

Cabinet	Date: 9 th February 2011	Classification Unrestricted	Report No.	Agenda Item No.
Report of: Interim Corporate Director (Children, Schools and Families)		Title: Dedicated Schools Grant 2011/12		
Originating Officer(s): David Tully Interim Head of CSF Finance		Ward(s).....ALL		

Lead Member	Cllr. Oliur Rahman
Community Plan Theme	One Tower Hamlets A Prosperous Community
Strategic Priority	1.2: Work efficiently and effectively as One Council 3.1: Support lifelong learning opportunities for all

1. **SUMMARY**

- 1.1 This report seeks a decision on the size and allocation of the Dedicated Schools Grant for 2011/12, as part of the larger Schools Budget.
- 1.2 The Department for Education has confirmed in its school funding settlement announcements on 13th December 2010 that the Dedicated Schools Grant will be calculated on the basis of the same underlying per pupil amount as 2010/11 of £6,791.71 and that a number of individual funding streams will be consolidated into the DSG at a per pupil amount of £1,259.80 (ie equivalent to their 2010/11 cash value). This gives a revised Guaranteed Unit of Funding of **£8,051.51**. This will be multiplied by the number of eligible pupils in the January 2011 pupil census to produce the actual level of the DSG.
- 1.3 The DfE has made some changes to the way in which pupils are counted and the final outcomes of the January census will not be confirmed by the DfE until June 2011. The number of pupils funded through the DSG is, however, linked to the Minimum Funding Guarantee for individual schools, which is an unavoidable commitment. To ensure consistency in the calculations, officers have illustrated the impact of **36,557** DSG pupils, which is consistent with the figures being used to calculate the Minimum Funding Guarantee (MFG).
- 1.4 School budgets are guaranteed at their 2010/11 level (including former specific grants) less 1.5%. With the addition of the Pupil Premium (passported directly to schools), the underlying position for schools is a standstill in cash terms. There are planned reductions in the retained budget and provision for allocating budgets and the proposals for addressing this are set out in the report at Section 8.

- 1.5 Schools Forum considered the position at their meeting on 12th January 2011. The proposals put forward in the Cabinet report have, therefore, been considered by the Schools Forum and their views are included in this report.

2. DECISION REQUIRED

Cabinet is recommended to:

- 2.1 Agree the provisional Schools Budget at the following level for 2011/12 (paragraph 6.4 – Table 1):
- a) anticipated Dedicated Schools Grant at **£294.339m**
 - b) forecast total Young People Learning Agency allocation of **£14.724m**
 - c) total of **£309.063m**.
- 2.2 Authorise the Corporate Director for Children, Schools and Families to substitute the actual figure for YPLA allocations once it is known and to scale back the DSG to be allocated as appropriate should the initial pupil number data from the January 2011 pupil census indicate that the pupil number estimate is too high (paragraph 7.3).
- 2.3 Approve the distribution of the total funding between retained and devolved funding set out in Appendix 3, noting the reductions in retained funding set out at paragraph 8.4 (a) to (g) and agree the savings proposals required to balance the budget set out in paragraph 8.5 to 8.13.

3. REASONS FOR THE DECISIONS

- 3.1 Under the School Standards and Framework Act 1998, the Council is required to allocate a budget share to every maintained school and this is calculated by a prescribed process that requires determination of the LEA budget, the Council's schools budget, the individual schools budget and the maintained schools' budget share.
- 3.2 The School Finance (England) Regulations 2011, expected to commence on 28 February 2011, will likely require the Council, after consultation with the School Forum, to decide upon the formula to be used to determine schools' budget shares and to deduct central expenditure from the school budget, subject to the central expenditure limit.

4. ALTERNATIVE OPTIONS

- 4.1 The Council's options are limited for the reasons given in section 3 of the report, but to the extent there are any options these are discussed in the body of the report.

5. BACKGROUND

- 5.1 With effect from 2006/07 Local Authorities (LAs) have received funding for schools in the form of a ring-fenced Dedicated Schools Grant (DSG) which, along with funding for 6th Forms, represents the Schools Budget. Although the vast majority of funding is provided to schools to manage directly, the Schools Budget also includes funding for special educational needs, pupils out of school and early years provision and a few local authority services such as admissions. The Authority may choose to supplement the DSG with other budgets, but it may not use the DSG for any purpose other than to support the Schools Budget.
- 5.2 For the purposes of clarity, when referring to the various parts of the school funding 'architecture', a number of specific terms are used:
- Schools Budget - the total planned spending on schools and other prescribed services funded from the DSG and YPLA 6th Form monies.
 - Individual Schools Budget (ISB) - the funding in the Schools Budget that is delegated to individual schools;
 - School Budget Shares – each school's individual budget allocation determined by applying the Borough's school funding (resource) formula; and
 - Central Expenditure - the funding retained centrally from the Schools Budget by the LA to support the kinds of activities and meet the costs referred to in paragraph 3.1.
- 5.3 The strategic functions of a LA in relation to the provision of education (school organisation, school improvement and intervention, home to schools transport etc) along with non-school provision (Youth Service and Community based education provision) and Children's Social Care are funded from the Children Schools and Families General Fund Budget and are part of the local government settlement process. These functions are not funded by the Dedicated Schools Grant and, as such, will be dealt with in separate reports to Cabinet.
- 5.4 To determine the ISB, LAs are required to make a number of decisions on how the ISB is to be distributed. These include the methodology to be adopted to project pupil numbers for 2011/12 and any funding formula changes to be made.
- 5.5 The allocation of the ISB, via the funding formula, into individual school budget shares is subject to the Minimum Funding Guarantee (a guaranteed minimum increase in schools funding to ensure unavoidable cost pressures, such as teachers pay increases, can be covered by the school).
- 5.6 Once the budget for the ISB is set, the balance of the Schools Budget remaining can be allocated on increases in central expenditure. The remaining balance, known as 'headroom' is then available for additional distribution through to school budget shares.
- 5.7 In general the amount of funding that is held as central expenditure in each year is decided by the LA, although funding for certain kinds of

costs can only be held centrally with the agreement of the Schools Forum.

