

<b>MEETING:</b>	<b>SCHOOLS FORUM</b>
<b>DATE:</b>	<b>23<sup>RD</sup> FEBRUARY 2010</b>
<b>TITLE OF REPORT:</b>	<b>SCHOOL FUNDING 2010/11</b>
<b>SCHOOLS FINANCE MANAGER:</b>	<b>MALCOLM GREEN</b>

**CLASSIFICATION:** Open

### **Wards Affected**

All schools

### **Purpose**

To recommend to the Cabinet member the schools budget for 2010/11.

### **Key Decision**

This is not a Key Decision.

### **Recommendations**

**THAT School Forum recommends to the Cabinet Member for ICT, Education and Achievement the basis for the schools budget 2010/11 as set out below:**

**(a) The existing budget strategy be confirmed as**

- 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

**(b) That budget planning be approved on estimated pupil numbers of 22,580;**

**(c) Budget increases be approved as set out in the report**

**a. Banded Funding £260,000**

---

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

**b. Special Schools in year admissions £75,000**

**c. Out County placements £136,000**

**d. Inter-authority recoupment £100,000**

**e. Introduction of PRU charges of a fixed £6,500 per excluded pupil in 2010/11 and the £58,500 budget shortfall in 2011/12 be considered further;**

**f. Schools Forum approves these increases in the central expenditure limit to meet these demands;**

**(d) Increases in school budgets in paragraph 9d be noted;**

**(e) School budgets be subject to final adjustments when pupil numbers are confirmed from the January 2010 census and when banded funding allocations from the February panel are known.**

## **Key Points Summary**

- Given the expected reductions in DSG a strategic review of expenditure between schools and DSG funded services will be necessary for 2011/12.
- Budget pressures in DSG of £571,000
- Savings previously agreed of £290,000
- Increases in school budgets of £734,000
- Total budget pressures of £1,015,000 is fractionally above the available budget headroom of £1,014,000.
- Final pupil numbers not yet available which will change the available DSG income. Final details of the income from the Learning Skills Council are also still awaited.
- Final costs for Banded funding and free school meals not yet available which will change the expenditure.

## **Alternative Options**

- 1 Alternative budget options could fully fund the budget pressures for PRUs (£100k) and Trade union facilities (£30k). This would require further reductions of £130k in the budget headroom allocated to schools in December 2009.

## **Reasons for Recommendations**

- 2 Final Budgets must be issued to schools before 31<sup>st</sup> March 2010.

## **Introduction and Background**

### **Budget Strategy**

- 3 Schools Forum in December 2009 approved issue of draft budgets for schools based on the 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
- 4 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**

- 5 The indicative DSG Budget on the Department for Children, Schools and Families (DCSF) website Teachernet (updated 21<sup>st</sup> December 2009) compared with the final 2009/10 DSG allocation and the Council’s own projection is set out in the table below:

	<b>Final DSG 09/10</b>	<b>DCSF Indicative 10/11</b>	<b>Hereford Projected 10/11</b>
Pupil numbers	22,752	22,703	22,580
Per pupil funding rate (£)	£3,830.40	£4,002.11	£4,002.11
Total (£'000)	£87,149	£90,860	£90,368
Less Academy recoupment (£'000)	-£2,623	-£2,623	-£2,963
Less Academy LA Services (£'000)	Included above	Included above	-£83
Total DSG Budget (£'000)	£84,526	£88,237	£87,322
per pupil increase	+3.9%	+4.5%	+4.5%
cash increase	+2.3%	+4.3%	+3.3%

Table 1 Estimated 2010/11 DSG Allocation

**Pupil Numbers**

- 6 September pupil numbers (and updated where schools have informed us of revised pupil numbers in December/January) show a reduction of primary numbers by -119 and high school numbers -43 and an increase in special school numbers of +14. The overall reduction in pupil numbers is -172. These changes are set out in the table below;

