

<b>MEETING:</b>	<b>SCHOOLS FORUM</b>
<b>DATE:</b>	<b>2ND MARCH 2011</b>
<b>TITLE OF REPORT:</b>	<b>DEDICATED SCHOOLS GRANT 2011/12</b>
<b>OFFICER:</b>	<b>SCHOOLS FINANCE MANAGER</b>

**CLASSIFICATION:** Open

### **Wards Affected**

All schools

### **Purpose**

To recommend to the Cabinet member for ICT, Education and Achievement the Dedicated Schools Grant budget for 2011/12.

### **Key Decision**

This is not a Key Decision.

### **Recommendations**

**THAT Schools Forum recommends to the Cabinet Member for ICT, Education and Achievement the basis for the schools budget 2011/12 as set out below:**

- (a) **the budget options, before the Minimum Funding Guarantee protection, that were broadly supported in the consultation be approved as follows;**
- 1. Option B: Reduce social deprivation funding by £250k**
  - 2. Option C: Reduce personalized learning funding £250k**
  - 3. Option E: Reduce school grants by 1.5%**
  - 4. Option F: Reduce “per pupil funding” by 0.5%**
  - 5. Option G: Delegate £376k of SEN Support services**
  - 6. Option H: End flexibility grants to PVI nurseries**
  - 7. Option I: Charge for early years training**

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

- 8. Option K: Reduce contingencies by £100k**
- 9. Option L: Reduce central DSG services by 3%**
- (b) **Option D: Reduced SEN Banded funding levels, which was not well supported by schools, be not approved.**
- (c) **the budget options that have been considered individually**
- 1 Option J: Reduce PVI nursery funding by 2% be approved in order to continue the move towards equality of funding when compared with the adjoining English counties;**
  - 2 Option A: Reduce small schools protection by £250k, before the Minimum Funding Guarantee protection, be approved;**
  - 3 Option L: Central DSG services that the 3% savings be confirmed as applying to Pupil Referral Units.**
- (d) **that the Budget Working Group's additional proposal be considered as follows;**
- that the savings required from Option A: small schools protection be reduced to £200k and additional savings of £500k be sought from Options B & C: social deprivation and personalised learning, all prior to the protection offered by the Minimum Funding Guarantee, and that the net savings of £241k achieved be added to the age weighted per pupil funding amount at £11.50 per pupil.**
- (e) **that the SEN support services are delegated with a minimum funding entitlement of £1,110 for all schools, the balance delegated through the SEN Band 1 & 2 formula factors and that the former Ethnic Minority Grant be delegated on the number of EAL pupils recorded on the January pupil census.**
- (f) **that if a final budget adjustment is necessary, then the age weighted per pupil funding be adjusted to cover any surplus or deficit when final pupil numbers are known from the January 2011 census.**

## **Key Points Summary**

- A budget shortfall of £1,439k has been identified in the Dedicated Schools Grant (DSG) for 2011/12. Following a budget consultation with schools, governors and PVI nurseries the following budget proposals are recommended by the Forum's Budget Working Party.
- Adoption of all the budget options, comprising savings of £1,315k that had the broad agreement of responses to the consultation exercise.
- Rejection of the SEN budget option, proposed savings £99k, that had very a mixed response but with substantial negative replies.
- Adoption of the remaining budget options, small schools protection, PVI nurseries and

Pupil Referral Units, after individual consideration of the responses received.

- Following consultation replies, an additional proposal for consideration which proposes increasing the savings from social deprivation/personalised learning and reduces the savings required from small schools protection and distributing any surplus on pupil numbers.

## Alternative Options

- 1 An alternative budget proposal has been suggested by the Budget Working Group which provides for greater reductions in funding for social deprivation and personalised learning in light of the additional £1m pupil premium grant, a scaled down reduction in small schools protection (i.e. less than set out in the original consultation paper) and the funds generated from these proposals be re-distributed to schools through an increased per pupil unit of funding (AWPU). The intention behind this additional budget proposal is to narrow the funding gap on a per-pupil basis between highest funded schools and the lowest funded schools. In 2011/12 the range in funding (including grants) per pupil varies from £3,144 per pupil to £6,079 per pupil and for high schools from £4,471 per pupil to £5,379 per pupil.

