

**Decision Maker:** Children and Young People Portfolio Holder

**Date:** For Pre-Decision Scrutiny by the Children and Young People PDS Committee on 20 March 2012

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

**Title:** **THE SCHOOL FUNDING SETTLEMENT FOR 2012/13 DEDICATED SCHOOLS' GRANT**

**Contact Officer:** David Bradshaw, Head of Children and Young People Finance  
Tel: 020 8313 4807 E-mail: david.bradshaw@bromley.gov.uk

**Chief Officer:** Gillian Pearson, Director of Children and Young People Services

**Ward:** Boroughwide

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1. Reason for report

- 1.1 This report provides updated information on the final estimated School Funding Settlement for 2012/13 Dedicated Schools' Grant.
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2. **RECOMMENDATION(S)**

- 2.1 **The Children and Young People Portfolio Holder is asked to agree the proposals on the use of the Dedicated Schools Grant as detailed in Appendix 2 taking into account the comments of the CYP PDS Committee and the Schools Forum.**

### Corporate Policy

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

1. Cost of proposal: No Cost: Further Details
  2. Ongoing costs: Non-Recurring Cost: Further Details
  3. Budget head/performance centre: Dedicated Schools Grant
  4. Total current budget for this head: £220,463k
  5. Source of funding:
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### Staff

1. Number of staff (current and additional): N/A
  2. If from existing staff resources, number of staff hours: N/A
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### Legal

1. Legal Requirement: Statutory Requirement: The Schools Finance England Regulations 2008 (As Amended)
  2. Call-in: Applicable:
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### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): All children and young people in the CYP Service.
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### Ward Councillor Views

1. Have Ward Councillors been asked for comments? No
2. Summary of Ward Councillors comments:

### **3. COMMENTARY**

#### **3.1 Background**

- 3.1.1 As set out in the 'Consultation on School Funding Reform', issued by the Government in July, it was agreed that the current funding methodology for 2011/12 should continue for 2012/13 through the Dedicated Schools Grant (DSG).
- 3.1.2 As part of the spending review announcement in December 2011, the Government announced that the overall settlement for schools would be maintained at 'flat cash' per pupil throughout the period, which means that it will rise in line with pupil numbers.
- 3.1.3 In line with the previous years settlement it was also announced that the pupil premium will be in addition to this settlement. Total funding for the pupil premium will be £1.25bn in 2012/13 and will be built up over time amounting to £2.5bn a year by 2014/15. Full details relating to this have been provided in earlier reports.
- 3.1.4 Consultation with the Schools Forum was undertaken in January, February and again in March 2012. The key issues and comments expressed by the Schools' Forum have been reflected in the revised DSG allocation in this report. Any further comments from the Schools Forum meeting in March will be reported to the CYP PDS Committee on 20 March 2012.

#### **3.2 The Pupil Premium**

- 3.2.1 Details of indicative Pupil Premium allocations have already been provided. These estimates were based on January 2011 pupil data. Full guidance has now been provided to the Local Authority and to all schools to allow them to allow schools and LAs to estimate how much Pupil Premium Funding they will be allocated for budget planning purposes; and to allow schools and LAs to effectively target the funding they are allocated at the pupils who are eligible for the Pupil Premium.

#### **3.3 Minimum Funding Guarantee (MFG)**

- 3.3.1 The Government has decided to continue with the Minimum Funding Guarantee arrangement for schools. The Minimum Funding Guarantee ensures that, whatever decisions local authorities take, all schools receive a minimum level of funding per pupil in relation to the previous year.
- 3.3.2 The Minimum Funding Guarantee remains the same for 2012/13, ensuring that no school will have its budget reduced by more than 1.5% per pupil, before the pupil premium is added. This is in line with 2011/12, whereas in previous years the MFG has provided a minimum increase.
- 3.3.3 Not all School funding is eligible for MFG, some elements such as Rates, YPLA, and matrix funding are excluded from the calculations. This is dealt with as part of the local formula funding arrangements.
- 3.3.4 As in previous years, authorities are expected to prepare their own calculations on their level of DSG funding. The final announcement on the level of grant funding is not made until the summer of 2012 after the start of the new financial year.
- 3.3.5 The School Finance ( England) Regulations 2012 provides specific guidance as to where a local authority may vary the MFG calculation and where specific approval needs to be sought from the Secretary of State. Appendix 1 provides details of schools where the MFG is higher than the LA formula calculation and where an application has been made to the Secretary of State.