Pupil Numbers	Actual	Estimated	Change	Percent
	Jan 09	Jan 10		
Primary	12,319	12,200	-119	-1.0%
High	9,267	9,224	-43	-0.5%
Special	219	233	+14	+6.4%
Schools Total	21,805	21,657	-148	-0.7%
Early years/others	947	937	-10	-1.0%
Duplicate pupils in PRU census	0	-14	-14	
Total DSG funded	22,752	22,580	-172	-0.8%

Table 2 Change in pupil numbers from 2009 to 2010

### **DSG Planning Total**

- 7 There is a difference of £0.9m between the DCSF indicative DSG allocation and the projection prepared by LMS. This difference arises from
- a. 119 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. (£477K)
  - b. The Academy recoupment has been revised to reflect the predicted Hereford Academy 10/11 budget. The recoupment figure used by DCSF is the same as last year which is not up to date because of the budget increases mainly due to increases in the number of pupils entitled to free school meals. (£423K)
- 8 School budgets will be prepared on the basis of the 22,580 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**

- 9 The reduction of an estimated 172 pupils since January 2009 means that the DSG has reduced by £688,000. School budgets are automatically reduced by the Age Weighted Pupil Unit (AWPU) which accounts for £458,000 however the remaining cuts effectively reduce the budget headroom. This can be explained by the difference between the DSG funding rate of £4,002 per pupil and the average Age Weighted Pupil Unit funding amounts for primary (£2,350) and secondary (£3,233) as set out below. This explains the difference between the per pupil increase of 4.5% and the smaller cash increase of 3.3%. The reduction in budget headroom can be calculated as follows:

**a) Reduction in headroom (already accounted for)**

Primary (119 fewer pupils at £1,652)	£197,000
Secondary (43 fewer pupil at £769)	£33,000
Total reduction in budget headroom (already Included in the Cash DSG allocation)	£230,000

**b) Identified Budget pressures in DSG**

The budget working group considered these items and further detail is listed in paragraph 11 below.

Provisional Banded Funding*	£260,000	
Provisional PRUs*	£0	(previously identified at £100,000 but note £58,500 cost in 11/12 )
Governor Services SLA*	£0	(previously inc. in schools at £70,000)
Special Schools in year admissions*	£75,000	
TU facilities agreement*	£0	(previously identified as £30,000)
Out County placements*	£136,000	
Inter-authority recoupment	£100,000	Budget shortfall identified since the budget working group due to reduced income from fewer pupils.
<b>Total DSG Budget pressures</b>	<b>£571,000</b>	

c) **Less savings previously agreed by Forum**

Academies SEN	-£106,000
Contingencies	-£80,000
LEA Pool	-£90,000
Travellers	-£14,000
<b>Total DSG Savings</b>	<b>-£290,000</b>
<b>Total Net increase in non school budgets (b-c)</b>	<b>£281,000</b>

d) **Increases in school budgets (excluding the 2.1% MFG inflation)**

Increase in cost of Guarantee	£92,000	
Increase KS1 class size funding	£41,000	
14% increase in free meals	£161,000	
Increase in UPS teachers (69)	£265,000	
Increase in special schools (an overall increase of 3 pupils and a change in the mix of pupil needs for enhanced pupils)	£228,000	
Increase in Band 1 & 2	£148,000	
Savings in business rates and shared use	-£43,000	
Savings in nursery classes	-£91,000	
Savings in Band 3 & 4 commitments in school budgets	-£67,000	
<b>Increase in school budgets</b>	<b>£734,000</b>	
<b>Total cost increases (c+d)</b>	<b>£1,015,000</b>	

