
 4. Total current budget for this head: £17.734m
 5. Source of funding: Draft revenue budget for 2015/16
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Staff

1. Number of staff (current and additional): full details will be available with the Council's 2015/16 Financial Control Budget published in March 2015
 2. If from existing staff resources, number of staff hours: N/A
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Legal

1. Legal Requirement: Statutory requirement.

The statutory duties relating to financial reporting are covered within the Local Government Act 1972; the Local Government Finance Act 1998; the Accounts and Audit Regulations 1996; the Local Government Act 2000; and the Local Government Act 2002.

2. Call-in: Call-in is not applicable.
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected):
 2. The 2015/16 budget reflects the financial impact of the Council's strategies, service plans etc which impact on all of the Council's customers (including council tax payers) and users of the services.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A.
2. Summary of Ward Councillors comments: Council wide

3. Approach to Budgeting, Financial Context and Economic Situation which can impact on public finances

- 3.1 Forward financial planning and financial management is a key strength at Bromley and this has been recognised previously by our external auditors. This report continues to forecast the financial prospects for the next 4 years but some caution is required in considering any projections beyond the 4 year Comprehensive Spending Review period i.e. 2016/17 to 2018/19.
- 3.2 Economic growth has returned and the UK is now seeing a faster increase in economic activity than the rest of the Eurozone. National debt is expected to fall but tax revenues remain weak. The pace of spending reductions will be faster than previously expected to reflect the latest position indicated by the Autumn Statement with no real increase in public spending expected until at least 2020. With the ongoing protection of health, overseas aid and possibly education, the significant austerity programme for local government will continue beyond the current financial forecast period i.e. beyond 2018/19. The Budget Strategy has to be set within the context of a reducing resource base, with Government funding reductions continuing until beyond 2020 – the on-going need to reduce the size and shape of the organisation to secure priority outcomes within the resources available. There is also a need to build in flexibility in identifying options to bridge the budget gap as the gap could increase further. The overall updated strategy has to be set in the context of the national state of public finances, unprecedented in recent times, and the high expectation from Government that services should be reformed and redesigned. There is also an on-going need to consider “front loading” savings to ensure difficult decisions are taken early in the budgetary cycle, provide some investment in specific priorities and to support invest to save opportunities which provide a more sustainable financial position in the longer term, ensuring stewardship of the Council’s resources. Any budget decisions will need to consider the finalisation of the 2015/16 Budget but also consider the longer time frame where it is now clear that the continuation of the period of austerity up to 2020 and beyond is inevitable. Members will need to consider decisions now that can have a significant impact on the future years’ financial position which ultimately will help to protect key services.
- 3.3 The Council receives a low level of government funding and has maintained the lowest Council Tax level in outer London (Band D equivalent, using ONS categories) by having the lowest spend per head of population in London. One of the key issues in future year budgets will be the balance between spending, Council Tax levels, charges and service reductions in an organisation starting from a low spending base. It is important to recognise that a lower cost base reduces the scope to identify efficiency savings compared with a higher cost organisation. Any decisions will need to take into account the longer term impact on the Council’s financial position – financial sustainability will be key in order to protect key services to Bromley residents.

4. Changes that could impact on longer term financial projections

- 4.1 In considering the next four years there remains many variables which will impact on any final outcome. Some examples are highlighted below:
- (a) The ongoing scale of schools transferring to Academies will result in further significant reductions in the Government’s LACSEG funding (now known as Education Services Grant) although the pace of transfer has been less than previously estimated. The ongoing transfer is expected to lead to an ultimate loss of £6m per annum between 2013/14 and 2016/17;

