

MEETING:	SCHOOLS FORUM
DATE:	9 JULY 2010
TITLE OF REPORT:	DEDICATED SCHOOLS GRANT
OFFICER;	SCHOOLS FINANCE MANAGER

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To inform Schools Forum of the final Dedicated Schools Grant (DSG) for 2010/11 and the Outturn for 2009/10 .

Key Decision

This is not a Key Decision.

Recommendation(s)

THAT Schools Forum:

- (a) to note the final DSG settlement and the increase of 3.5% in the Individual Schools Budget;
- (b) to comment on the Section 251 Budget Statement as appropriate.
- (c) to retain the 2009/10 DSG underspend of £128k to help meet the forecast overspends in out county placements and school business rates.

Key Points Summary

- The Individual Schools Budget (ISB) is the amount distributed direct to schools and has increased overall by 3.5%. Primary budgets have increased by 3.2%, high school budgets by 3.6% and special school budgets by 5.8%.
- The total 2009/10 DSG underspend is : £727k comprising of
 - Prior commitments of
 - £186k for rates rebates which Forum has already agreed to distribute to schools over the three years from April 2010

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

- £413k which is the balance of the 2008/09 underspend allocated to schools over three years and yet to be drawn down.
- An underspend of £128k in 2009/10 on central expenditure

Alternative Options

- 1 No alternative options or projects have been identified at this stage. Schools Forum can propose initiatives to be developed and considered alongside those identified in this report.

Reasons for Recommendations

- 2 The recommendations seek to ensure considered decisions for the use of the Dedicated Schools Grant underspend from 2009/2010.

Introduction and Background

- 3 The report provides a full breakdown of the DSG carry-forward balances from 2009/10. It also updates Schools Forum on the final amount of DSG for 2010/11 and provides some background information on the school budgets for 2011/12 and 2012/13.
- 4 The report is in two parts as follows;
 - A The Budget 2010/11
 - B The DSG Outturn for 2009/10

Key Considerations

A. The Budget 2010/11

- 5 Three year budgets (final for 2010/11 and draft for 2011/12 and 2012/13) have been completed and issued to schools. The Section 251 Education Budget Statement has been completed for financial year 2010/2011 and submitted to the Department for Children, Schools and Families (DCSF) prior to the deadline of 30th April 2010. Full details of all the Section 251 (previously section 52) tables will be published on the Council's website. Table 1 setting out an overview of school and central expenditure is attached as Appendix 1. Of particular note is the deprivation annex which indicates an 82% achievement against the 100% target for passing deprivation funding through to schools. This is a significant increase on the 49% in 2007/08 and meets the Department for Education (DfE) target of 80% by 2010/11. Further work is in hand through the Budget Working Group to meet the requirement for 100% of deprivation funding to be passed through to schools by 2014/15.
- 6 The Schools Budget is based on pupil numbers of 22,561.6 and a Dedicated Schools Grant of £90.294m. Recoupment for the Hereford Academy is expected to be £2.987m including a deduction of £136k for LA services (but excluding bands 3 & 4 which are paid to the Academy by the Council from DSG). SEN banded funding costs for the Steiner Academy are expected to be £28k compared to a budget allocation of £32k within DSG.
- 7 School budgets have been calculated on the following pupil numbers (excluding nurseries and sixth forms but including Hereford Academy).

Pupil Numbers	2010/11	2009/10	Difference	%
Primary	12,001	12,119	-118	-1.0%
High	9,209	9,266	-57	-0.6%
Special	231	219	+12	+5.5%
Total	21,441	21,604	-163	-0.75%