## Reasons for Recommendations

- 2 Final budgets must be issued to schools before 31st March 2011.

## Introduction and Background

- 3 Following the announcement of the schools budget settlement by the Department for Education on the 13th December 2010, the Budget Working Group (BWG) met on January 11th 2011 to consider a paper setting out the implications for Herefordshire schools. Due to falling rolls and increasing costs of special education they identified a significant budget shortfall in excess of £1m that required further work and consultation. The BWG prepared a broadly based package of funding cuts and a consultation paper which was approved for consultation by Schools Forum on 29th January. This is attached as Appendix 1.
- 4 In broad terms the BWG attempted to offer a range of similar sized budget cuts to a range of spending areas. The chosen options were mainly focused on those DSG budgets that would generate significant savings. The chosen options and the budget strategy developed by the BWG is set out in the consultation paper and are not repeated here.
- 5 The DSG consultation paper identified a £1.5m shortfall due to falling rolls and known increased cost pressures as set out below;

Falling rolls	£500k
Growth in pupils with complex needs	£482k
Statutory teaching hours in PRUs	£156k
Statutory teaching hours in medical	£ 30k
Growth in Special school places/needs	£163k
Increase in Trade union facilities agreement	£ 41k
Growth in SEN banded funding allocations in-year 2010/11	£120k
School funding formula review requested by Schools Forum	£ 23k
<b>Total spending commitments</b>	<b>£1,515k</b>

- 6 The budget shortfall has been updated with the latest estimates for SEN commitments,

business rates and Teachers Pay Grant and some additional income. Some of the cost pressures e.g. PRUs have been revised following discussions with schools and service managers. The following additional cost pressures need to be added to the £1.5m set out in the consultation paper.

Increased SEN Band 3 & 4 commitments, business rates and former Teachers Pay Grant	£300k
Known SEN commitments from Feb meeting	£33k
Possible contribution to Music Service	£25k
Estimated increase in new SEN bands in-year allocation in 11/12 (based on estimated spend in 10/11)	£40k
Less Extended Schools Grant not allocated to schools previously used for parenting support in 10/11	-£296k
Less recoupment budget not needed	-£70k
Less medical PRU – costs now absorbed within the SEN service	-£30k
Less proposed high school contribution to PRU costs	-£78k
<b>Total additional cost pressure</b>	<b>-£76k</b>
<b>Total spending commitments</b>	<b>£1,439k</b>

- 7 In addition to the spending pressures identified above, the Young People’s Learning Agency (YPLA) has provided information for post-16 funding on an academic year basis which suggested a cut to the SEN grant in 11/12. Further discussions with the YPLA indicate that no cuts are expected but final grant allocations will not be confirmed until towards the end of March. It is however possible that the SEN grant will be reduced if a special school with post-16 pupils transfers to academy status. Additionally there is a report on the funding of the Music Service elsewhere on this agenda and a possible financial contribution is listed above for completeness.

## Budget consultation

- 8 Headteachers, governors and PVI nurseries have been consulted on the budget proposals for savings. The options developed provided for some choice and were also broadly based to take best advantage of the limitations imposed by the Minimum Funding Guarantee (MFG).
- 9 Of the individual consultation responses received from schools (46), there was a broad measure of agreement with the overall savings proposals, which were set out in the consultation paper. A composite response from the Herefordshire Association of Headteachers (HASH) was in broad agreement with the proposals however 47 responses from PVI nurseries were against all or part of the proposals, as follows:

Schools - broadly agree with the savings proposals	30
Schools - composite response from HASH broadly in favour of the proposals	14
Schools - disagree with the proposals	11
PVI Nurseries – disagree with some of the proposals	47
Schools - no opinion on the overall proposals	15

## Comments from schools and PVI nurseries

10 Some (6) schools did not agree with the proposed additional £41k for the trade union facilities budget and some (6) primary schools suggested that the additional £156k for PRUs should be met by high schools. Other suggestions from schools include

- Why use out of county withdrawal units when more beneficial in county?
- Not proceed with governor services and return DSG set-up grant
- Music service – lots of savings by using private peripatetic tutors

11 All (47) PVI nurseries objected to the proposed 2% cut in nursery education (per pupil) funding suggesting parity with school budget cuts as an alternative and also objecting to the proposed 5% cut in early years SEN funding.