- (b) Previous market assumptions about interest rates increasing have not materialised which is impacting on Income from interest on balances. Low lending rates are expected to continue over the next year due to, for example, the continuation of “funding for lending” , Bank of England is expected to keep the base rate low, and limiting the lending period to banks to reflect cautionary advice from credit rating agencies. The Treasury Management policy was reviewed and Members agreed alternative lending options including investment in a property fund, diversified growth fund and increasing of lending limits to part nationalised banks which has led to potential additional income of £1.15m per annum. There remains a need to ensure the strategy finds the right balance between Security, Liquidity and Yield – in that order. In a recent survey Bromley achieved the second highest returns against a benchmark group of 12 local authorities. An assumed return of 1% has been included in the financial forecast for bank lending. Some local authorities are achieving returns as low as 0.25% per annum. Alternative investments relating to acquisition of properties as part of a wider investment strategy is expected to deliver additional income of £1m in 2015/16 rising to £2m per annum from 2016/17 (in addition to income of £2m per annum achieved through other property acquisitions);
- (c) The outcome of the review of local government finance, implemented from 2013/14, has led to the localisation of business rates and a new council tax support scheme. These changes resulted in a significant risk transfer from central government to local government. The Council Tax Support scheme implemented from April 2013 had transitional arrangements with client liability of 8.5% which increases to 19% from 2014/15. The draft 2015/16 Budget reflects continuation of the 19% agreed by Full Council on 8th December 2014. The latest estimate from the Council’s business rate share is included in the draft 2015/16 Budget and will ultimately be partly dependent on the outcome of appeals on valuations, level of conversion of office accommodation to residential dwellings as well as general trends in business rate income. The Government previously managed the increasing costs of council tax benefit and the risks relating to variations in business rates. The changes on localisation of business rates could provide potential financial benefits in the medium to longer term when the key developments in Bromley are completed e.g. Bromley South development, Crystal Palace etc.;
- (d) Government grants are a key source of income and continue to reduce in future years to reflect planned reductions in public spending;
- (e) The coalition Government have introduced many changes in its first term including, for example, changes to health (including transfer of funding for public health from 2013/14 with the transfer of 0-5 year old services from 2015/16), welfare benefits, Care Act, first stage of integration of health and social care (using Better Care Fund) and localism (including new powers of competence for Councils to act in the interest of their communities);
- (f) There will be many other variables as the forecast is based on predicting the next four years; the longer the timescale the greater the uncertainty. It is clear that a significant “budget gap” will continue beyond the four year financial forecast period.

5. Latest Financial Forecast

- 5.1 The report to executive in January 2015 identified a budget gap rising to over £53m per annum by 2018/19 which is broken down in the table below. The budget gap from 2016/17 rises steeply as the expected loss in Government funding is expected to increase sharply during that period.

Variations Compared with 2014/15 Budget

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Cost Pressures				
Inflation	4.1	8.6	13.2	17.9
Grant Loss	11.0	22.1	37.1	44.1
Real Changes (see Appendix 5, Executive report)	6.4	11.9	14.6	17.8
Total Additional Costs	21.5	42.6	64.9	79.8
Income/ savings				
Saving proposals (detailed in Appendix 6, Executive report)	-8.8	-11.7	-11.7	-11.7
Funding from Better Care Fund towards protection of social care	-3.3	-3.3	-3.3	-3.3
Impact of revised Treasury Management Strategy	-1.1	-1.1	-1.1	-1.1
Increase in property numbers (council tax base)	-0.9	-0.9	-0.9	-0.9
Total income/ savings	-14.1	-17.0	-17.0	-17.0
Other Proposed Changes				
New Homes Bonus	-4.4	-4.7	-4.7	-4.7
New Homes Bonus – contribution to Investment Fund	4.4	4.7	4.7	4.7
Collection Fund Surplus (2012/13) set aside as one off support towards meeting funding shortfall in 2015/16	-3.0	0.0	0.0	0.0
Collection Fund Surplus 2013/14	-2.3	0.0	0.0	0.0
Reduction in business rate share	0.5	0.5	0.5	0.5
	-4.8	0.5	0.5	0.5
Impact of 2.0% increase in Council tax	-2.5	-5.0	-7.6	-10.0
Remaining "Budget Gap"	0.1	21.1	40.8	53.3

The above table shows, for illustrative purposes the impact of a council tax increase of 2% in 2015/16. Each 1% council tax increase generates on-going annual income of £1.26m.