5.8 This report deals with the following issues

- Sources of funding for the Schools Budget for 2011/12;
- Factors likely to affect the Schools Budget;
- Potential impact of these arrangements.

5.9 The final report proposals were agreed by the Local Authority Schools Forum, a meeting of school representatives that is legally required to formalise the consultation process and therefore they represent a consensus of schools. This meeting took place on the 12th January 2011. Cabinet is required to take account of the views of the Schools Forum.

6. SCHOOLS BUDGET: SOURCES OF FUNDING 2011/12

6.1 The Dedicated Schools Grant for 2011/12 will be based on **£8,051.51** per pupil, a standstill amount in cash terms after taking account of the following grants that were previously separate funding streams.

- School Standards Grant
- Schools Standards Grant (Personalisation)
- School Development Grant
- Specialist Schools
- High Performing Specialist Schools
- School Lunch Grant
- Ethnic Minority Achievement (EMAG)
- 1-2-1 Tuition
- Extended School Sustainability
- Extended School Subsidy
- National Strategies (Primary)
- National Strategies (Secondary)
- Diplomas
- London Pay Addition

6.2 **Appendix 1** provides the basis on which the pupil number forecast of **36,557** is currently based. This is 464 more than the 2010-11 figure of 36,093 and is based on a combination of the October 2010 census (for 3 year olds and 5-15 year olds) and the January 2010 census (for 4 year olds). The forecast level of DSG for 2011-12 is **£294.339m**.

6.3 The Young People Learning Agency (YPLA) provides funding for 6th Form provision. The YPLA allocations for 2011/12 were not known at the time of writing this report but are expected imminently. The level of funding is expected to reduce, as the Secretary of State for Education has indicated his long-term intention to reduce school 6th Form unit funding to the level received by Further Education colleges. It is expected that this will be phased in over a number of years, so officers have assumed, for illustrative purposes that there would be a 3%

reduction in YPLA allocations on the 2010/11 academic year allocation (ie August 2010 - July 2010) level of £15.178m. This would give an illustrative allocation for 2011/12 of **£14.724m**

- 6.4 **Table 1** summarises the current assumptions about levels of resource for the Schools Budget 2011-12 and this summarises the figures included in the first half of **Appendix 2**.

Table 1: Explanation of DSG / YPLA 2011-12 forecasts

Component	Estimated amount 2011-12 (£'000)
Forecast DSG (£8,051.51 x 36,557)	294,339
Brought forward DSG from 2010/11	0
Main YPLA allocation (Total for 7 LBTH 6 th Forms for Aug 10 to Mar 11) £9.263m x 12/8 less 3%	13,478
LSC SEN element (2010/11 rate less 3%)	788
LSC Teachers Pay Grant (2010/11 rate less 3%)	458
Total estimated DSG and YPLA 2011-12 (ie total Schools Budget)	309.063

- 6.5 Separate to the Schools Budget, the Authority will receive funding for schools through the **Pupil Premium**. The DfE has announced that this will apply to three categories of pupils: those eligible for free school meals in January 2011 (£430 per pupil); those Looked After Children who have been in care for at least 6 months (£430 per pupil); and children of members of the armed services (£200 per pupil).
- 6.6 The DfE chose to keep the mechanism simple by using eligibility of free school meals and a standard rate across the country, rather than adopting a more complex formula that took account of other deprivation funding or different costs in different parts of the country.
- 6.7 The money needs to be passed on to the relevant school or educational setting in full, with the exception of money for looked after children which is provided to the home authority to be applied as they see fit.
- 6.8 In January 2010 there were 19,596 Tower Hamlets pupils eligible for Free School Meals. If this level of eligibility were to be reflected in the pupil count for January 2011, Tower Hamlets schools would receive £8.426m.
- 6.9 DfE have indicated that they estimate that Tower Hamlets would be eligible for £84k for Pupil Premium for Looked After Children for 2011/12. Numbers of Tower Hamlets pupils from Service families are not expected to be significant.

