

Schools Forum Budget Working Party 22 January 2010

Discussion Draft

Item 1

School Budget Strategy 2010/11

Budget Strategy

1. Schools Forum in December 09 approved issue of draft budgets for schools based on existing budget strategy as follows
 - a. Minimum Funding Guarantee (MFG) 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;
 - d. The continued cash freeze of the PVI nursery budget until parity with Worcestershire, Shropshire and Gloucestershire is achieved
 - e. Changes to Dedicated Schools Grant (DSG) funded budgets to reflect known budget pressures/savings
2. Additionally Forum approved the application of a budget abatement for schools with nursery classes in response to revised early years funding formula.

Indicative DSG 10/11

3. The indicative DCSF Budget on Teachernet updated 21st December 2009 compared with the final 2009/10 is set out in the table below

	2009/10 Final DSG	DCSF Indicative 10/11	LMS Projected 10/11
Pupil numbers	22,752	22,703	22,502
Per pupil funding rate	£3,830.40	£4,002.11	£4,002.11
Total (£'000)	£87,149	£90,860	£90,055
Less Academy recoupment (£'000)	-£2,623	-£2,623	-£2,949
Less Academy LACSEG (£'000)			-£83
Total DSG Budget (£'000)	£84,526	£88,237	£87,023
per pupil increase	3.9%	+4.5%	+4.5%
cash increase	2.3%	+4.3%	+3.0%

Table 1 Estimated 2010/11 DSG

For more information about the subject of this report please contact
Malcolm Green, Finance Manager, Extension 0818

Pupil Numbers

4. September pupil numbers (updated where schools have informed us of revised pupil numbers in December/January) show a reduction of primary numbers by -193 and high school numbers -49 and an increase in special school numbers of +6. The overall reduction in pupil numbers is -236.

Pupil Numbers	Jan 09	Jan 10	Change	Percent
Primary	12,319	12,126	-193	-1.6%
High	9,267	9,218	-49	-0.5%
Special	219	225	+6	+2.7%
Schools Total	21,805	21,569	-236	-1.1%
Early years/others	947	933	-14	-1.6%
Total DSG funded	22,752	22,502	-250	-1.1

Table 2 Change in pupil numbers from 2009 to 2010

DSG Planning Total

- 5 There is a difference of £1.2m between the DCSF indicative DSG allocation and the projection prepared by LMS. This difference arises from
- 201 pupils fewer pupils in the Council's estimate and the DCSF estimate. The differences in schools can be traced back to individual schools and there is no reason to change our estimates.
 - The reduction in the early years numbers assumes the same 1.6% reduction as in primary schools – this seems realistic.
 - The Academy recoupment has been revised to reflect the predicted Hereford Academy 10/11 budget – this has increased because of an increase in free school meals.

School budgets will be prepared on the basis of the 22,502 pupils estimated by LMS. This figure can be validated against the January PLASC numbers when available towards the end of February but cannot be confirmed until June 2010 when DCSF finalise the DSG grant.

Assessment

6. Given the difference between the DSG funding rate of £4,002 per pupil and the average Age Weighted Pupil Unit funding amounts (£2,350 primary, £3,233 high) and including the increase in special pupils then the loss in funding to be found is

Loss on primary (193 fewer pupils)	£318,836
Loss on secondary (49 fewer pupil)	£37,681
Increase in special (6 extra pupils)	£55,206

Total funding changes for schools £411,723

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Other non schools funding changes agreed by Schools Forum in December and funded by DSG

Provisional Banded Funding	£260,000
Provisional PRUs	£100,000
Governor SLA	£70,000
Special Schools –admissions	£75,000
TU agreement - not yet agreed	£30,000
Out County placements	??
Less savings	
Academies SEN	-£106,000
Contingencies	-£80,000
LEA Pool	-£90,000
Travellers	-£14,000
Net increase	£225,000
Increase in MFG	£88,000
Increase in KS1 class sizes	£30,000
Increase in free meals at 14%	£133,000
Increase in UPS teachers (40)	£155,000
Total Cost increases	£1,057,723

Financial Impact

7. The available budget head room within DSG can be estimated by the difference between the DSG cash increase of 3.0% and the 2.1% MFG, which is 0.9%. In financial terms this amounts to £783,000 (i.e. Estimated DSG is £87,023 multiplied by 0.9% is equivalent to £783,000). The cost increases set out above, at £1,057,000 exceeds the amount of budget headroom available by approximately £250,000. This will inevitably mean a difficult budget settlement for schools in 2010/11.

8. Early indications suggest that when comparing the draft 10/11 budget to school budgets for 09/10

34 primary schools will receive a reduction compared to 09/10
 9 primary schools will receive a budget increase of less than 2.3% i.e. teachers pay increase in September 10.

5 high schools will receive a reduction when compared to 09/10
 3 high schools will receive a budget increase of less than 2.3%.

Schools receiving less than a 2.3% budget increase will only be able to meet increasing pay commitments by making budget cuts to compensate.

Please note - This analysis will be revised when final pupils are known following the January PLASC Census when school budgets are finalised.

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9. The number of primary schools on the Minimum Funding Guarantee has increased significantly from 19 to 34 schools in 2010/11. The MFG will cost £300,000 in 2010/11 and is expected to rise to £400,000 in 2011/12.

Central Expenditure Limit

10. Based on the estimated budgets issued to schools in December (and updated by changes in pupil numbers since) the overall increase in individual school budgets is 2.5%.
11. As the overall increase in DSG is expected to be 3% then the increase in central expenditure, due to banded funding, PRUs and special school in-year placements, must be a greater percentage increase than the increase in school budgets. This is likely to require Schools Forum to approve an increase in the central expenditure limit. Schools Forum will be asked to approve the increase in central expenditure at the meeting in February as the precise calculations can only be confirmed when the section 52 budget statement is completed in March.

Summary

12. Herefordshire schools will be facing significant financial pressures in 10/11 due to the impact of falling rolls on DSG funding. The DSG settlement for 2010/11 seems relatively generous at 4.5% per pupil but in reality it is only 3.0% in cash terms.
13. Early indications from DCSF for 2011/12 are for a much tighter settlement for schools, No funding rate per pupil has been published for 2011/12 by DCSF however the Chancellor's pre-budget announcement before Christmas indicated a 0.7% real-terms increase for front line schools and 0.9% efficiency savings to meet cost increases in schools of 1.6%. Much more information is necessary in order to be clear on exactly what this will mean for schools.
14. In general in 2010/11 schools with increasing pupil numbers should be able to deliver the service within their budget without making staffing or other budget cuts. Schools with static or falling rolls will increasingly have to make redundancies to make the budget balance. It is likely that as the Minimum Funding Guarantee in general protects smaller schools particularly with falling rolls that the larger schools will find their budgets squeezed.
15. and 2011/12 promises to be much more difficult.