Further suggestions from PVIs included

- % cut in Local authority salaries
- reduce costs of senior managers
- reduce administration around Nursery education funding (NEF)
- reduce training costs and charge for training ( proposal I)
- reduce requirement to provide 15 hours back to 12.5 hours
- All the comments received from schools and a Yes/No analysis for each budget proposal is provided in Appendix 2. It is important that Forum members read through this appendix before considering the financial recommendation for each proposal. All the individual consultation replies from schools and PVI nurseries are published on the council website as background papers with all the public papers for the Schools Forum meeting.

<http://councillors.herefordshire.gov.uk/ieListDocuments.aspx?MId=3762&x=1&>

## Options with a broad measure of agreement

12 Savings proposals with a high measure of agreement in the consultation are set out below. For some options such as B, C and F there was a variety of opinion that suggested either more or less savings should be made. The general opinion on option L was for increased savings however there was a request from the PRU Management Committee that the proposed 3% cut to PRUs within option L should be re-considered on the basis of parity with schools.

Option	Description	Saving
B	Reduce social deprivation funding	£188k
C	Reduce personalized learning funding	£156k
E	Reduce school grants by 1.5%	£144k
F	Reduce “per pupil funding” by 0.5%	£200k
G	Delegate £376k of SEN Support services	£137k
H	Abolish flexibility grants to PVI nurseries	£172k
I	Charge for early years training	£100k
K	Reduce contingencies	£100k
L	Reduce central DSG services by 3%	£118k
	<b>Total agreed budget reductions</b>	<b>£1,315k</b>

**Adoption of the above widely agreed options would leave a balance of £124k to find.  
 Recommendation R1: The BWG recommend that these options be approved by  
 Schools Forum**

### **Options with no general agreement with schools/PVIs**

- 13 For the following options there was no general agreement. Although schools were generally in favour of option J, PVI nurseries were not.

A	Reduce small schools protection	£121k
D	Reduced SEN Banded funding levels 3 & 4	£99k
J	Reduce PVI nursery funding by 2%	£72k

These options will be considered further on an individual basis below.

### **Individual options requiring further consideration**

#### **Option D      Reduced SEN Banded funding levels 3 & 4**

- 14 Very mixed opinion with 20 replies for and 25 against. Of those indicating a preference 9 were in favour of option (a) 5% from bands 3 & 4 and only 2 were in favour of option (b) 10% from band 3 only. Replies indicated that this should only be considered if necessary given the vulnerable nature of SEN children and others suggested that SEN should be funded properly. PVI nurseries were against a cut in SEN funding. The BWG did not wish to cut the SEN budgets for Band 3 & 4 unless absolutely necessary as these children are amongst the most vulnerable in Herefordshire.

**Recommendation R2: The BWG recommend to Schools Forum the £99k savings in Option D: SEN should be found elsewhere.**

#### **Option I      Central DSG services – Pupil Referral Units**

- 15 A number of responses from schools suggested that savings from the central DSG services should be greater than 3%. A letter from the chair of the PRU management committee requested parity of budget reductions with schools.
- 16 Following discussion regarding recent management changes in PRUs and that greater staffing flexibility should be possible, the BWG supported the proposal that central DSG services including PRUs be cut by the full 3% in 2011/12.