5.2 The Council has to continue to plan for a very different future, i.e. several years of strong financial restraint. It is important to recognise that, given the current ongoing period of austerity, the downside risks significantly exceed the opportunities for improvement and that the budget gap in future years could widen substantially.

6. Education Portfolio Growth Pressures & Real Changes

6.1 No additional growth pressures have been identified in the Education Portfolio. However there has been additional allocation of funding relating to the full year effect of the reduction in the Education Services Grant (ESG) (£1,004k) and the closure of the outreach service (£138k).

7. Education Portfolio Saving Options

7.1 A summary of the new savings options relating to the Education Services Portfolio is shown in the table below with more detail included in Appendix 1. Appendix 2 includes the draft estimate summary sheet, budget variations, notes on the budget variations and the subjective analysis.

	2015/16	2016/17	FULL YEAR
	£'000	£'000	£'000
Review of Services	714	744	744
Essential car user allowances	20	20	20
Income generation	120	120	120
Contract negotiation	48	48	48
	902	932	932

8. COMMENTS FROM THE EXECUTIVE DIRECTOR FOR EDUCATION, CARE AND HEALTH SERVICES

- 8.1 Expenditure pressures and service risks in relation to services in the Education Services Portfolio are as follows:-
- 8.2 Education is now very efficient with the funding reforms from central government will see more money heading to schools in 15/16 than at any time in the past, but with no reduction in the Council's central responsibilities towards maintained schools. Plans to charge activity to more appropriate budget headings, including DSG and capital, frees-up money for frontline services. However, with little capacity to monitor our schools there remains the risk that should schools decline rapidly, we may not now be sufficiently well resourced to pick this up early enough.

9. POLICY IMPLICATIONS

- 9.1 The Council's key priorities are included within the Council's "Building a Better Bromley" statement and include:
- Safer Communities
 - A quality environment
 - Vibrant, thriving town centres
 - Supporting independence, especially of older people
 - Ensuring all children and young people have opportunities to achieve their potential
 - An Excellent Council
- 9.2 "Building a Better Bromley" refers to aims/outcomes that include "remaining amongst the lowest Council tax levels in Outer London" and achieving a "sustainable council tax and sound financial strategy".

10. FINANCIAL IMPLICATIONS

- 10.1 The financial implications are contained within the overall report.

11. LEGAL IMPLICATIONS

- 11.1 The Local Authorities (Standing Orders)(England) Regulations 2001 deal, amongst other things, with the process of approving the budget. Under these provisions and the constitution, the adoption of the budget and the setting of the council tax are matters reserved for the Council upon recommendation from the Executive. Sections 73-79 of the Localism Act 2011 has amended the calculations billing and precepting authorities need to make in determining the basic amount of Council tax. The changes include new sections 31 A and 31 B to the Local Government Finance Act 1992 which has modified the way in which a billing authority calculates its budget requirement and basic amount of Council Tax.

12. PERSONNEL IMPLICATIONS

- 12.1 The Corporate Trade Union and departmental Representatives' Forum receives regular updates on the Council's finances and the associated policy implications and challenges. Staff and their trade union representatives will be consulted individually and collectively on any adverse staffing implications arising from the budget options. Managers have also been asked to encourage and facilitate staff involvement in budget and service planning

Non-Applicable Sections:	
Background Documents: (Access via Contact Officer)	Finance Monitoring, Estimate Documents etc all held in Finance Section

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EDUCATION PORTFOLIO SAVINGS

Line	Division	Saving Option	15/16 £'000	16/17 £'000	Full Year Saving £'000
ALL DEPARTMENTS					
1	Essential Car Users		20	20	20
2	Organisational efficiencies & Management costs restructure		45	45	45
SUB-TOTAL			65	65	65
CHILDRENS SOCIAL CARE					
3	Youth Service	Service redesign	506	506	506
4	Children's Centres	Income generation	120	120	120
SUB-TOTAL			626	626	626
EDUCATION					
5	Schools & Early Years Commissioning and QA	Reorganisation of service including charging some elements to DSG	130	160	160
6	Strategic Place Planning	Charge 50% of 1 post to capital	33	33	33
7	Schools & Early Years Commissioning and QA	Reorganisation of contracts	48	48	48
SUB-TOTAL			211	241	241
TOTAL			902	932	932