### 3.4 The Dedicated Schools Grant – 2012/13

- 3.4.1 The Government has announced that it will continue to operate in 2012/13 the current methodology for allocating the Dedicated Schools Grant (DSG) to local authorities. This is based on an amount per pupil on a spend plus basis. The Guaranteed Unit of Funding for Bromley is £4,944.33 per pupil for 2012/13 which remains the same as 2011/12 funding levels.
- 3.4.2 To protect local authorities with falling pupil numbers the Government will continue with arrangements to ensure that no authority loses more than 2% of its budget in cash terms. Bromley is unlikely to find itself in this position.
- 3.4.3 Government has consulted over the summer on proposals for future funding in 2013/14. Further proposals are being worked on in light of the responses given to the consultation and arrangements are likely to include both national and local formulae and the need for careful transitional arrangements. Currently there is no indication of the future funding levels for 2013/14 for Bromley. These are expected in the spring/summer of 2012.
- 3.4.4 The Dedicated Schools Grant is calculated using a Guaranteed per pupil Unit of Funding (GUF) for each Local Authority and the full time equivalent pupil numbers from the Schools, Early Years and Alternative Provision Censuses. The GUF has been derived from the 2011/12 level as the level of GUF has remained static for 2012/13 at £4,944.33 per pupil. This has now been updated to reflect the January 2012 Census data and the estimated Dedicated Schools Grant is shown below:

<b>Original Calculation of Estimated Dedicated Schools Grant 2012/13</b>			<b>£m</b>
Guaranteed Unit of Funding (£)	(A)	4,944.33	
Estimated Pupil Numbers	(B)	44,388	
<b>2012/13 Estimated DSG (A) x (B)</b>			<b><u>219.469</u></b>
<b>Final Calculation of Estimated Dedicated Schools Grant 2012/13</b>			<b>£m</b>
Guaranteed Unit of Funding (£)	(A)	4,944.33	
Estimated Pupil Numbers	(B)	44,589	
<b>2012/13 Estimated DSG (A) x (B)</b>			<b><u>220.463</u></b>

- 3.4.5 **Appendix 2** identifies the final proposed use of the Dedicated Schools' Grant for release for consultation:
- 3.4.6 **Appendix 3 and 4** provides information on the final proposed individual elements in Appendix 1 of the use of the DSG.

## 4. POLICY IMPLICATIONS

- 4.1 These proposals support the delivery of priorities identified in "Securing the best possible future for all children and young people in Bromley", the Children and Young People's Plan 2011-12.

**5. FINANCIAL IMPLICATIONS**

5.1 These are included in the body of this report.

**6. LEGAL IMPLICATIONS**

6.1 The Local Authority is obliged to account for and distribute funding received from central government, for the purposes of education in accordance with the relevant legislative accounting provisions.

6.2 Where the Local Authority seeks to exercise any discretion that it may have on the distribution of funding that is received, it is prudent to consult on the outcomes with all relevant stakeholders.

<b>Non-Applicable Sections:</b>	Personnel Implications
Background Documents: (Access via Contact Officer)	

## PROPOSED MINIMUM FUNDING GUARANTEE ADJUSTMENTS

2012-13

	Additional MFG Funding	Amount to be removed	Proposed Adjustment as % of SBS	Comments
Chelsfield Primary	25,000	12,500	3%	small school
Cudham C.E Primary	43,000	21,500	5%	small school
Dorset Road Infants	18,500	9,250	2%	small school
Downe Primary	5,000	2,500	1%	changes to staffing
Malcolm Primary	72,000	36,000	3%	Expanding school
Manor Oak	44,000	22,000	2%	small school
Pratts Bottom	35,800	17,900	5%	small school
	243,300	121,650		
Bishop Justus	102,000	102,000	2%	add funding to be removed
Harris Beckenham	80,000	80,000	2%	changes to staffing
	182,000	182,000		

- Additional MFG - Bishop Justus School ( Academy)**  
 Up to 2010/11 the school was still considered to be an opening school and was in receipt of additional funding generated by the MFG. It was agreed with the Schools Forum that this funding should be phased out once the school was fully open so that the school would be funded on the basis of the formula funding only to bring it in line with other schools. Funding was being phased out in 2009/10 and 2010/11 with the final amount of £200k to be removed in 2011/12, in full agreement of the school. In 2011/12 Schools Forum was no longer allowed to agree this adjustment so application was made to the Secretary of State. This was refused on the grounds that this would have a serious impact on the school concerned.

