

MEETING:	SCHOOLS FORUM
DATE:	7TH DECEMBER 2009
TITLE OF REPORT:	REPORT OF BUDGET WORKING GROUP - 25TH SEPTEMBER AND 13 NOVEMBER 2009
FINANCE MANAGER	MALCOLM GREEN

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To consider the recommendations of the Budget Working Group in agreeing an initial budget for schools

Key Decision

This is not a Key Decision.

Recommendation(s)

THAT Schools Forum:

- 1. Agrees the continuation of the existing budget strategy**
 - a. **Minimum Funding Guarantee of 2.1%**
 - b. **Headroom distribution of 50% on pupil numbers and 50% social deprivation**
 - c. **Small Schools Protection remains frozen at 06/07 level**
- 2. Approves reductions to the following Central budgets for 2010/11**
 - a. **Academies – Individually Assigned Resources £106k**
 - b. **Contingencies £80k**
 - c. **Hereford LEA Swimming Pool £89.5k**
 - d. **Travellers’ Children £14k**
- 3. Approves budget increases for 2010/11**
 - a. **Service Level Agreements - £70k to provide for a Governor Services SLA**
 - b. **SEN Banded Funding provisionally £260k for Bands 3 & 4**
 - c. **Pupil Referral Units provisionally £100k**

Further information on the subject of this report is available from
Malcolm Green on (01432) 260818

4. Approves the continued cash freeze of the PVI nursery budget until parity with Worcestershire, Shropshire and Gloucestershire is achieved
5. Approves the application of a budget abatement for schools with nursery classes in response to revised early years funding formula.
6. Approves the issue of draft school budgets before the end of term on the basis of the budget assumptions agreed by Forum

Key Points Summary

- The Budget working group proposes a continuation of Forum's existing budget strategy for 2010/11.
- Budget reductions of £289.5k are proposed
- Budget increases of £430k are proposed
- A continuation of the freeze in the budget for Private, Voluntary Independent nursery settings
- Agreement of the principle of a "fixed costs" abatement for schools with nursery classes on a similar basis to that applied for schools with sixth forms.

Alternative Options

- 1 Schools will need to absorb any reductions in DSG through lower pupil numbers if the current level of central budgets is maintained.

Reasons for Recommendations

- 2 Recommendations of the Budget Working Group from meetings on 25th September and 13th November 2009.

Introduction and Background

3. The Budget Working Group has met twice to consider the budget proposals for Dedicated Schools Grant (DSG) for 2010/11. A further meeting is planned for January 2010 to consider any further adjustments necessary before making final recommendations to Schools Forum at the meeting on the 23rd February. A brief summary of the discussions and recommendations from the first two meetings are set out below.
4. Schools Budget Strategy – the working party was reminded of the existing budget strategy
 - a. Apply Minimum Funding Guarantee increase of 2.1%
 - b. Amend the DSG central budgets for individual budget changes
 - c. Any headroom to be distributed to schools, half on pupil numbers and half on deprivation
 - d. Small schools protection remains frozen at the 2006/07 funding levels
5. Budget Adjustments - Forum requested that the Budget Working Group review the centrally held DSG budgets for 2010/11. Recommendations to Schools Forum were based on a full list

of central DSG budgets (attached as an Appendix) and budget adjustments were recommended as follows;

- a. Academies SEN funding– reduce by £106k in line with 2009/10 spend because the Academy will receive delegated banded funding from DCSF.
 - b. Contingencies – reduce by £80k as spend usually relates to funding for changes to special school pupils, with the remaining budget offsetting overspends on other central cost centres.
 - c. Hereford LEA Swimming Pool – reduce funding by £89.5k
 - d. Travellers' Children – reduce budget by £14k as costs will be lower in 2010/11 following termination if the West Midlands contract
 - e. Governor Services SLA – increase SLA budget by £70k to provide better support to governors.
6. Trade Union (TU) Facilities Agreement (£33k) - considered a report on the 13th November on the projected overspend of £30K in 2009/10 and the need for additional budget to cover the increasing cost and demand for TU meetings. The Working group considered that a more efficient arrangement for better co-ordinating TU representative meetings should be considered prior to any request for additional funding.
 7. Overhead Recharges (£340k) – details of the overheads of £901,000 (e.g. accommodation, ICT, reception, general administration, training, payroll) were presented. The overhead costs of Blackfriars were allocated in proportion to the staff funded by DSG (37%) and Local Authority (63%) giving an LA share of £569,000 and a DSG share of £332,000 in 2006/07. The apportionment was calculated in April 2006 when DSG was first implemented and has been inflated since.
 8. Early Years Services (£469K) – carried over to the next meeting on 22nd January 2010
 9. SEN Support Services (£1.5m)- carried over to the next meeting on 22nd January 2010
 10. PVI Nurseries (£3,575k) – School Forum has previously agreed to freeze the budget for PVI nurseries. It was felt that nursery rolls were beginning to rise and that no cuts should be made. The budget used for the early years funding formula should be the same in 2010/11 as 2009/10 to aid the move to parity of funding with Worcestershire, Gloucestershire and Shropshire.
 11. SEN Banded Funding – early indications are that the budget for Banded Funding 3 and 4 (including statements and allocations to academies) will be overspent by up to £260,000 in 2009/10. Further analysis is being undertaken to determine the causes however it is prudent to reserve £260,000 for a potential budget increase in 2010/11.
 12. Capital Transfers from Revenue – an initial analysis from 2007/08 and 2008/09 showed that from the non VA school Capital plans submitted, plans were generally affordable from existing Capital sources. The analysis also showed that 56% of primary schools in receipt of Small Schools' Protection transferred at least some Revenue funding to Capital over the two year period. The working group considered that schools should not be able to transfer Revenue funding to Capital unless a Capital scheme had been approved by the schools Capital Asset Management team.
 13. Small Schools' Protection - it was considered that although further information was required on why schools transferred Revenue to Capital, in general it was considered that it was not an acceptable use of Small Schools' Protection to fund Capital projects, particularly when the