EducationDRAFT REVENUE BUDGET 2015/16 - SUMMARY

2013/14 Actual	Service Area	2014/15 Budget	Increased costs	Other Changes	2015/16 Draft Budget
£		£	£	£	£
	Education Division				
Cr 400,586	Adult Education Centres	Cr 601,840	1,420	Cr 2,380	Cr 602,800
274,779	Alternative Education and Welfare Service	103,510	570	146,810	250,890
412,168	Schools & Early Years Commissioning and QA	564,570	3,170	Cr 174,500	393,240
4,451,073	SEN and Inclusion	4,772,430	67,040	3,960	4,843,430
213,038	Strategic Place Planning	254,930	1,670	Cr 33,040	223,560
10,228	Workforce Development & Governor Services	10,640	150	Cr 110	10,680
Cr 2,957,405	Education Services Grant	Cr 2,732,000	0	1,004,000	Cr 1,728,000
Cr 1,414,821	Schools Budgets	Cr 1,492,360	0	Cr 8,460	Cr 1,500,820
160,191	Other Strategic Functions	158,000	590	Cr 300	158,290
0	Early Years	0	0	0	0
0	Primary Schools	0	0	Cr 257,270	Cr 257,270
0	Secondary Schools	0	0	0	0
0	Special Schools & Alternative Provision	0	0	0	0
0	Post-16 Provision	0	0	0	0
748,665		1,037,880	74,610	678,710	1,791,200
	Children's Social Care				
1,789,945	Bromley Youth Support Programme - (Youth Services)	1,467,960	9,640	Cr 551,530	926,070
1,889,101	Referral and Assessment Childrens Centres	2,142,900	11,030	Cr 119,870	2,034,060
3,679,046		3,610,860	20,670	(671,400)	2,960,130
4,427,711	TOTAL CONTROLLABLE	4,648,740	95,280	7,310	4,751,330
9,220,624	TOTAL NON CONTROLLABLE	5,095,720	4,630	4,445,260	9,545,610
3,802,028	TOTAL EXCLUDED RECHARGES	3,385,680	0	51,420	3,437,100
17,450,363	PORTFOLIO TOTAL	13,130,140	99,910	4,503,990	17,734,040

EDUCATION PORTFOLIO

SUMMARY OF BUDGET VARIATIONS 2015/16

Ref		VARIATION IN 2015/16 £'000	ORIGINAL BUDGET 2014/15 £'000
1	2014/15 BUDGET	13,130	
2	Increased Costs	100	
	Full Year Effect of Allocation of Central Contingency		
3	Education Services Grant	1,004	2,732
4	Closure of the Secondary Outreach service	138	Cr 138
5	Increase in insurance premiums	<u>7</u>	
		1,149	
	Movements Between Portfolios/Departments		
6	EFA funding adjustment - transfer from Commissioning	<u>28</u>	28
	Real Changes		
	<i>New Savings Identified for 2015/16 (subject to approval)</i>		
7	Youth Service redesign	Cr 551	727
8	Reorganisation of Schools and Early Years Commissioning & QA	Cr 130	387
9	Children's Centres	Cr 120	2,143
10	Reorganisation of contracts	Cr 48	54
11	Charge 50% of Capital Manager post to Capital	Cr 33	67
12	Essential car users	<u>Cr 20</u>	
		902	
13	Variations in Capital Charges		4,202
14	Variations in Recharges		51
15	Variations in Building Maintenance	Cr	24
15	Variations in Insurances		0
16	Variations in Rent Income		0
17	2015/16 DRAFT BUDGET	<u><u>17,734</u></u>	

EDUCATION PORTFOLIO

Notes on Budget Variations in 2015/16

Ref Comments

2 Increased Costs (Dr £100k)

Inflation of £100k has been allocated to budgets for contracts, SLA's and income. No inflationary increase has been applied to salaries in relation to 2015/16.