The LA is requesting that this being given serious consideration again this year on the basis that the school should be funded in line with other schools, and that this would release a large amount of funding which could then be used to benefit all schools.

- Small/Growing Schools**  
 These are all small schools where increases in pupil numbers over the last few years have resulted in the MFG increasing at a disproportionate rate to the funding formula each year, with these increases being compounded year upon year. This has also resulted in most of these schools building up significant balances. However, as the LA recognises that the full amount could be too much for a school to lose in any one year, we are proposing to make a 50% adjustment in 2012/13 and again in the following year, if this fits in with the government's new proposals.
- Changes to Staffing**  
 Relates to a real reduction in actual staff on upper pay scales which are funded through the Formula

## USE OF DEDICATED SCHOOLS GRANT 2012/13

	As at 12th Jan £'000		£'000
<b>Estimated DSG figure ( to be confirmed)</b>	<b>219,469</b>		<b>220,463</b>
Estimated future LACSEG Adjustment	-250		-500
<b>Available DSG</b>	<b>219,219</b>		<b>219,963</b>
Central Schools Budget	35,064		35,064
Delegated Budgets			
Primary	69,387	71,000	
MFG		120	
Secondary	8,174	8,331	
Special	9,939	10,210	
	87,500		89,661
Academy Recoupment			
SBS Primary	17,860	17,046	
MFG		180	
SBS Secondary	73,858	71,310	
	91,718		88,536
LACSEG Primary	335	331	
LACSEG Secondary	884	884	
	1,219		1,215
Contingency		1,000	1,937
Behaviour service - income target		-400	-400
FLAG - removal		-400	-400
Other staff costs - reduction		-300	-300
<b>Allocated DSG</b>	<b>215,401</b>		<b>215,313</b>
<b>Unallocated DSG</b>	<b>3,818</b>		<b>4,650</b>
Items for Consideration for unallocated DSG			
Floor area costs - CFC	50	100	
Funding for bulge classes	150	0	(included in schools budgets above)
SEN	2,200	2,200	See Appendix 5
Increased Carbon Reduction Contributions	150	150	
EBD Provision for Primary Girls	290	290	
Home and Hospital Education	100	100	
Add Funding for Early Years	470	470	
Special School Meal Contract	40	40	
Invest to save	0	800	
EY Deprivation support		390	
PRU		110	
Balance	368	0	
	<b>3,818</b>		<b>4,650</b>

## FURTHER INFORMATION ON THE USE OF THE DEDICATED SCHOOLS GRANT

### **Estimated Future LACSEG Reduction**

Funding for the schools budget portion of LACSEG will be recovered from LAs' DSG allocations in 2012/13 through recoupment the current methodology including the additional element regarding contingency. This amount allows for future in year academy conversions

### **Central Schools Budget**

This provides for the centrally retained elements of the Schools Budget not delegated to schools. It includes Special Educational Needs, the Behaviour Service, payments to Early Years providers and capital expenditure financed by revenue.

### **Delegated Budgets Minimum Funding Guarantee**

This relates to all maintained schools. The Minimum Funding Guarantee has been adjusted to ensure that no school will have its budget reduced by more than 1.5% per pupil, before the pupil premium is added.

### **Academy Recoupment**

This is the amount top sliced from Bromley's DSG which is given to the YPLA to fund Academies. This assumes two Secondaries and three Primaries converting in 2012/13.

### **Contingency**

It is prudent to keep an amount in contingency to cover any unforeseen eventualities and to avoid unnecessary turbulence. Notionally £250k is being set aside for redundancy and retirement costs (as per 2011/12). S251 returns require this to sit in contingency. A further £750k is set aside for final adjustments to DSG once the final pupil numbers are known. Any unused allocation could be used for other purposes.