7. FACTORS LIKELY TO AFFECT THE SCHOOLS BUDGET 2011/12

- 7.1 **Appendix 2** sets out a comparison of the estimated level of the Schools Budget for 2011/12 and the expected commitments. These assumptions will be affected by the following considerations.
- 7.2 **Central Expenditure Limit.** The devolved budgets for schools (including Early Years PVI budgets) must increase by at least the increase in the Schools Budget year-on-year to avoid breaching the Central Expenditure Limit. Local Authorities may not breach that limit without the express endorsement of the Schools Forum. The DfE has indicated that the comparison between years would include the previously separate grants that are now part of the DSG, with an assumption that 100% of those grants were devolved in 2010/11. Initial calculations, subject to the detailed formula to be provided by the DfE would suggest that £309.063m total Schools Budget would require devolved budgets to be at least £283.478m. This may mean that budgets would have to be marginally greater than the CEL limit and this potentially could produce wide distortions, particularly where previously separate grants are distributed through the formula on a different basis.
- 7.3 **Changing pupil numbers.** Officers will review the pupil numbers identified in the January 2011 census prior to finalising DSG assumptions for 2011/12. Overall numbers will determine the total DSG, which will not be finally confirmed until June 2011. The level of DSG is directly linked to the number of pupils, to the extent that, every 100 pupils up or down represents **£0.805m** more or less DSG. Clearly, if there is a significant change from expected numbers outlined in this report the planned DSG will need to be amended and that revised plan will be brought to the next meeting of the Schools Forum. This will also be the case if the budget pressures that have been identified for 2010/11 are likely to impact on the forecast carry-forward of zero at the end of 2010/11 (ie if the Schools Budget overspends in 2010/11). It is this uncertainty about pupil numbers which requires the recommendation to allow the Corporate Director for Children, Schools and Families scope to scale back budget allocations if the actual pupil numbers do not meet the expected level when the analysis of the January pupil count becomes clearer in February and March 2011.
- 7.4 **YPLA changes.** Final allocations are still awaited from the YPLA, Officers have assumed a 3% reduction on 2010/11 figure.
- 7.5 **Early Years.** The DfE have changed the way in which 3 year-old pupil numbers are counted. Tower Hamlets has been a pathfinder authority for the Early Years Single Funding Formula, which has introduced a formula that applies to maintained nursery schools, maintained nursery classes and private / voluntary early years settings. All authorities are now expected to participate. Officers will be exercising particular care in assessing the numbers of full-time equivalent 3 year olds.
- 7.6 The DfE has always funded the higher of the actual number of part-time 3 year olds or 90% of the 3 year olds in the borough. This arrangement

has benefited the Authority and, while the DfE had considered reverting to actual participation only, they have decided against this. Indeed the number of part-time 3 year olds (at the 90% level) counted in the 2011/12 DSG has increased by 223, which mostly offsets the loss of the Early Years Standards Fund grant for implementing the extension of early education hours from 12.5 to 15 per week.

- 7.7 It is possible for additional 3 year olds to be on roll in January 2011 and for this to increase the Minimum Funding Guarantee for individual schools. Currently, the estimated numbers are below the 90% participation level, so these additional costs will not translate into any difference in the level of DSG for that year-group (ie because we are already being funded at the higher of the two). A provision has been included in the costings for that difference, pending further analysis of the figures.
- 7.8 **Additional classes.** The acute difficulties that the Authority has experienced, arising from larger than expected numbers of late admissions for primary school places, has meant that the Authority has had to agree emergency increases in the admission numbers of existing schools. There are no changes to the current arrangements whereby allocations for individual schools required to expand by the local authority will be provided, with additional funding in advance (as far as practical) through the contingency fund.

8. SCHOOLS BUDGET 2011/12

- 8.1 The proposals for 2011/12, agreed by the School Forum, acknowledge the need to have a more limited set of retained services within the Schools Budget and this is achieved by identifying greater levels of delegation for schools and by scaling down central services. This is because the unavoidable commitments in the devolved budgets for schools mean that it is not possible to continue to support the same level of retained activity than previously; Schools Forum has indicated that it expects the Authority to operate within the Central Expenditure Limit. Moreover, there are some elements of funding that have been dealt with through contingency that may be better placed within schools' devolved budgets.
- 8.2 At this stage, officers also intend to take a cautious approach by not allocating more funding to schools than the Minimum Funding Guarantee; this leaves some scope for allocating more funding later in the year once the final level of the DSG is confirmed by the DfE.
- 8.3 The specific proposals for consideration by Schools Forum, which are tabulated in **Appendix 3**, are as follows:

Individual School Budgets

- a) Overall funding for schools to be set at least at a level to avoid a breach of the **Central Expenditure Limit**.. This figure will change if overall funding (eg YPLA allocations) change, but on the basis

of £309.063m, this would require at least £283.478m to be allocated to devolved budgets.

- b) **Minimum Funding Guarantee** to be based on all budgets allocated through the formula for 2010/11 and any pupil number contingency, excluding SEN funding, rates funding, YPLA funding, as normal.
- c) Minimum Funding Guarantee also to be based on **devolved grants** to schools and the **School Library Service**.
- d) The **main funding formula** to now incorporate the previously separate grants and the School Library Service as set out in **Appendix 4**. This indicates that the vast majority of the previous funding will simply be added to the age-weighted pupil unit values with the exceptions of:
 - § London Pay Grant addition to be allocated as a percentage of teacher costs and to be reflected in the same formula factor as the Threshold funding.
 - § Former Ethnic Minority Achievement Grant funding will be incorporated into the formula on a basis that tries to replicate the current basis of allocating EMAG. This is dependent on the data being available in time for the budget to be published in time for the 31st March 2011 deadline, otherwise older data may have to be relied upon.
 - § SSG Personalisation funding will be channelled through the Personalisation factor in the formula.
- e) Funding for **Free School Meals and Paid Meals Subsidy** to be increased as per **Table 2**. This would mean that the value of both a free school meal and the paid meal subsidy would increase by 15p in primary schools and 25p in secondary schools. This is part of a strategy to reduce costs, but to ensure that the full costs of meals is covered, while protecting the price charged directly to individual students. This approach is expected to reduce the reliance of the service on large central subsidies. If these amounts were allocated through the formula, the Minimum Funding Guarantee would distort how much each individual school would get, so, in order to ensure that these increases are passed on to all schools, the School Forum has agreed that the factors in the formula that distributes this money are taken out of the Minimum Funding Guarantee entirely and calculated separately. This adjustment to the mechanism may require endorsement by the Secretary of State, and the Schools Forum's express support for this technical change would assist greatly in persuading the Secretary of State.