Full Year Effect of Allocation of Central Contingency

3 Education Services Grant (Dr £1,004k)

This relates to the full year effect of the reduction in ESG income due to academy conversions during 2014/15.

4 Closure of the Secondary Outreach service (Dr £138k)

The closure of the secondary outreach service has resulted in the loss of income and recharges to DSG funded services which covered corporate overheads.

5 Increase in insurance premiums (Dr £7k)

An overall allocation of £116k was made from the contingency in respect of the insurance premium increase arising from the tendering of the Council casualty insurance arrangements in 2014. This was reported to the Executive & Resources PDS Committee on 5th June 2014.

Movements Between Portfolios/Departments

6 Ex-EFA placements adjustment (Dr £28k)

This adjustment relates to inflation on the former EFA-funded element of Learning Disabilities placements.

Real Changes

7 Youth Service redesign (Cr £551k)

Redesign of the Youth Service provision

8 Reorganisation of Schools and Early Years Commissioning & QA (Cr £130k)

This relates to reorganisation of the service including charging an additional element to DSG.

9 Children's Centres (Cr £120k)

Increase in income generation from children's centres

10 Reorganisation of contracts (Cr £48k)

Due to reduced need for certain contracts, it is proposed to cease them and meet any future requirements within remaining resources

11 Charge 50% of Capital Manager post to Capital (Cr £33k)

As the majority of the Education Capital Manager post's time is spent on the design and execution of capital projects, it is right that this element of the post is charged to capital and thus resulting in a revenue saving.

12 Essential car users (Cr £20k)

Savings to essential car user allowances

13 Variations in Capital Charges (Dr £4,202k)

The variation on capital charges, etc is due to a combination of the following:

(i) Depreciation – the impact of revaluations or asset disposals in 2013/14 (after the 2014/15 budget was agreed) and in the first half of 2014/15;

(ii) Revenue Expenditure Funded by Capital Under Statute (REFCUS) – mainly due to a significant general increase in the value of schemes in our 2015/16 Capital Programme that do not add value to the Council's fixed asset base.

(iii) Government Grants – mainly due to a significant increase in credits for capital grants receivable in respect of 2015/16 Capital Programme schemes, which are used to finance expenditure that is treated as REFCUS.

These charges are required to be made to service revenue accounts, but an adjustment is made below the line to avoid a charge on Council Tax.

14 Variations in Recharges (Dr £51k)

Variations in recharges are offset by corresponding variations elsewhere and have no impact on the overall position.

15 Variations in Building Maintenance and Insurances (Cr £24k)

Repairs and Maintenance: This relates to the realignment of repairs and maintenance budgets to reflect business priorities. There are corresponding adjustments in other portfolios and these net out to zero in total.

Insurance: Insurance recharges to individual portfolios have changed between years, in some cases significantly, partly because we have factored in an extra year of claims experience since the 2014/15 budget was finalised and partly because of increased General Fund charges as a result of further academy conversions (academies are not permitted to be covered by the Council and conversions lead to costs having to be spread across fewer services/establishments). Premium renewals for 2015/16 are currently being negotiated and the current difficult market conditions mean that there may be significant premium increases, which could have a further impact on the 2015/16 budget figures.

16 Variations in Rent Income (Dr £0k)

This relates to the reallocation of rental income budgets across departments / portfolios. There are corresponding adjustments in other portfolios and these net out to zero in total.