8. Confirmation of the final grant allocation for DSG and final pupil numbers are still awaited from the DfE and is expected prior to the 9th July.
9. The Individual Schools Budget (ISB) is the amount distributed direct to schools and has increased overall by 3.5%. Primary budgets have increased by 3.2%, high school budgets by 3.6% and special school budgets by 5.8%. The overall ISB increase of 3.5% compares favourably with the expected cash increase of 3.1% although in reality schools will use any budget increase to meet the extra costs incurred by Key Stage 1 class size funding, banded funding, free school meals and upper pay scale teachers. The DSG increase per pupil is 4.5% however the cash increase is 3.1% compared with the latest Consumer Prices Index published in April 2010 at 3.7%. Due to falling pupil numbers almost half our schools received budgets of less than 2.3% teachers' pay inflation and considerably less than general inflation as measured by the Consumer Price Index.
10. Indicative funding increases for 2011/12 and 2012/13 based on current inflation assumptions and DfE estimates of cost pressures published prior to the general election are set out below. It is likely that the Minimum Funding Guarantee will be set at 1% and that all schools will be expected to have to find 0.9% efficiency savings. Announcements on DSG funding allocations are not due until the autumn however it is clear that all schools face a much tighter settlement and that for schools with falling rolls budget reductions will be inevitable.

	2010-11	2011-12	2012-13	Average
Increase per pupil	4.3%	1.9%	2.3%	2.1%
Cost pressures	3.1%	1.9%	1.3%	1.6%

Table: DfE published Indicative DSG increases and cost pressures

11. Due to increasing numbers of out county placements within the Joint Agency Management budget for children with complex medical, social and educational needs an £248k overspend in the cost allocated to DSG is forecast in 10/11. Additionally, revaluations of school business rates (after school budgets had been issued) has resulted in increased costs of £198k. It is proposed that the £128k under spend in DSG from 2009/10 is retained to help meet these unexpected costs.

B. DSG Outturn 2009/10

12. DfE have confirmed DSG at £84.526 million for 2009/10 following the agreement of a late

reduction in recoupment costs of £7k for the Hereford Academy.

- 13 School balances of £5,497k have been carried forward to the new financial year – this is an increase of £21k from the previous year. Primary school balances are £2,882k (a net reduction of £54k), high school balances are £1,853k (a net reduction of £139k), special school balances are £179k (a net increase of £115k). Pupil Referral Units and Extended schools account for the remaining increase of £99k. At the end of 2009/10 six schools were in deficit and the total deficit was £233k compared previously with 6 schools and a total deficit of £262k at the end of 2008/09. Recovery plans will be agreed with those schools newly entering a deficit position
14. As required by DSG grant regulations, an underspend of £727k has been carried forward to 2010/11. This comprises
- Prior commitments of £186k for rates rebates which Schools Forum agreed would be distributed to schools over the three year period from April 2010,
 - Prior commitments of £413k which is the balance of the 2008/09 underspend yet to be drawn down by schools over the agreed three year period.
 - £128k representing the actual underspend on central DSG services in 2009/10. The main year end variances in central DSG funded services are as follows:

Over spends	Amount	Reason
Banded Funding - Primary	£121k	Increased applications for Bands 3 & 4
Inter Authority recoupment	£170k	reduced numbers of pupils from other authorities in Herefordshire schools
Underspends		
Early Years	£117k	offsetting Sure start grant at year end
Out of County placements	£139k	underspends on Joint Agency Management of places (with the PCT) (£87k) and education placements (£52k)
SEN support services	£99k	staffing vacancies
LEA Pool	£55k	savings following closure of the pool

- 15 As set out in paragraph 11 above it is proposed to retain the underspend of £128k to help meet the additional cost of out county placements and school business rates revaluations. The schools funding formula requires that schools are allocated additional budget to meet any in-year increases in rates. The legal agreement with the Primary Care Trust (PCT) for out county placements requires overspends to be shared in proportion to the budget i.e. 3/7th to DSG, 3/7th to the local authority and 1/7th to the PCT.
- 16 Additionally, £70k was carried forward for Governor Services and a deficit of £160k for the Music Services. The Music Service is currently identifying a recovery plan to address the

deficit. The recovery plan includes offering group tuition, increasing prices to schools and selling surplus instruments.

Community Impact

17 No direct impact

Financial Implications

18 As set out in the report. The allocation of DSG carry forward to one-off projects will have no impact on future year's allocation of DSG.

Legal Implications

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

Risk Management

20 A recovery plan for the music service must be implemented to ensure a recurrent balanced budget is in place by 31st March 2011

Appendices

Section 251 Budget Statement 2010/11

Background Papers

None