

MEETING:	SCHOOLS FORUM
DATE:	10 JUNE 2011
TITLE OF REPORT:	REPORT OF BUDGET WORKING GROUP – 6 MAY 2011
OFFICER	SCHOOLS FINANCE MANAGER

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To consider the initial discussions of the Budget Working Group on 6th May 2011 relating to the Dedicated Schools Grant budget for 2012/13.

Recommendation(s)

THAT Schools Forum notes the initial considerations of the Budget Working Party for the 2012/13 Dedicated Schools Grant.

Key Points Summary

The report is a summary of the Budget Working Group's meeting and summarises early budget proposals for 2012/13:

- DSG budget cuts of £1.25m are likely in 12/13 and 13/14 due to a continuing falling rolls (£0.5m), increasing costs of SEN (£0.5m) and increases in business rates, insurance and Upper Pay scale teacher costs (£0.2m).
- Potential annual savings up to £1m from charitable rates status could be achieved for schools transferring to foundation or academy school status.
- There is a potential future cost of £0.5m resulting from the withholding of the final Standards Fund 10/11 instalment of £0.5m.
- Proposed budget consultation for schools and PVI nurseries in the autumn.
- The impact of falling rolls gradually transferring to secondary schools may reduce the budget loss from falling rolls over time.

Alternative Options

- 1 There are no alternative options at this stage.

Reasons for Recommendations

2 To inform Schools Forum of the work of the Budget Working Group of 6th May 2011.

Introduction and Background

3 The Budget Working Group (BWG) met on 6th May to consider initial budget projections for the 2012/13 DSG.

4 Present were: Julie Powell (Lugwardine), Andrew Teale (St Paul's), Steve Pugh (Hampton Dene), Peter Box (Lord Scudamore), Ewan McGilp (St Martin's), Sue Jones (Cleghonger) Ann Pritchard (Trinity) John Docherty (John Kyrle), Malcolm Green, Louise Devlin, Kathy Roberts.

5 Apologies were received from Nigel Griffiths (John Kyrle) and Tracey Kneale (Marlbrook).

6 2012/13 Dedicated Schools Grant (DSG) Budget projections

7 The BWG discussed some key principles (including reducing inequalities, protecting vulnerable groups and maximising sustainable funding) that should underpin the budget consultations for the 2012/13 DSG budgets. It was agreed that the next BWG on 1st July would consider these further and that a paper would be prepared which listed the principles that had been used in the 2011/12 budget consultations and the principles that the Department for Education (DfE) would be using to develop the national school funding formula.

8 Some initial funding projections were discussed based on the following assumptions;

DSG Funding - Per pupil funding rates in DSG are expected to remain static over the next two or more years so there will be no or little growth in DSG funding over the five year period.

Falling Rolls - are expected to transfer from the primary sector to the secondary sector during 2012 and are likely to continue at the same 1% reduction each year resulting in a net loss of £500k per annum.

Banded funding - possible continued to increase by £200k p.a. (based on the growth since 2006/07).

Special Schools - Continued growth in special school places and number of places requiring enhanced funding is likely to increase by £300k per annum. (This is consistent with a growth of £150k pa since 2000 and inflated to 2012/13 price base)

Complex Needs

Solutions - (out county placements) is potentially likely to rise by up to £200k per year for the DSG share (3/7) over a five year period.

Other costs - such as business rates, teachers pay grant, insurance all potentially could add further costs of £200k pa.

Pupil Premium- expected to continue to increase by a further £1m in 12/13 and a further £1m in 13/14 and a further £1m in 14/15 (based on national spend of £625m in 11/12 rising to £2.5bn in four years – but not confirmed by

DfE).

- 9 Hence in broad terms no increase in DSG funding is to be expected, spend on SEN may increase by £550k per annum, continued falling rolls may cost £0.5m and other business costs to schools a further £0.2m. DSG planning should therefore assume budget cuts of £1.25m pa will be required in 12/13. This is comparable with the budget cuts that were required in setting the 11/12 DSG budget – and arise from the same underlying reasons.
- 10 Prior to finalising the consultation paper, further work is necessary on the projected pupil numbers for 12/13 and the extent to which savings already made in the 11/12 budget and protected by the Minimum Funding Guarantee might be realised in 12/13. It was also projected that there would be a similar budget outlook for 13/14 and further savings of around £1.25m would be required.
- 11 It was agreed that much earlier consultation would be required with schools and PVI nurseries in the autumn term and that a draft consultation paper should be considered by Schools Forum in September 2011 and would include the key budget principles.

12 Charitable Rates Relief

- 13 An alternative to a repeat of the 11/12 budget cuts was potentially identified in the 80% charitable rates relief savings available to foundation and academy schools. Rates paid by community schools are £1.1m and a further £0.1m paid by Voluntary Controlled schools. Savings in business rates of 80% or up to £960k could be achieved in advance of the 2012/13 financial year by schools opting for foundation or academy status. There are 49 community schools with total business rates of £1.1m however four schools account for £0.5m and a further six for the next £0.25m and then a further 16 for the next £0.25m so that savings of £800k could be achieved if 26 schools converted to foundation status.
- 14 The BWG asked that a foundation schools conversion programme be taken forward urgently with the Director of People's Services, Legal Services and Property Services in order to minimise the budget cuts necessary in 12/13. It was agreed that the one-off legal costs could be met by DSG through the recurring savings in business rates.