Education
DRAFT REVENUE BUDGET 2015/16 - SUBJECTIVE SUMMARY

Service area	Employees	Premises	Transport	Supplies and Services	Third Party Payments	Transfer Payments	Income	Controllable Recharges	Capital Charges/ Financing	Total Controllable	Capital Charges/ Financing	Repairs, Maintenance & Insurance	Property Rental Income	Not Directly Controllable	Recharges In	Total Cost of Service	Recharges Out	Total Net Budget
	£	£	£	£	£	£	£			£	£				£	£	£	£
Education Division																		
Adult Education Centres	2,253,240	259,300	2,140	486,720	0	0	Cr 3,629,080	24,880	0	Cr 602,800	552,000	46,020	0	598,020	629,640	624,860	Cr 2,970	621,890
Alternative Education and Welfare Service	1,270,160	38,620	21,540	315,770	320,330	0	Cr 133,220	Cr 1,582,310	0	250,890	0	830	0	830	478,240	729,960	Cr 740,240	Cr 10,280
Schools & Early Years Commissioning and QA	1,380,760	64,230	18,910	122,920	14,804,810	0	Cr 458,600	Cr 15,539,790	0	393,240	0	25,010	0	25,010	511,170	929,420	Cr 930,710	Cr 1,290
SEN and Inclusion	4,744,570	187,390	4,047,160	512,510	15,786,090	0	Cr 170,810	Cr 20,263,480	0	4,843,430	2,000	2,680	0	4,680	1,391,640	6,239,750	Cr 6,246,990	Cr 7,240
Strategic Place Planning	416,150	0	66,300	72,190	0	0	Cr 10,000	Cr 321,080	0	223,560	0	840	0	840	166,560	390,960	Cr 390,960	0
Workforce Development & Governor Services	104,140	0	610	46,010	0	0	Cr 50,240	Cr 89,840	0	10,680	0	29,810	0	29,810	33,630	74,120	Cr 74,120	0
Education Services Grant	0	0	0	0	0	0	Cr 1,728,000	0	0	Cr 1,728,000	0	0	0	0	0	Cr 1,728,000	0	Cr 1,728,000
Schools Budgets	0	0	0	125,490	0	0	Cr 104,474,850	102,848,540	0	Cr 1,500,820	0	0	0	0	1,500,820	0	0	0
Other Strategic Functions	130,460	0	460	27,370	0	0	0	0	0	158,290	0	410	0	410	6,354,700	6,513,400	Cr 186,720	6,326,680
Early Years	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,086,090	1,086,090	Cr 399,940	686,150
Primary Schools	160,570	0	0	49,217,870	0	0	Cr 13,500	Cr 49,705,720	83,510	Cr 257,270	3,466,000	290,140	0	3,756,140	4,397,310	7,896,180	Cr 4,422,350	3,473,830
Secondary Schools	0	0	0	4,794,170	0	0	Cr 2,041,750	Cr 2,835,930	83,510	0	100,000	3,790	0	103,790	312,570	416,360	Cr 316,080	100,280
Special Schools & Alternative Provision	0	0	0	12,152,010	0	0	Cr 1,143,080	Cr 11,008,930	0	0	4,886,000	24,540	0	4,910,540	588,760	5,499,300	Cr 590,000	4,909,300
Post-16 Provision	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	10,460,050	549,540	4,157,120	67,873,030	30,911,230	0	Cr 113,853,130	1,526,340	167,020	1,791,200	9,006,000	424,070	0	9,430,070	17,451,130	28,672,400	Cr 14,301,080	14,371,320
Childrens Social Care																		
Bromley Youth Support Programme - (Youth Services)	875,480	118,820	35,600	191,640	341,000	0	Cr 636,470	0	0	926,070	43,000	48,680	Cr 350	91,330	161,520	1,178,920	Cr 65,760	1,113,160
Referral and Assessment Childrens Centres	1,573,990	190,670	8,290	113,770	353,490	0	Cr 196,190	Cr 9,960	0	2,034,060	12,000	12,210	0	24,210	206,730	2,265,000	Cr 15,440	2,249,560
	2,449,470	309,490	43,890	305,410	694,490	0	Cr 832,660	Cr 9,960	0	2,960,130	55,000	60,890	Cr 350	115,540	368,250	3,443,920	Cr 81,200	3,362,720
	12,909,520	859,030	4,201,010	68,178,440	31,605,720	0	Cr 114,685,790	1,516,380	167,020	4,751,330	9,061,000	484,960	Cr 350	9,545,610	17,819,380	32,116,320	Cr 14,382,280	17,734,040