## **Financial Impact**

- 10 The available budget head room within DSG can be estimated by the difference between the DSG cash increase of 3.3% and the 2.1% MFG, which is 1.2%. In financial terms this amounts to £1,014,000 (i.e. 2009/10 DSG of £84.526m multiplied by 1.2%). The total cost increases set out above, at £1,015,000 is just fractionally above the amount of budget headroom available.
- 11 The Budget Working Group have questioned the need for some of the budget pressures identified above in section 10b marked (\*) or suggested alternative funding methods. These suggestions have been included where possible.
- a. Banded Funding – query double counting of applications – these have been investigated further – see below.
  - b. Trade Union facilities – instigate revised allocation and financial control to stay within budget
  - c. PRUs – charge schools fixed fee of £6,500 per excluded pupil admitted to PRUs. There were 18 pupils permanently excluded from school in the academic year 08/09, 15 of which were admitted to PRUs. If numbers continued at a similar level in 10/11 this would generate sufficient funding for the part year September 10 to March 11. However this leaves the full year cost of £156,000 unfunded in 2011/12 by £58,500 and this will have to be considered again as part of the 11/12 budget. If numbers were significantly less then a further review would be necessary with adjustments to the DSG accordingly.
  - d. Out county placements – seek other funding such as ABG.
  - e. Governor Services SLA – working group queried approval by Forum
- 12 Further investigations have identified the “double counting” of 2 new banded funding applications which would reduce the increase in banded funding from 43% to 40% which is still in excess of the 34% increase of the £260,000 proposal. Currently the ABG will not fund the £136,000 for Out county placements as it is not included in the programme.
- 13 It is not proposed to change the per pupil allocations included in the initial school budgets issued in December 2009 unless final pupil numbers and confirmation of the remaining budget assumptions (LSC income and banded funding) require final budget adjustments to balance the DSG.
- 14 Until final pupil numbers are confirmed from PLASC it will not be possible to finalise the cost increases in the school budget. Banded Funding commitments in school budgets cannot be finalised until the end of February and after the funding panel on 10<sup>th</sup> February (£150,000 has been reserved in school budgets for 10/11 to meet the expected cost).
- 15 In addition Schools Forum is asked to note the free meals price at £2.00 maintains parity with Worcestershire in accordance with School Forum’s decisions in recent past years.

## **Central Expenditure Limit**

- 16 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%.
- 17 As the overall increase in DSG is expected to be 3.3% then the increase in central expenditure, due to banded funding, PRUs and special school in-year placements, will be a greater percentage increase than the increase in school budgets. This requires Schools

Forum to approve an increase in the central expenditure limit. Precise calculations can only be confirmed when the section 52 budget statement is completed once school budgets have been issued in March.

### **Summary**

- 18 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 3.3% in cash terms.
- 19 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%.
- 20 Schools receiving less than a 2.3% budget increase will only be able to meet increasing pay commitments by making budget cuts to compensate.
- 21 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 £326,000 in 2010/11 and is expected to rise to above £400,000 in 2011/12.
- 22 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 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.
- 23 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 take measures to make the budget balance. It is likely that as the Minimum Funding Guarantee in general protects smaller schools the larger schools will find their budgets squeezed.

### **Key Considerations**

- 24 The Council is required to set Dedicated Schools Grant budget within the funding allocated by government. The proposals within this report provide proper budget provision for the estimated increases in central expenditure which is properly funded from DSG.

### **Community Impact**

- 25 None directly identified.

### **Financial Implications**

- 26 The Budget agreed for DSG for 2010/11 must balance. The proposals set out in this report achieve this. Additional budget pressures can only be agreed if compensating cuts are made elsewhere.



## **Legal Implications**

27 These proposals comply with the Council's legal duties.

## **Risk Management**

28 The Budget Working Group has considered detailed budget proposals for 2010/11 and this report reflects their views. Budget will not be issued to schools until pupil numbers have been confirmed and adjusted as necessary. Any small under or overspend on Dedicated Schools grant can be carried forward to 2011/12. Any significant overspend will require the re-issue of school budgets.

## **Consultees**

29 None assessed.

## **Appendices**

30 None

## **Background Papers**

Working papers considered by the Budget Working Group on 22<sup>nd</sup> January 2010.