Table 2: Changes to catering charges and values 2010/11 to 2011/12

	Primary	Secondary
Free School Meal Value 2010/11	£2.05	£2.15
Free School Meal Value 2011/12	£2.20	£2.40

	Primary	Secondary
Difference	+£0.15	+£0.25
Adult Meal price 2010/11	£2.15	£2.15
Adult Meal price 2011/12	£2.40	£2.40
Difference	+£0.25	+£0.25
Price paid by student 2010/11	£1.90	£2.00
Price paid by student 2011/12	£1.90	£2.00
Difference	0	0
Paid Meal subsidy 2010/11	£0.15	£0.15
Paid Meal subsidy 2011/12	£0.30	£0.40
Difference	+£0.15	+£0.25

- f) A new factor will be introduced into the formula, outside of the Minimum Funding Guarantee, for **Newly Qualified Teachers** (NQTs) that will be based on the actual number of NQTs in post at the previous September. For subsequent years, the estimate based on the previous September will be adjusted for the difference between estimated and actual on a like-for-like basis in the year prior to the 1st April of the financial year in question. Sufficient funding would be added to the devolved budget to facilitate this (c£.05m)
- g) **Rent and rates factors** will be based on an estimate of the likely rent and rates bills for the financial year, calculated using the rateable value, rate in the pound and any rate relief or other anticipated adjustments as at the January PLASC date. The calculation of the estimate for subsequent years would take account of the difference between estimated and actual in the prior year. (Sufficient funding would be added to the devolved budget to facilitate this (c£0.3m)
- h) Formula budgets will no longer have additional sums added for **growth in pupil numbers** in the autumn term, with two exceptions. Firstly, for 3 year olds, there is a requirement in the Early Years Single Funding Formula that pupil participation is recalculated each term and this will continue. Secondly, where the local authority requires a school to expand, some additional funding may be payable through contingency to meet this obligation. No specific additional funding would be added to acknowledge this change.
- i) Schools will be invited to make their own arrangements for managing their **maternity absences**. The local authority is currently investigating either an insurance provider to offer a

service to schools, or to operate a pooled arrangement, which schools would contribute to. Or schools could decide to manage these costs within their own resources. Schools will be further consulted on the adoption of these arrangements. No specific additional funding would be added to acknowledge this change.

- j) Schools would make their own arrangements with the **Schools Catering Service regarding any penalties** that may be due for unexpected closures of the school. These penalties would no longer be met from the contingency fund. No specific additional funding would be added to acknowledge this change.
- k) Schools would be invited to make their own arrangements for purchasing **recycling sacks**. These sacks would no longer be purchased via the contingency fund. No specific additional funding would be added to acknowledge this change.
- l) New arrangements for **carbon reduction** may result in carbon penalties due towards the end of 2011/12. Individual schools will be required to meet the penalty arising from their own carbon footprint, consistent with the basis on which the Authority is charged. The Scheme for Financing Schools will make it a requirement that schools meet such payments from their delegated budget share. No specific additional funding would be added to acknowledge this change, as no additional government funding has been made available for this new requirement.

Centrally Retained Expenditure

8.4 **Appendix 2** gives the details of the components in the 2010/11 budget and **Appendix 3** identifies what is to be removed. The list below summarises what is proposed.

- a) The **contingency fund** has operated at a level of £7.5m for 2010/12 and this budget is fully committed. Given the changes to the entitlements from the contingency fund, this budget can reduce and officers believe that the on-going risks merit a provision of £5m for 2011/12.
- b) **Special Needs** budget will provide for the full costs of placements (including joint placements with Children's Social Care and / or the Primary Care Trust). The Support for Learning Service, to allow a narrower focus on the core statutory responsibilities.
- c) **Combined Budgets** are to concentrate on supporting the BSF Programme, completing the year-long Schools Procurement initiative and providing the Virtual School for Looked After Children.
- d) **Pupils out of school budget** (principally for the Pupil Referral Unit) will be protected at its 2010/11 level, apart from a 1.8 fte reduction in the Behaviour Support Team, as part of the Support for Learning Service.
- e) The centrally retained element of the **School Meals budget** can be reduced because the funding for the meals will be devolved to

schools. Overall the amount of funding available for school meals will not change. This only leaves the funding for FSM eligibility and the subsidy the Authority provides schools for free milk within the centrally retained budget.