Report No.
ED 15030

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **Education Budget Sub-Committee**

Date: **6th January 2015**

Decision Type: Non-Urgent Executive Non-Key

TITLE: USE OF UNSPENT DEDICATED SCHOOLS GRANT

Contact Officer: David Bradshaw, Head of Education, Care and Health Services Finance
Tel: 020 8313 4807 E-mail: david.bradshaw@bromley.gov.uk

Chief Officer: Terry Parkin, Executive Director of Education and Care Services

Ward: Boroughwide

1. Reason for report

1.1 This report provides an overview of the unspent DSG and the proposals for its use.

2. **RECOMMENDATION**

2.1 **The Education Budget Sub-Committee is asked to comment on the proposed use of the unspent DSG.**

2.2 **The Portfolio Holder is asked to agree the use of the unspent DSG subject to any further comments from the Schools Forum on the 15th January 2015**

Corporate Policy

1. Policy Status: Not Applicable:
 2. BBB Priority: Children and Young People:
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Financial

1. Cost of proposal: £8.946m:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Education DSG Portfolio budgets
 4. Total current budget for this head: £232.8m
 5. Source of funding: DSG
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Staff

1. Number of staff (current and additional): 2,065 Full Time Equivalent, of which 1,777 are based in schools.
 2. If from existing staff resources, number of staff hours: N/A
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Legal

1. Legal Requirement: Statutory Requirement:
 2. Call-in: Applicable
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): N/A
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments:

3. BACKGROUND

- 3.1 The Council has carried forward a total of £8.946m of Dedicated Schools Grant (DSG) from underspends of £1.697m, £2.984m and £4.265m in 2011/12, 2012/13 and 2013/14 financial years respectively.
- 3.2 As part of the ongoing discussions regarding this unspent DSG, the Schools Forum asked for proposals for the use of the funds. Attached are proposals to utilise the funds which will reduce the surplus considerably.
- 3.3 Any plans will also need to go through the usual process of consulting Schools Forum, and additionally, approval from the Department for Education (DfE) will be required to disapply the funding regulations.

4. USE OF THE UNSPENT DSG

Distribution to Schools

- 4.1 It is proposed that £3.5m be distributed to schools as a one off payment. It is recommended that this be done on as simple a methodology as possible. All pupils would attract funding with the PRU and special schools attracting per pupil funding at an increased factor of 3.75 and 4.25 respectively. These factors are aligned to the current Education Services Grant (ESG) figures that DfE use to calculate the grant funding. If all schools received this funding on a pupil number basis this would equate to roughly £78 per pupil (assuming 42,000 pupils as the school population up to age 16, the PRU pupils attracting £293 and special school pupils £312).
- 4.2 This would need to be added to the formula for 2015/16 as a one off exceptional payment and the Council would have to agree a mechanism with the DfE to achieve this.

Growth Fund

- 4.3 At the last Forum meeting the DSG budget was discussed. As part of this debate two growth items were discussed, a rate increase for early years providers (£500k) and an increase in the bulge class funding (£500k). The total growth was £1m. It was suggested by the Forum that this be funded from unspent DSG as a short to medium term measure to absorb the costs. Two years funding has been assumed for this exercise. After this time the funding issue would need to be readdressed.

Beacon House purchase

The use of DSG to purchase Beacon House was discussed at the Forum meeting in September. The Council rationale behind the purchase was to create more in borough provision, using an 'invest to save' model which would divert expenditure away from more expensive placements out of borough. Forum representatives recognised the need for the purchase but objected to the lack of consultation although the time period in which the property had to be purchased, alongside the need for confidentiality, made any meaningful consultation extremely difficult. On balance there was agreement for the purchase amongst the representatives on the Forum.

Beacon House refurbishment

- 4.4 Consultants have been commissioned to look at Beacon House and assess the costs of bringing the building into use. The current estimate is £3.336m.

