

MEETING	SCHOOLS FORUM
DATE:	3 MAY 2013
TITLE OF REPORT:	DEDICATED SCHOOLS GRANT UNDERSPEND 2011/12
REPORT BY:	SCHOOLS FINANCE MANAGER

1. Classification

Open

2. Key Decision

This is not an Executive decision

3. Wards Affected

All schools

4. Purpose

To recommend to the Cabinet Member (Education & Infrastructure) an appropriate level of funding for retention in the provision for potential school deficits arising from sponsored academy conversions.

5. Recommendations

THAT: The Cabinet Member for Education & Infrastructure is recommended to approve Option 4 – the Matched Retention for Aylestone only so that

- i. A provision of £485,000 is retained for a potential deficit arising from sponsored academy conversion;**
- ii. A distribution to mainstream schools, including academies of £371,840 is made on a per pupil basis;**
- iii. A distribution to special schools of £20,750 is made on a commissioned place basis;**
- iv. A distribution to Pupil Referral Units of £4,150 is made on a commissioned place basis;**
- v. A distribution to early years providers of £18,260 is made on the number of pupils recorded by the January 2013 Early Years census; and**
- vi. The level of provision is next reviewed in February 2014.**

6. Key Points Summary

- Schools Forum at the meeting on 25th January 2013 agreed a provision of £900k relating to potential deficits arising from sponsored academy conversions. The provision was subject to a further report being made to the Forum on 3 May 2013 in the expectation that further information would be available from the Department for Education (DfE).
- Five options are set out for consideration as follows;
 - Option 1 – risk adverse approach which takes no account of the recovery progress made by Broadlands & Withington
 - Option 2 – highly cautious approach which only releases funds from the provision as deficits in Broadlands actually reduce.
 - Option 3 – cautious approach to fully fund the provision for Aylestone at the maximum level of deficit agreed with the governors.
 - Option 4 – prudent approach to match the actual deficit at Aylestone and draw down additional funding requirements from future Dedicated Schools Grant (DSG) as required on an annual basis.
 - Option 5 – judged unacceptable as the risks associated with recovering funding from school budgets are considered to be too great if school deficits are incurred on transfer to academy status.

7. Alternative Options

- 7.1 All of the alternative options are considered in the report.

8. Reasons for Recommendations

- 8.1 A balance has to be struck between the retention of a sensible provision for schools converting as sponsored academies and the liability for any deficit remaining behind in DSG. An overly cautious approach might result in money not being spent on pupil learning for a period, whilst there are considerable risks attached to recovering funding from schools, which would be significant if it was required. It is considered that this balance is best achieved by option 4.

9. Introduction and Background

- 9.1 Schools Forum at the meeting on 25 January 2013 agreed to recommend that the DSG 2011/12 underspend be allocated as follows: £75,000 to meeting existing commitments re the Music Service, £121,000 to the Multi Agency Safeguarding Hub to fund a school safeguarding officer for 24 months and the remaining £900,000 to be allocated to a provision relating to potential deficits arising from sponsored academy conversions. The provision was to be subject to a further report to Schools Forum on 3rd May 2013 in the expectation that further information would be available from the DfE.
- 9.2 The DSG 2012/13 outturn is estimated to be close to a break even position. Schools Forum has previously been advised of pressures in the High Needs Budget in 2013/14 which potentially will require additional funding. This will need to be considered when planning the 2014/15 DSG budget.

9.3 Any deficit arising from the conversion of a school to a sponsored academy or from the closure of a local authority maintained school remains the legal responsibility of the local authority and the cost falls back onto DSG. There are no other options to cover the costs.

10. Key Considerations

10.1 The estimated deficits as at the financial year end 2012/13 of the schools that may potentially become sponsored academies are

Aylestone: £349,848

Broadlands: £220,728

Withington: £23,765

10.2 The financial plan for Aylestone forecasts the deficit to rise as follows;

2013/14 £484,938

2014/15 £485,861

2015/16 £514,269

The agreement with the school governing body is that the deficit will not exceed £600,000 and this upper limit should continue to be used for financial planning purposes given the uncertainties inherent in the forecasting processes. An independent review of the school's finances has recently been completed which confirms the school's effective budget management and recommends using benchmarking data as an aid to future budget planning. However, the overall projection still remains. It is anticipated that the budget position will be stabilised and Aylestone will commence repayment on long term repayment terms.

10.3 The recovery plan for Broadlands forecasts the deficit to reduce as follows;

2012/13 £226,861

2013/14 £205,812

2014/15 £152,035

In addition to previous cost reductions the governors at Broadlands have recently agreed a further significant cost reduction programme to meet the terms of the recovery plan and the expectation is that repayment of the deficit will begin in 2013/14 and continue as set out above.