#### **Option J      Reduce PVI nursery funding by 2%**

- 17 A number of responses from PVI nurseries have suggested that savings in nursery education (per pupil) should be comparable with schools. The BWG considered the consultation feedback and previous evidence that PVIs in Herefordshire were funded at a higher rate than surrounding counties and agreed to recommend to Schools Forum that the full 2% cut be approved.
- 18 Schools Forum previously agreed on 7<sup>th</sup> December 2009 (minute 53) that PVI funding in

Herefordshire should be frozen in cash terms until parity with Worcestershire, Shropshire and Gloucestershire is achieved. The recommendation therefore continues the move towards parity. National benchmarking in 2010/11 from the DfE provides comparative expenditure on PVI nurseries on a per pupil basis as follows;-

County	Cost per Free entitlement in PVI providers ( per DSG pupil 3-19) (£)	2010/11 DSG funding per pupil (£)	Percentage of per pupil DSG funding in 10/11 (%)
Shropshire	99	4,013	2.47%
Worcestershire	114	4,028	2.83%
Gloucestershire	158	4,046	3.9%
Average of three counties	123.67	4,029	3.07%
Herefordshire	130	4,002	3.25%

Note: Based on the number of pupils 3-19 in each county and provides a measure of the cost per pupil which is comparable to the income received from DSG. It is known that the coverage of PVI providers compared with school nurseries is broadly comparable in the four counties.

- 19 Herefordshire is 5.1% higher than the average of the three adjoining counties and the percentage of the DSG unit of funding is also higher. A budget reduction of 2% or 97p per place per week would reduce the Herefordshire spend to £127.4 per pupil which is still 3% higher than the adjoining county average.
- 20 Anecdotally, a few PVI settings have suggested that further cuts in the Nursery Education Funding (NEF) may result in some settings withdrawing from the NEF funding system. If this were to happen then the local authority may be required to commission additional NEF funded places to meet demand if other PVI nurseries do not expand to provide replacement places. There could be a cost of commissioning any new places which might have to be met by the Early Intervention Grant. This was identified as a medium risk in the budget consultation paper and is something the forum will wish to keep under review.

**Recommendation R3: The BWG recommend to Schools Forum that the PRU budget reductions be confirmed at 3% and the PVI nursery budget reductions be confirmed at 2% as set out in the consultation paper.**

### **Savings in cost pressures –PRU additional teaching hours**

- 21 The cost pressures identified in the consultation paper provide in full for the additional cost of £156k for the increase in teaching hours in PRUs. It is proposed by high schools through HASH that high schools will contribute £78k to the PRU cost in 11/12 and that this will double in the 2012/13 to meet the full cost. This has been taken into account in the updated spending commitments in paragraph 2.

#### **Option A      Small schools protection**

- 22 Responses were varied, much as would be expected, small schools typically stressing the need to continue to support financially small schools given existing council policy and large schools seeking to reduce the cost of such protection. The financial viability of small schools below 50 on roll was questioned.

- 23 Savings of £121k were proposed in the consultation paper and after the amendments to the cost pressures (see paragraph 2 above), the savings from small schools are now potentially greater than needed to balance the budget. It is suggested that the surplus of £52k (i.e. £124k-£72k from option J: PVIs) be kept in reserve to fund possible cost pressures resulting from the finalisation of pupil numbers particularly the early years pupil numbers which will not be known until mid-March.
- 24 The BWG were in favour of the proposed reductions in small schools protection but also wanted an alternative proposal developed which offered reduced savings from small schools by increasing the savings from social deprivation funding (which would be offset by the additional pupil premium).

**Recommendation R4: The BWG recommend that proposed savings from small schools protection as set out in the consultation paper be approved**