### **Behaviour Service – Income Target**

The behaviour service has been given an income target to sell services to academies. This was not in the budget in 2011/12

### **Flexible Learning Advisory Group (FLAG)**

This expenditure was ceased in the summer of 2011. Therefore the funding available for this activity is released.

### **Other Staff Cost Reductions**

Reduction in costs of supply cover costs due to academy conversions. The funding is released.

### **Floor Area Costs**

Additional floor area costs in schools with children and family centres attached which will now be run by the school.

### **Funding for Bulge Classes**

Funding for bulge classes in Primary Schools that will start in September 2012 and will otherwise go unfunded as they will not be picked up in the January 2012 count

### **Special Education Needs**

See Appendix 5.



### **Carbon Reduction Commitment**

The Carbon Reduction Commitment (CRC) scheme imposes a statutory duty on the Council to take certain actions in relation to purchasing carbon allowances and reporting on emissions associated with energy use in buildings. The Council is required to bear the cost of administering the CRC scheme and to purchase carbon allowances on behalf of schools. 2011/12 data shows that additional funding will be required to cover the full costs.

### **EBD Provision for Primary**

Provision for primary aged EBD children. This provision has been agreed by the executive working group as an invest to save.

### **Home and Hospital Education**

Increased provision and costs in this area.

### **Early Years Funding**

Statutory entitlement to provide sufficient places for all three and four year olds. Predicted increase in costs and entitlement over current budget levels.

### **Special School Meal Contract**

Schools meal contract retendered. Additional costs incurred for special schools. Funding needed to meet new contract.

### **Contribution to Capital/Invest to Save**

Potential for an invest to save project for Secondary ASD provision. Potential for Government grant to offset some of the build costs. Remaining costs may have to be funded from DSG. This may not take effect from 2012/13. However this would need to be built into the budgets in the medium term. In the interim the funding could be allocated to Basic Need projects which would benefit all schools including Academies.

Has the potential to help negate ongoing pressures in SEN by diverting costly out of borough placements into in borough provision.

### **Balance Over Allocated**

This would need to be balanced off to get DSG expenditure in line with the overall allocation.

## FINAL PROPOSALS FOR USE OF DEDICATED SCHOOLS GRANT

As at the date of the last meeting of the Schools Forum, the indicative figures were showing a potential overspend of £305k in the Dedicated Schools Grant. Additional funding has now been identified relating to pupils that had not been included in the original DSG calculations and subsequently the DSG has now increased from £219,469k to £220,463 which is an increase of £994k.

It is proposed that this funding should be allocated as follows:

Pupil Referral Unit	£110k
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Over the last 3 years there had been a decrease in the number of Permanent Exclusions due to proactive work in conjunction with the schools by the Behaviour Service .However, the number of pupils in the PRU on census date has increased from 57 to 79. This increase of 22 pupils will generate around £110k of additional DSG funding. The increase in pupil numbers which can be seen as a direct result of the increase in permanent exclusions, mainly in secondary schools. This is expected to increase further in 2012/13. Simultaneously the needs and complexity of issues of these students have increased significantly. Many of these students need to be taught in small groups of 6 or 7 or 1:1 teaching due to either behaviour, learning or safeguarding needs. Following discussion with the Head of Service it has been identified that there are significant pressures on the PRU budget and on the service that is being provided.

The PRU budget is operated centrally and does not have a delegated budget and therefore the increase funding does not automatically follow the pupils in the same way. It is proposed that the additional funding should be allocated to the PRU to enable them to provide extra staffing/resources to support the additional pupils. The PRU is currently operated as a central budget however from 2013/14 the Government have indicated that all PRUs will be required to have their own delegated budget.

It is proposed that the additional funding should be allocated to the PRU to enable them to provide extra staffing/resources to support the additional pupils. This will allow the Head of the Unit to look at the staff numbers and to establish a teaching structure that is appropriate to the needs of the pupils.

The Local Authority has put in place a protocol asking all academies to sign up to a formal agreement which will allow the AWPU funding relating to excluded pupils to be recouped by the LA. This funding comes back into the Dedicated Schools Grant and is included in the final reconciliation at the end of the year.