- f) For **Other Budgets**, there is one addition and three reductions. The addition is equivalent to the retained funding for ethnic minority achievement. It has always been possible for local authorities to retain central funding for this and it is proposed to keep this at the 2010/11 level of £0.575m. The reductions relate to School Library Service (which will now be devolved), the costs of former Learning and Skills Council staff (which will be managed within the Council's budget) and a reduced level of funding available for Early Years Grants to Voluntary Bodies.
- g) **Grants budgets** will reduce in total and none of the items supported in 2010/11 will continue into 2011/12.

Financial implications

8.5 The proposals above reduce the LA centrally retained element of the DSG by **£2.725m**, as detailed in **Appendix 2**, with proportionally little effect on staffing with the exception of the reduction in some former ABG and Standards Fund match funding (£570k) and Workforce Development strategy work (£115k). The Support for Learning Service is currently redesigning the service to concentrate on core statutory work (SEN) with a small contingency for targeted work for known vulnerable children and young people (£482k reduction in DSG allocation).

8.6 Former Standards Fund retained expenditure will reduce by **£3.183m**. In addition to the anticipated cessation of the exceptional circumstances grant (£796k) and school lunch grant being incorporated into additional school funding for school meals (£454k), the balance of the reduction required relates to:

School Improvement (National Strategies and 14-19 support): redesign the service in view of reduced former match funding (£570k referred to above) and standards funds going directly to schools (£925k) in line with government policy to shift responsibility for school improvement functions to schools.

Extended Schools: significant service re-design in anticipation of removal of ABG and passporting of former Standards Fund to schools, resulting in former SF retained by the LA (£1,005k). The former ABG funded element was the subject of a Directorate Service Improvement pro-former in January Cabinet Budget Report.

8.7 The LA has been working with schools to secure commitment from them to fund some school improvement and extended services on a 'buy back' basis and the redesigned services reflect the outcomes of the consultation and the anticipated reduced level of buy back.

- 8.8 The above decisions have resulted in a potential reduction of 78 fte posts within the Support for Learning Service, National Strategies and 14 – 19 school improvement and Extended Services, with anticipated costs of implementation of approximately £1m.

9. IMPACT OF THESE ARRANGEMENTS

- 9.1 Schools will see a reduction in the cash amount of their budget between 2010-11 and 2011-12, if their allocations are limited to the Minimum Funding Guarantee level (ie 1.5% less than 2010-11 equivalent). Schools with fewer pupils will be affected more because the MFG only offers protection at a per pupil level. Schools with Sixth Forms may need to anticipate some reduction in their YPLA funding. Balanced against this, however, is the impact of the Pupil Premium, which the DfE expect to be targeted at disadvantaged pupils, but which schools have the freedom to deploy as they see fit. If the pupil premium amounts to £8.4m for 2011/12, this will produce an overall funding settlement for schools in cash terms that is around 1.5% better than 2010/11.
- 9.2 Even with this additional cash settlement, school will still be experiencing a tight budget settlement because of the context within which they will be operating. Subject to this evening's decisions, schools may have to fund greater levels of delegation, they will be expected to pay more for more local authority services (if they wish to buy them) and they may be required to bear more of their own risks than has previously been the case.
- 9.3 For the retained budget, these proposals would affect around 78 fte posts and the local authority would have less scope to provide the full range of services nor would it be able to underwrite as many risks for schools as it has previously.
- 9.4 The plans currently do not assume that schools would get any more funding through the formula than the amount determined by the Minimum Funding Guarantee (MFG), so all schools would be at the MFG level. There is £3.4m unallocated, but this is a provision for additional 3 year olds in January 2011. If, once the final pupil numbers are confirmed, some further decisions about allocating funding to schools could be taken later in the year, but these will produce skewed results because of the MFG.
- 9.5 The underlying position for schools is a standstill in cash terms, with some additional funding through the Pupil Premium. There are planned reductions in the retained budget and provision for allocating budgets later in the year.

10. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 10.1 This report provides Cabinet with an overview of the strategic financial issues affecting the Schools Budget for 2011/12 and seeks decisions on the size and distribution of the available resources.

- 10.2 The Dedicated Schools Grant is provided to the local authority on the basis, currently, of the number of pupils included in the annual census in the January preceding the financial year multiplied by a fixed value for each authority. This formula remains the same as previous years.
- 10.3 The value for Tower Hamlets for 2011/12 has been confirmed by the DfE as being **£8.051.51**. Final DSG is not, however, confirmed by the DfE until June of the financial year once all the national data has been cleansed. The full census outcomes will not be known before February 2011 Cabinet, but they will be substantially known by early March 2011. Marginal differences in pupil numbers can nonetheless amount to significant variations (eg the difference between the estimated pupil numbers for 2010/11 and the final ones accounted for an additional £1.3m of DSG).
- 10.4 The timing of budget setting means that there is some element of uncertainty about the final DSG. While the proposed level of the DSG may reflect a modest amount of caution to avoid overcommitting resources, there can be no guarantee that January 2011 pupil numbers will be at this level. This is why one of the recommendations is to allow the Corporate Director for Children, Schools and Families to scale back the provisional DSG estimate if the actual pupil numbers indicate the need to do so. Moreover, Young People Learning Agency allocations were not known at the time of writing this report, but as these are more specifically linked to the allocations for individual schools, it is more straightforward to substitute the actual figures, once known, for the estimates.
- 10.5 As detailed in **Table 1**, the forecast level of DSG and projected YPLA income is **£309.063m**. Separate to the Schools Budget, the Authority will receive funding for schools through the Pupil Premium of approximately **£8.426m**, which will be passported directly to schools with the exception of money for looked after children which is provided to the home authority to be applied as they see fit.
- 10.6 The centrally retained expenditure has been contained within the Central Expenditure Limit, by a combination of (i) ceasing funding of items that were historically met by the LA and no longer appropriate or required (e.g. former grant match funding); (ii) no longer adjusting school budgets for increased pupil numbers in September (in line with DSG allocated on a single January pupil count); (iii) the delegation of responsibilities to schools (maternity cover, newly qualified teachers, catering etc); (iv) non reliance on future exceptional circumstances grant; and (v) reviewing centrally funded services (Support for Learning Service, National Strategies and 14-19 support).
- 10.7 The anticipated costs of implementing the above decisions is £1m.