### Alternative proposal

- 25 In view of the comments in the consultation paper, the BWG asked that the implications of an additional budget proposal be developed for School Forum's consideration as follows;
- The savings proposed in the consultation paper for small schools protection are reduced from the original £250k to the lesser amount of £200k
  - And that further savings in social deprivation (an additional £250k) and personalised learning (an additional £250k) are considered as these budget reductions will be offset in schools by the additional pupil premium in 2011/12 and 2012/13
  - any surplus generated from this new proposal is added to the per pupil funding rate for primary and high schools in order to narrow the gap in per pupil funding between the highest and lowest funded schools.
- 26 The implications of this proposal are that the further proposed cuts of £500k in social deprivation/personalised learning will produce net savings of £237k because of the protection offered by the MFG next year. Those schools in deprived areas (i.e. schools in receipt of higher funding for social deprivation and personalised learning) will not receive any loss of budget in 2011/12 as the protection offered by the MFG simply increases to maintain their existing budget share (see table below). This protection from the MFG will potentially be eroded in 2012/13 however any loss in funding will be offset by the expected gain in pupil premium (which is expected to increase from £430 to £860 per free school meal pupil).
- 27 The reduction of £50k in small school protection funding has minimal impact in 2011/12 again due to the MFG protection. However, as described above, the protection offered by the MFG to small schools may start to be eroded in 2012/13.
- 28 Overall the total saving is £241k which is equivalent to £11.50 per pupil in 2011/12 which will be distributed to all schools and subject to the budget outlook in 2012/13, there may well be another opportunity for another such transfer as the protection offered by the MFG reduces.
- 29 Examples of how the MFG protection works for schools with high and low social deprivation is set out in the table below. It works in exactly the same way for small schools regarding small schools protection although this is not shown in the table.



School	Budget pre – alternative £'000	MFG £'000	Budget post – alternative £'000	MFG £'000
Primary school high deprivation	1,492	26	1,492	37
Primary school low deprivation	1,324	0	1,324	0
Primary school high deprivation	376	19	376	19
Primary school low deprivation	641	0	642	0
High school high deprivation	3,377	44	3,377	58
High school low deprivation	5,986	0	5,973	0

**Recommendation R5: that Schools Forum consider the BWG's alternative proposal namely reducing the cut in small schools protection, by increasing the reductions in social deprivation and personalised learning – which will be offset by the pupil premium.**

### Delegation of SEN Support Services

- 30 BWG strongly suggested that the Ethnic Minority Grant should be delegated based on the number of English as an Additional Language (EAL) pupils on the January pupil census and that the remaining £330k for learning and behaviour support delegated at £1,110 per school which is sufficient for every school to buy six support sessions at £185 per session and the balance of the £330k (approx £200k) to be delegated using the same formulas used for the delegation of Bands 1 & 2. This is a variation on the proposals set out in the autumn 2008 consultation paper on delegation of SEN bands 1 & 2 and support services. The additional needs service consider that this revision to the delegation formula provides for a better match of past service take-up and provides a minimum level of funding for all schools.
- 31 An impact assessment from the Head of Additional Needs is attached as Appendix 3

**Recommendation R6: The BWG recommends that the SEN support services are delegated with a minimum funding entitlement of £1,110 for all schools, the balance delegated through the SEN Band 1 & 2 formula factors and the Ethnic Minority Grant delegated on the number of EAL pupils recorded on the January pupil census.**

### Budget finalisation after Schools Forum in mid-March

- 32 There still remain a number of cost pressures that cannot yet be confirmed and the DSG income will depend on the precise pupil numbers in all pupil censuses. Pupil numbers, free school meals have not yet been confirmed from the January pupil census and there may still be minor amendments to the budget particularly if there is an increase in free school meals or differences in DSG income arising from pupil number changes from the estimate. Additional costs of around £20k are expected for the special needs unit at Hampton Dene primary school but this cannot be confirmed until final pupil numbers in the unit are known. School insurance costs may rise for 2011/12 following a review of recent claims arising from flood and burst pipes which are included in the schools balance of risk property insurance scheme. The YPLA has not confirmed the SEN grant and the Teachers Pay Grant contributions for post-16 pupils