10.4 Withington will be expected to recover the deficit over two years by March 2015.

10.5 Information from the DfE re Aylestone: currently there are no known DfE plans for this school to become a sponsored academy. If however the GCSE results are below the floor target or do not significantly improve by September 2013 the DfE might well review their status and begin discussions about a sponsored academy conversion.

10.6 Information update re Broadlands: currently there are no known plans for academy conversion for the school. The results at KS2 in 2012 were above the floor target.

10.7 The following options have been identified for more detailed consideration;

- **Option 1 – Full Provision for all schools**

Retain the full £900k provision for all three schools until the DfE's intentions are fully clarified and absolutely confirmed.

- **Option 2 – Full provision Aylestone and matched provision for Broadlands**

Retain the full £600k provision for Aylestone and to gradually release the provision for Broadlands over time as their recovery plan succeeds. Fully release the provision for Withington.

- **Option 3 – Full provision for Aylestone only**

Retain the full provision of £600k for Aylestone and to fully release the provision relating to Broadlands and Withington in 2013/14.

- **Option 4– Matched Retention for Aylestone only**

Retain the provision for Aylestone but only retain the minimum necessary to match the deficit as it grows over the period 2013 – 2015 i.e. to retain £485,000 in the provision to match the March 2014 deficit in order to take account of academy conversion time delays. Further sums (up to £115,000) may need to be found in future if the deficit continues to grow and the school were to become a sponsored academy.

- **Option 5 – Full Release**

Fully release the provision and distribute all the £900,000 provision to schools, PRUs and early years providers. If in future DSG becomes liable for the sponsored academy deficit then schools and early years budgets will need to be cut in future to meet the cost.

This is a high risk option. Funding any deficit would require cuts to school budgets which could only be practically implemented in a new financial year as in-year budget recovery from schools would be an extremely difficult and complex process and for academies would have the added complication of Education Funding Agency involvement.

The impact of the Minimum Funding Guarantee is such that 50% of schools would be protected from any budget reductions and the full cost will have to be borne by the remaining schools, typically those schools gaining under the new national school funding formula proposals. Additional redundancies would be inevitable and would further add to the cost.

The new funding arrangements from April 2013 regarding commissioned places and full cost top-ups would make it difficult to cut funding for special schools and Pupil Referral Units.

The risk involved in this option is regarded by the Council as unacceptable.

10.8 For all options 1-4 the continued need for a provision will be reviewed annually with Schools Forum at the end of each financial year to ensure the provision is still appropriate.

10.9 The funding made available from releasing the provisions will be distributed to schools and early years providers on a percentage basis as determined by budget share as follows

- Early years 4.4%
- Mainstream schools 89.6%
- Special schools 5%
- PRUs 1%

10.10 The following table sets out the funding retained in the provision, how much is released on a year by year basis and in order for Forum members to assess the financial benefit to schools the equivalent amount per pupil that would be distributed to mainstream schools based on an 89.6% share of the funding released. Note that for option 4 an additional contribution to the provision from DSG of £29,000 is planned for in 2015/16.

Option	Funding Category	2013/14 £'000	2014/15 £'000	2015/16 £'000
Option 1 - Full retention for all 3 schools	Provision	900	900	900
	Released	0	0	0
Option 2 – Full retention Aylestone, partial retention school B	Provision	826	805	752
	Released	74	21	53
	Distribution	£3 per pupil	£1 per pupil	£2 per pupil
Option 3 – full retention for Aylestone only	Provision	600	600	600
	Released	300	0	0
	Distribution	£12 per pupil		
Option 4 – Matched retention Aylestone only	Provision	485	485	514
	Released	415	0	0
	Extra Contribution from DSG (15/16)	0	0	+29 (equivalent to £1 per pupil)
	Distribution	£17 per pupil	£0 per pupil	£0 per pupil
Option 5 – Full release	Provision	0	0	0
	Released	900	0	0
	Distribution	£38 per pupil	0	0

10.11 Option 1 is risk adverse whilst the risks associated with Option 5 are considered unacceptable. Options 2 & 3 could be regarded as over cautious given the latest update

from the DfE as set out in paragraphs 10.5 and 10.6. Option 4 is the recommended option based on maximising the immediate distribution to schools whilst providing sensible funding options from future DSG if additional funds are required.

11. Community Impact

11.1 None.

12. Equality and Human Rights

12.1 Any proposal agreed by Schools forum should impact equally and fairly on all schools and pupils in Herefordshire. This is not the case with Option 5.

13. Financial Implications

13.1 The provision has been fully funded from DSG in 2012/2013 and any further costs incurred will be funded from future DSG.

14. Legal Implications

14.1 The legal implications are as set out in the report and there are no particular issues to highlight.

15. Risk Management

15.1 The identified risks have been set out in the report linked with each option. The risks associated with Option 5 are regarded as unacceptable.

16. Consultees

16.1 None.

17. Appendices

17.1 None.

18. Background Papers

18.1 Report of the Budget Working Group, Schools Forum 25th January 2013.