11. **CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)**

- 11.1 The report deals with the application of the dedicated schools grant (DSG) and the Young People's Learning Agency (YPLA) allowance for supporting the schools budget.
- 11.2 The financing of maintained schools is dealt with in Chapter IV of Part II of the School Standards and Framework Act 1998. The Council is required to allocate a budget share to every maintained school and this is progressively calculated by a prescribed process that requires determination of the LEA budget, the Council's schools budget, the individual schools budget and the maintained schools' budget share.
- 11.3 For the financial year 1 April 2011, detailed provision is to be made in the School Finance (England) Regulations 2011 regarding the determination of these budgets. At the date of preparing this report, the 2011 Regulations had been the subject of consultation, but had not yet been made. The Regulations are expected to come into force from 28 February 2011. Officers will need to ensure that the proposed application of the DSG and YPLA complies with these regulations when made.
- 11.4 The 2011 Regulations will likely require the Council by no later than 31 March 2011 to make an initial determination of its schools budget for the financial year commencing 1 April 2011 and to give notice of that determination to the governing bodies of its maintained schools.
- 11.5 The 2011 Regulations will likely require the Council after consultation with the schools forum, to decide upon the formula to be used to determine schools' budget shares for the financial year commencing 1 April 2011, having regard to criteria specified in the Regulations.
- 11.6 The 2011 Regulations will likely require the Council to deduct central expenditure from the schools budget. There is a limit on the percentage increase in central expenditure permissible. The report correctly identifies that central expenditure limit may be exceeded with approval from the Schools Forum.

12. ONE TOWER HAMLETS CONSIDERATIONS

- 12.1 The funding formula recognises pupil need through an 'additional educational needs' element, although it is important to note the role of the Standards Fund in school funding, much of which follows need indicators.
- 12.2 Schools in Tower Hamlets are very well resourced by national and even London standards in recognition of the high level of need. The proposals ensure a fair distribution of resources for all pupils recognising the special needs of our most vulnerable pupils.

13. SUSTAINABLE ACTION FOR A GREEN ENVIRONMENT

- 13.1 There are no SAGE implications.

14. RISK MANAGEMENT IMPLICATIONS

- 14.1 The recommendations to the resourcing formula 2011/12 seeks to distribute the Individual Schools' Budget (ISB) between schools in a way that is transparent, fair and addresses need. The legal requirement to formalise the consultation process has been complied with and account has been taken of DfE requirements in relation to Schools Funding this year. Distribution of the ISB and the resources amount retained centrally on behalf of all schools, following agreement by the Schools Forum, are intended to be sufficient to allow schools to meet the needs of their pupils. Nonetheless, there are likely to be additional responsibilities that schools will be expected to meet from their budgets, including any inflationary pressures in the context of a standstill budget. Schools will have to appreciate that this budget settlement, while better than that for much of the public sector, is much tighter than in previous years, with less scope for the local authority to underwrite as many risks as previously.

15. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 15.1 There are no implications arising from the recommendations of this report.

16. EFFICIENCY STATEMENT

- 16.1 School level decisions will be fundamental to securing efficiency and the LA will support and guide schools to make the best use of resources they have available to them to secure the best possible outcomes for children. The schools target is subsumed into the overall DfE target for efficiency and gains can be recycled within the Schools Budget.

Local Government Act, 1972 Section 100D (As amended) List of "Background Papers" used in the preparation of this report

Brief description of "back ground papers" F2	Name and telephone number of holder and address where open to inspection.
<ul style="list-style-type: none">○ Notifications of grants from DfE and YPLA.○ Reports to Schools Forum	David Tully 020 7364 4960 4 th Floor, Mulberry Place, London, E14 2BG

CALCULATION OF PUPILS TO BE USED IN THE DEDICATED SCHOOLS GRANT 2011-12 (PROVISIONAL FORECAST)

Pupils to be used in the Dedicated Schools Grant 2011-12: *Tower Hamlets*

A. Pupils from Schools Census, SLASC & PRUC 2011 (FTE)	35,571.0
B. Pupils from Alternative Provision 2011 (FTE)	63.0
C. Pupils from Early Years Census 2011 (FTE)	498.0
D. Adjustment to fund at least 90% of projected 3 year old population (FTE)	425.0
E. Total pupils for the 2011-12 Dedicated Schools Grant (A + B + C + D)	36,557.0