- 4.5 It is recommended that the unspent DSG pot funds the refurbishment to a maximum of £3m. The remaining amount would need to be funded from basic need capital funding.
- 4.6 This is a once in a lifetime opportunity for the Council and schools in Bromley to create purpose built provision for young people with significant special needs that affect their behaviour. By designing the right provision the benefits are going to be significant, both to the individuals themselves and the communities that they are part of. In addition secondary schools will be able to purchase part time places for young people who need a more practical curriculum alongside the degree of support that a special school will be able to offer. The alternative use of the money would be to share it amongst all 96 schools in the Borough which would realise far less impact, especially for our more vulnerable young people whose needs will be met at Beacon House. In addition schools are just about to receive a significant increase to their budgets, given that Bromley has been allocated a significant increase to DSG under the fairer funding arrangements.
- 4.7 If there is not the will to spend money on Beacon House the alternative would be to rebuild Burwood on its current site which is not fit for purpose and has significant issues in terms of transport access. This also affects the opportunity for pupils to travel independently as well as having a negative impact on staff recruitment.
- 4.8 Additional places will be created to meet the increasing demand for these types of placements and the extension of the school age. Savings can be made from the Dedicated Schools Grant (DSG) as the additional placements being created at the new setting are cheaper than Independent School placements currently meeting the need. Very prudent estimates suggest that over £220k could be saved in the first full financial year with a cumulative saving over four financial years of over £1.1m. DSG savings are recycled back into DSG funded services
- 4.9 Savings will also be achieved in the Revenue Support Grant (RSG) through transport savings. Prudent estimates suggest that there would be savings of around £3k per annum per child resulting in a saving of over £95k in the first full financial year of operation with a cumulative saving over four financial years of £489k. There may be further savings from this area as travel training may be possible in some cases which would eliminate the need for transport altogether. The savings will help to mitigate future demand in this area as the demand for this type of place grows due to increased need and the extension of the school age
- 4.10 Total savings of both the RSG and DSG areas could be £317k in the first full financial year with cumulative savings over a four financial year period of £1.63m
- 4.11 The table below shows the savings broken down into financial years

TRANSPORT SAVINGS - RSG

PART YEAR	Financial year				PART YEAR	CUMULATIVE SAVINGS
	2015/16	2016/17	2017/18	2018/19		
52,500	90,000	90,000	90,000	37,500		
	5,250	9,000	9,000	3,750		
		17,500	30,000	12,500		
			24,500	17,500		
52,500	95,250	116,500	153,500	71,250	489,000	

PLACEMENT SAVINGS - DSG

PART YEAR	Financial year				PART YEAR	CUMULATIVE SAVINGS
	2015/16	2016/17	2017/18	2018/19		
122,500	210,000	210,000	210,000	87,500		
	12,250	21,000	21,000	8,750		
		40,833	70,000	29,167		
			57,167	40,833		
122,500	222,250	271,833	358,167	166,250	1,141,000	

Assumes a capacity of 75 pupils
 £7K cheaper placements costs per annum per child
 £3K cheaper transport costs per annum per child

5. FINANCIAL IMPLICATIONS

5.1 The financial implications unspent DSG and its use are contained in the table below

	<u>£'000</u>	<u>£'000</u>
UNSPENT DSG CARRIED FORWARD INTO 2014/15		8,946
PAYMENT TO ALL SCHOOLS	- 3,500	
PURCHASE OF BEACON HOUSE	- 1,790	
REFURBISHMENT OF BEACON HOUSE	- 3,000	8,290
REMAINING DSG		656
GROWTH BIDS CONTAINED FOR AT LEAST TWO YEARS	- 2,000	
IN YEAR DSG SURPLUS 2014/15		2,000
UNALLOCATED DSG CARRIED FORWARD INTO 2015/16		<u><u>656</u></u>

- 5.2 A mixture of carried forward DSG and current in year underspends have been used to fully utilise the available DSG.
- 5.3 The remaining amount of DSG left as surplus is considered to be prudent in terms of an amount left to contain any unforeseen eventualities should they arise.

Non-Applicable Sections:	Legal Implications Personnel Implications
Background Documents: (Access via Contact Officer)	None