Revenue transfer was only made towards at year end. The suspicion was that such transfers were only made to avoid the claw-back of balances. The working party asked for more work to be done on how Small Schools' Protection might be remodelled to support the principle of "small schools by design" for possible implementation in 2011/12.

14. Rates Rebates – two models were considered in detail –
 - a. Model 1 which allocated £965k at £45.17 per pupil to all pupils and £90k allocated pro-rata to the social deprivation funding received in 09/10.
 - b. Model 2 which allocated £965k in proportion to the school budget allocations phase by phase with the same £90k social deprivation allocation as above. The phase allocation gave £38.76 per pupil to primary schools, £47.32 to high schools, £208.79 to special schools and £183.47 to PRUs.
15. The working party felt that the allocations to special schools and PRUs proposed in model 2 were fair but requested a revised model 3 which allocates the remaining money at an equal per pupil amount for primary and high school pupils at approx £43 per pupil. This third model will be discussed at the next meeting for implementation from April 2010.
16. The proposal to allocate the funding in 2010/11 and give schools the choice of either full payment in 2010/11 or equal payment over the three years 2010/11-2012/13 was accepted. The amounts to be paid will be based on January 2009 pupil numbers and will not be altered for changing rolls.
17. Early Years Formula 2010/11 – it was proposed that as the new early years funding formula was based on full costs and primary schools already receive an allocation for premises, rates and management costs there should be a percentage abatement to the existing fixed costs. Funding for fixed costs is reduced in the same way for schools with sixth forms. The Learning & Skills Council sixth form grant includes the full cost for sixth form pupils including premises, rates and management costs, which are already funded through the LMS formula. It was considered fair to apply the same principle to both sixth forms and nursery classes. The Minimum Funding Guarantee will protect schools from the majority of any losses.
18. Subsequent to the Budget Working Group - initial discussions with the headteacher of Brookfield school, on behalf of Pupil Referral Units, have indicated that the extension to statutory 25 hours of teaching provision for all pupils in PRUs from September will increase costs by an estimated £100k in 2010/11 (full year cost in 2011/12 £175k). It is proposed that the Budget Working group include this costs when considering the final budget proposals in January 2010.

Key Considerations

- 19 The proposals represent the first stage of the DSG budget review with further amendments possible when the Working Party meets in January.

Community Impact

- 20 None assessed

Financial Implications

- 21 The proposed recommendations, if accepted, will add £140.5k of additional cost to DSG for 2010/11. Initial estimates of DSG for 2010/11 are for a 3.3% cash increase although this cannot be finalised until pupil numbers in January 2010 are known.

Legal Implications

- 22 These proposals comply with the Council's legal duties.

Risk Management

- 23 The Budget Working Group's proposals for the 2010/11 Budget should be fully considered by Schools Forum and either accepted or rejected. If the proposals are rejected there is a risk that the issue of draft school budgets will be delayed or not as accurate as necessary to inform budget planning by schools. Allowance has been made for minor budget adjustments to be considered in detail at the Budget Working Party meeting on 22nd January prior to confirmation at the meeting of Schools Forum on 23rd February 2010.

Consultees

- 24 There is a statutory requirement that Schools Forum is consulted on proposed changes to centrally held DSG budgets. No further consultation other than Schools Forum is required.

Appendices

Schedule of Central DSG budgets considered by Budget Working Party

Background Papers

Agenda and reports of the Schools Forum Budget Working Group 25th September 2009.

Agenda and reports of the Schools Forum Budget Working Group 13th November 2009.