Early Years Funding – Deprivation	£390k
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At the last meeting of the Schools Forum there was some debate around the perception that in Bromley the results in Early Years/ Foundation stage are not above the national average as they are in Key Stage 1 and above. It was therefore proposed that any additional funding that was available within the DSG should be targeted at early years as this would be to the benefit of all schools. It was proposed that this funding should be targeted through the supplements within the Early Years funding formula rather than simply adding it to the core funding. One suggestion at the Schools Forum meeting was that this funding should be allocated through the SEN supplement, by lowering the threshold at which Early Years settings would be eligible for this funding. Currently settings with more than 20% of pupils with Special Educational Needs are eligible for this supplement 2 maintained schools and 4 PVI settings currently receive this funding.

However, when this proposal was discussed with the Early Years Manager at the LA, there were concerns that even if the threshold was reduced to 15 % the funding would still only be received by a very limited number of settings. Children with high level needs in Early Years provision already receive support via the Pre-school Specialist Support and Disability Service who are also responsible for verifying the claims for the SEN supplement to ensure eligibility. Any increase in the numbers of eligible settings would increase the reliance on this service at a time when budgets are stretched.

It is accepted within schools funding that there is a direct relationship between deprivation and low achievement/low level special educational needs and this is also the case within Early Years. It is therefore proposed that funding should be targeted through the deprivation supplement. In recent years the government has been targeting money at deprivation in schools through the pupil premium. However the pupil premium is only paid for pupils aged 5 and above so Early Years settings have not been able to benefit from this funding as it is based on free school meal entitlement. The EY deprivation supplement is targeted at settings with high levels of pupils from post codes identified within the IDACI (Income Deprivation Affecting Children Index). The supplement is currently paid at one level of 0.18p per hour for all pupils. It is proposed that this be extended on a banded basis ranging from 20p through to 60p for those settings with the highest level of deprivation. This would bring the highest level in line with the amount of funding that schools will receive through the pupil premium. The revised funding would benefit 68 PVI settings and all of the 11 maintained nurseries.

Estimated Future LACSEG Adjustment	£250k
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Originally this was set at £250k based on the estimated number of academy conversions. It has now been identified that one primary school with a deficit will be converting as a sponsored academy and therefore the deficit will revert to the LA. It is therefore proposed that the provision be increased to allow for this and any other further conversions.

Contingency	£937k
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Originally it was estimated that £1million should be kept in contingency to cover Early Retirement and Redundancy Costs (£250k) and the remainder to cover any potential adjustments to the DSG and any other unforeseen expenditure during the year. However, as DfE are now including this code in the recoupment calculation, then the LA needs to allow for additional funding to cover this.

## GROWTH BID FOR SEN RELATED AREAS USING DSG

Item for Growth	Funded Pupil Numbers or Places	Budget for 2011/12 £	Budget you are anticipating for 2012/13 £	Funded Pupil Numbers or Places	Growth Bid Required £
Transport contractors -DSG (Riverside Beck and Hayes DSG)		90,000	320,000		230,000
SEN Matrix	915.6	7,253,985	7,831,449	1,014	577,464
SEN Independent Day	112.0	3,866,300	4,573,158	130	706,858
SEN Independent Boarding	84.3	5,823,680	5,637,759	83	-185,921
Alternative Provision	79.9	600,520	740,378	83	139,858
Maintained Day	50.5	1,125,720	1,228,809	57	103,089
Maintained Boarding	13.2	599,610	713,470	16	113,860
Support in Mainstream	124.3	1,056,350	957,033	111	-99,317
Equipment		14,000	14,000		0
Contingency added to Budget		500,000	0		-500,000
Development of 8 Key Stage 1 Placements (Crofton) 7/12 only		0	63,467		63,467
Development of 6 Key Stage 2 Placements (Riverside) 7/12 only		0	77,000		77,000
Increase of place led funding for unit provisions (complexity of need)		0	50,000		50,000
Grovelands Development		0	70,000		70,000
Sub Total		20,930,165	22,276,523		1,346,358
Primary provision for children with complex needs		0	200,000		200,000
Speech and Language Contracts		65,160	311,166		246,006
Health Needs without Recourse to statements		181,000	346,000		165,000
Sub Total		246,160	857,166		611,006
Pupil Resource Agreements		130,000	286,000		156,000
Transition for PRA		0	80,000		80,000
Sub Total		130,000	366,000		236,000
Total		21,306,325	23,499,689		2,193,364