- 33 Estimates of the 2011/12 spend on PVI nurseries and nursery classes in schools suggest an increase of £40k due to the increased flexibility that parents now have in choosing sessions. As parents are accessing extra sessions then this extra cost should be included in increased pupil numbers and the DSG will be increased to compensate for the extra cost. As such it is not intended to add an additional cost pressure for 2011/12 however this will not be known until the early years census is available in mid-March. Only when the early years' census is available in mid-March can an accurate assessment of DSG income be determined.
- 34 Additionally the BWG suggested that not all the £23k for the LMS formula review should be cut from the budget as part of Option L: central DSG services but that £12k should be retained so that additional formula review work, such as the review of the per pupil allocations of school grants and consideration of the national formula funding proposals, could proceed. The BWG proposed reducing the budget for the Primary Heads Forum by £10k in order to cover the extra cost.
- 35 It is proposed that all these minor amendments will be dealt with through changes to the per pupil unit of funding (AWPU) as the fairest way of smoothing the impact. These changes will not be finally known until after Schools Forum.

**Recommendation R7: that age weighted per pupil unit of funding be revised to correct for any surplus or deficit after finalisation of the schools budget when final pupil numbers and cost pressures are known.**

## **School Finance Regulations 2011/12**

- 36 The DfE has written giving advance notice of some changes to school funding regulations for 2011/12 to aid budget setting. These changes relate to
- Federations – The DfE is continuing with the proposal to enable local authorities to set a single budget share for schools in a “hard” federation. This avoids bureaucracy by avoiding the need for separate budgets and accounts in the federation. However, following consultation DfE is adding a provision which would require federations to retain the whole of any formula saving. Herefordshire has not got a “federation” so this change in the regulations is not currently relevant.
  - Carbon Reduction Commitment (CRC) – The removal of the recycling element of the CRC as a result of the Spending Review means the previous proposals relating to bonuses and penalties are no longer applicable. As the cost to local authorities relates to the purchase of allowances DfE is proposing that this should be an allowable item against the central part of the schools budget and not allowable as a formula factor for individual schools. As Herefordshire Council is not included in the CRC scheme, the change in regulations does not apply to Herefordshire.
  - Academy recoupment – arrangements for recouping the DSG element of the Local Authority Central Services Grant (LACSEG) will be similar to 2010/11 except that due to concerns expressed by groups which support children with special educational needs the DfE has decided that, for 2011/12, there will be no recoupment of SEN support services. Therefore the central budgets for SEN support services will not be reduced due to recoupment and these SEN services will not have income targets to meet. Recoupment arrangements for future years will be subject to the wider review of school and academy funding.

## **Dedicated Schools Grant - Future Budget outlook**

- 37 The DfE Spending Review indicates the same cash freeze per pupil for the DSG will apply in 2012/13 and 2013/14. Cost pressures of approximately £1m or more would seem likely in future years arising for much the same reasons as this year i.e. from falling rolls and increasing SEN costs. It will be particularly important to start planning for the 2012/13 financial year now so that consultations with schools and PVI's can occur in the autumn term. This will require the BWG to consider the financial options in the summer term and prepare a consultation paper for the autumn term. Commencing such early forward planning will also give sufficient time for detailed cost reduction plans to be developed.

## **Key Considerations**

- 38 The Council is required to set Dedicated Schools Grant budget within the funding allocated by government. The proposals within this report provide for a balanced budget for the estimated grant.

## **Community Impact**

- 39 None directly identified.

## **Financial Implications**

- 40 The Budget agreed for DSG for 2011/12 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**

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

## **Risk Management**

- 42 The Budget Working Group has commissioned a detailed consultation exercise with schools, governors and PVI nurseries prior to considering detailed budget proposals for 2011/12 and this report reflects the views of from the consultation exercise and the Budget Working Party. Final budgets 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**

- 43 All schools and PVI nurseries have been consulted.

## **Appendices**

- Dedicated Schools Grant 2011/12 Budget consultation for schools and response form
- Summary of responses to the consultation paper.
- Proposal

## **Background Papers**

- Working papers considered by the Budget Working Group on 11th January 2011 and 15th February 2011.
- Individual responses to the DSG Budget consultation paper February 2011. Available on as background papers on the Herefordshire Council website

. <http://councillors.herefordshire.gov.uk/ieListDocuments.aspx?MId=3762&x=1&>