Calculation of Final Dedicated Schools Grant 2011-12

F. Adjusted 2010-11 DSG baseline (£m)	293.240
G. 2011-12 Guaranteed per pupil unit of funding (£)	8,051.51
H. 2011-12 Final DSG Before Cash Floor (£m) (G * E)	294.339
I. Extra cash floor payment to ensure allocation falls by no more than 2% (£m)	0.000
J. 2011-12 cash amount to remove for Academies which opened in 2008-12 (£m) ¹	0.000
L. Final 2011-12 DSG Allocation (£m) (H + I - J - K)	294.339

Appendix 2

Analysis of Tower Hamlets Schools Funding Settlement 2011/12 Funding and Commitments

Funding available

	2010/11 amount	Devolved to school	Retained by LA
Grants incorporated into DSG			
School Standards Grant	6,314,148	6,314,148	0
Schools Standards Grant (Personalisation)	3,904,686	3,904,686	0
School Development Grant (Main, Post-LIG Deprivation and Transition, City Learning Centres minus amount moved to Area Based Grant)	15,263,836	15,068,836	195,000
Specialist Schools	1,857,171	1,857,171	0
High Performing Specialist Schools	524,460	524,460	0
School Lunch Grant	454,018	0	454,018
Ethnic Minority Achievement (EMAG)	9,231,472	8,653,472	578,000
1-2-1 Tuition	1,438,406	1,358,406	80,000
Extended School Sustainability	1,122,017	267,017	855,000
Extended School Subsidy	1,360,560	1,210,560	150,000
National Strategies (Primary)	1,477,419	977,419	500,000
National Strategies (Secondary)	417,050	292,050	125,000
Diplomas (£)	24,739	0	24,739
London Pay Addition (£)	1,284,000	1,284,000	0
Exceptional Circumstances Grant	796,000	0	796,000
Total 2010/11 grants incorporated into DSG for 2011/12	45,469,981	41,712,224	3,757,757
Adjusted 2010-11 DSG pupil numbers (dual registered pupils removed)	36,093		
Per pupil amount of Grants in baseline	£1,259.80	A	
2010-11 DSG Guaranteed per Pupil Unit of Funding (£)	£6,791.71	B	
New DSG Guaranteed per Pupil Unit of Funding 2011/12	£8,051.51	(A+B)=C	
Estimated no of pupils (assumes 3 year olds at 90% participation, which is the minimum position)	36,557	D	
Very provisional estimate of DSG for 2011/12	£294,339,051	(CxD)=E	
plus estimate of YPLA funding 2011/12 (at 2010/11 level)	£14,724,000	F	
Total very provisional Schools Budget for 2011/12	£309,063,051	(E+F)=G	

Commitments

Minimum Funding Guarantee for all maintained schools at 1.5% less than the 2010/11 baseline (includes allocations that can be identified against individual schools as at 15.12.10).	245,890,048	
plus Minimum Funding Guarantee for grants incorporated into DSG at 1.5% less than the 2010/11 baseline (includes as yet unallocated grants that will be devolved before the end of the financial year)	3,378,417	
Provision for additional 3 year olds in January 2011, up to the level of the 90% delegation.	3,421,675	
plus non-MFG devolved budgets	15,354,266	
plus YPLA allocations for 6th Form (at 2010/11 levels)	13,936,000	
plus PVI Early Years Settings (2010/11 levels)	1,804,000	
Total devolved funding	283,784,406	H
Amount available for retained (before considering the CEL)	25,278,645	((G-H) = I)
Retained budgets 2010/11	25,716,000	
Plus 2010/11 spend on retained grants	3,557,757	
Plus retained element of 2010/11 Standards Fund for Early Years included in contingency fund	2,000,000	
Level of spend on retained activities in 2010/11	31,273,757	J
Difference (ie potential shortfall in retained budgets)	-5,995,112	(I-J)=K

Appendix 3

Construction of 2011/12 Schools Budget

Net spending plans	2010/11 Budget (S251 Statement V2)	Proposed change	Provisional 2011/12	Comment
Devolved to Maintained Schools	238,146	42,701	280,847	Based on Minimum Funding Guarantee, including devolved grants and Schools Library Service, plus non-MFG funding, including new elements for Newly Qualified Teachers and rates, plus additional funding generally for extra free school meals costs (+£1.4m). This does not include Pupil Premium money which is paid from a specific grant.
Early Years (Private, Voluntary and Independent providers)	1,315	489	1,804	Add-back element funded from Standards Fund Grant in 2010/11.
Total counted as devolved	239,461	43,190	282,651	18.04%
School contingencies	5,769	-769	5,000	Additional £2m funding to recognise the element funded from Standards Fund Grant in 2010/11 needs to be added in, then reductions to reflect: a) Limiting pupil number changes to 3 year old termly count adjustments and ages 4-15 only added where schools are required to expand by the local authority to meet excess demand. b) Newly Qualified Teachers to be a devolved responsibility. c) Maternity cover to be offered as an insured risk and schools to meet costs from their devolved budgets as appropriate. d) Catering penalties for inability to serve meals (eg because of school closures) to be met by individual schools. e) Costs of recycling sacks to be met from schools' budgets individually. f) Costs of Financial Management Standard in Schools no longer required. g) Rent and rates bills will be funded in the formula on an estimated basis, adjusted only in the following year. All these changes are produced an estimated requirement of £5m for 2011/12.

Net spending plans	2010/11 Budget (S251 Statement V2)	Proposed change	Provisional 2011/12	Comment
Special Educational Needs	9,053	234	9,287	Reductions in Support for Learning Service overall which will mean that the service concentrates on core statutory work (statements of SEN) with a small contingency for critical casework at Tier 2/3 (in support of the Family Wellbeing Model) to be allocated through the Social Inclusion Panel, which will prioritise children known to social care, young offenders and those at risk of offending, exclusion or with multi-agency concerns. 3.7 full-time equivalent posts to be deleted. (-£220k) In other SEN budgets, there is the need to provide for the costs of joint placements (£254k pressure being reported in 2010/11) and potential additional costs of independent special school placements (+£200k).
Combined Budgets	950	-240	710	UEL Taster classes no longer paid for centrally (-£35k), Schools Procurement planned to reduce by autumn 2011 (-£50k), some Pupil Premium funding for Looked After Children to support the work of the Virtual School (-£40k) and DSG no longer to pay for Workforce Development strategy work (-£115k).
Pupils out of school	5,030	-100	4,930	This is the other part of the savings associated with an overall reduction of £320k (10%) in the Support for Learning Service which will reduce the Behaviour Support Team by 1.8 full-time equivalent posts.
School meals	1,088	-852	236	Schools Catering Service to be reduced to the administrative cost of assessing eligibility of free school meals (£130k) and the subsidy for school milk (£106k). The general subsidy for the catering service to be removed by scaling back the costs of the service and the increase in the free school meal charge to schools.
Other budgets	3,164	-336	2,828	Add £575k for a continuation of a core central team to support ethnic minority achievement, then reduce: a) Early Years Grants to Voluntary Bodies (-£250k); b) School Library Service (-£340k), which will be included in the Minimum Funding Guarantee calculations for 2011/12; and c) Former LSC staff costs (-£321k), which will be dealt with through the Council's main budget.

Net spending plans	2010/11 Budget (S251 Statement V2)	Proposed change	Provisional 2011/12	Comment
Grant funded activities	662	-662	0	All of this funding to be reduced: a) Support for National Strategies (-£305k); b) Former match funding for EMAG (-£265k); c) Reduction of support for 4 posts in Admin, ICT, Behaviour Support and Health through Education. (-162k).
Capital Expenditure funded from Revenue (CERA)	0		0	
Total retained	25,716	-2,725	22,991	-10.60%
UNALLOCATED	0	3,421	3,421	Represents provision for additional 3YOs at January 2011
Total of Schools Budget	265,177	43,886	309,063	16.55%

Net spending plans	2010/11 Budget (S251 Statement V2)	Proposed change	Provisional 2011/12	Comment
Funded by:				
Dedicated Schools Grant	250,506	43,833	294,339	Based on 36,557 pupils at £8,051.51.
Young People's Learning Agency	14,671	53	14,724	Based on 201/11 academic year rates, less 3%.
Total	265,177	43,886	309,063	16.55%

Appendix 4

Tower Hamlets Schools Funding Settlement 2011/12

Grants incorporated into DSG	2010/11 amount	Retained by LA	Devolved to school	
School Standards Grant	6,314,148	0	6,314,148	AWPU Rate increased by flat amount per pupil
Schools Standards Grant (Personalisation)	3,904,686	0	3,904,686	Personalised Learning - Ear marked funds @ 50% on lower attainment, 35% on social deprivation and 15% on pupil numbers (Aged 5-15). For specials, a fixed sum of £5,321 each
School Development Grant (Main, Post-LIG Deprivation and Transition, City Learning Centres minus amount moved to Area Based Grant)	15,263,836	195,000	15,068,836	AWPU Rate increased by flat amount per pupil
Specialist Schools	1,857,171	0	1,857,171	AWPU Rate increased by flat amount per pupil
High Performing Specialist Schools	524,460	0	524,460	AWPU Rate increased by flat amount per pupil
School Lunch Grant	454,018	454,018	0	
Ethnic Minority Achievement (EMAG)	9,231,472	578,000	8,653,472	Specifically target at Ethnic Minority Under-achievement - Factors include EAL (25%), BME (25%), KS2 Underachievement (25%) below level, FSM (10%), Mobility (5%) & Below level 2 on extended scale data (10%). Set amount re-apportioned each year for Primary, Secondary and Special schools in relation to census data. Nursery's have set sum each year.
1-2-1 Tuition	1,438,406	80,000	1,358,406	AWPU Rate increased by flat amount per pupil - Primary & Secondary
Extended School Sustainability	1,122,017	855,000	267,017	AWPU Rate increased by flat amount per pupil - Primary & Secondary

Grants incorporated into DSG	2010/11 amount	Retained by LA	Devolved to school	
Extended School Subsidy	1,360,560	150,000	1,210,560	AWPU Rate increased by flat amount per pupil - Primary & Secondary
National Strategies (Primary)	1,477,419	300,000	1,177,419	AWPU Rate increased by flat amount per pupil - Primary
National Strategies (Secondary)	417,050	125,000	292,050	AWPU Rate increased by flat amount per pupil - Primary
Diplomas (£)	24,739	24,739	0	
London Pay Addition (£)	1,284,000	0	1,284,000	Included in Threshold Calculation at level of funding 2010/11 adjusted by inflation and apportioned by number of FTE's
Exceptional Circumstances Grant	796,000	796,000	0	
Total 2010/11 grants incorporated into DSG for 2011/12	45,469,981	3,557,757	41,912,224	

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