15 Mainstreamed Grants Review

- 16 The BWG considered details of the component grants that have been mainstreamed into DSG and allocated to schools on an amount per pupil basis in 11/12 less the -1.5% cuts agreed as part of the 11/12 budget process.
- 17 The amount of grant per school ranges as follows;
- Special schools from £2,400 per pupil to £3,700 per pupil
 - High Schools from £601 per pupil to £1,153 per pupil
 - Primary schools from £360 per pupil to £1,378 per pupil
- 18 This variation between school grant funding is due to
- Funding differences in School Development Grant (SDG) including former Excellence Cluster and Behaviour Improvement Programme grants, Advanced Skills Teachers, Gifted & Talented, training schools, leading edge schools – all of which have been absorbed into SDG on a per pupil basis and carried forward year by year according to DfE rules (from approx 2006/07).

- Government formulae for the allocation of School Standards Grant and School Standards Grant (Personalisation) has in the past included lump sum allocations dependent on the size of school and also contains funding allocations in SSG(P) based on low attainment.
- Disadvantage Subsidy allocations which were determined by Children and Young People's Directorate through a formula including rurality allocations as well as deprivation allocations.
- Extended Schools sustainability – allocation by formula to school partnerships but further delegation has been by agreement within each partnership leading to variations on a school by school basis.
- Targeted support for primary and secondary strategies has been allocated to a limited number of schools each year – and schools fortunate to receive funding in 10/11 have seen this repeated for 11/12.
- Other primary grants for Every Child, lead teacher, early years foundation and primary modern languages have all varied according to other criteria.
- One to One tuition allocations have been based on pupils falling behind national achievements standards – schools have had to bid for funding.

19 As a first stage in the review, BWG discussed some principles that might guide consideration of the actual allocations at a later stage. Such principles included

- Basic School Development Grant (i.e. excluding deprivation payments) should be the same rate per pupil for all schools
- Specialisms continue to be paid at the rate set by the DfE however how do we take account of new specialisms or the loss of the High Performing Specialist School status?
- The need/use of Advanced Skills Teachers should be reviewed. Funding should be reduced when ASTs retire or reduce hours. Schools in receipt of AST funding must provide the AST for the one day per week for use by other schools (as per the AST guidelines)
- Deprivation allocations should use the existing formula within the funding model (which uses a basket of four indicators, number of free school meals, percentage of free school meals, number of pupils x the IDACI proportion, low prior attainment (numbers of pupils not achieving KS1 (primary) and KS2 (secondary))
- Extended schools sustainability should be at a standard rate per pupil – or should there be a rurality/small schools supplement?
- Targeted secondary and primary allocations should be allocated at a standard rate per pupil for high and primary schools rather than only those schools fortunate to continue to receive their 10/11 allocations
- Universal secondary and primary grants should be at a standard rate per pupil – perhaps different rates for primary, secondary and special schools.

- Flat rate base allocations (e.g. a standard £1,000 for each school) are to be avoided unless there is a definitive reason (approved by Schools Forum?). Such base allocations will increase the per pupil variation between schools rather than reduce it. For example a standard £1,000 paid to each school is worth £2 per pupil for a large primary school and £20 per pupil for a small primary.
- The current variation in funding per pupil between schools is too great and should be reduced. For example (excluding known differences for specialist school status and deprivation funding) should the per pupil funding should be the same for each school? or within a school phase? Or is there an acceptable variation e.g. the maximum is +50% of the minimum or +100% of the minimum? Do changes phased in over time?
- Aim for a three year funding equalization plan so that a strategy can be developed and the cost on the Minimum Funding Guarantee can be calculated. (Note – any changes will need to be affordable within a reducing schools budget).

20 The BWG asked that the funding spreadsheet be revised based on the above principles so that further consideration can be given to the grants proposal for inclusion in the school funding consultation in the autumn.

21 Standards Fund – Missing £0.5m Instalment

22 The BWG was informed of the DfE's decision to withdraw the final payment of the 2010/11 Standards Fund at a cost of £0.5m and the inclusion of this funding within the previously announced 11/12 DSG. Following complaints from local authorities the DfE are intending to issue further guidance during the summer however DfE are continuing to state that no additional cash will be made available and is expecting local authorities to find the funding from either DSG under spends or by borrowing against future year's DSG. DfE is adamant that school budgets should not be cut to recover the money.

23 Realistically there seems to be little alternative but to take the missing funding from DSG over the next two or three years supplemented by any underspends in standards fund and DSG. However using DSG underspend to meet the £0.5m shortfall is effectively still a budget cut.

24 Further details will be brought to Schools Forum in September when further advice has been received from the DfE and the final outturns for DSG and Standards Fund are known.

25 Academy Recoupment

26 The BWG was informed of the DfE's methodology for 2011/12 for top-slicing DSG for academies. A national top-slice of local authorities budgets has been applied in 11/12 at a cost to Herefordshire of £650k. Academies receive a pro-rata share (based on pupil numbers) of DSG budgets for Behaviour Support services, 14-16 practical learning options, support to under-performing ethnic minority groups, school meals, free meals eligibility, milk, kitchen repairs, retained library services, licences, miscellaneous, staff costs for trade union facilities, long term sickness, termination of employment costs and other specific grants. In addition, a nationally set £8 per pupil is deducted for the transfer of admissions responsibilities.

27 For 2011/12 DfE have excluded from the calculations SEN support services so that there is now no top-slice for SEN services such as hearing impaired, visual impaired and home/hospital services. For Herefordshire this will make a significant reduction to the top-slice, for example reducing the top-slice from £70,000 to £3,000 for a high school academy.

28 Budgets for trade union facilities and other central budgets such as the support for the music

service are subject to the academy top-slice rules and academies will have to be recharged for these services to maintain the budget allocated by Schools Forum.

- 29 The DfE is consulting on academy recouplement for 12/13 so the rules may yet change again.

Key Considerations

- 30 The discussions at the BWG represent early considerations of the 2012/13 DSG budget and more work will be required by the BWG and Schools Forum.

Community Impact

- 31 None assessed

Financial Implications

- 32 The financial implications of the 2012/13 Schools Budget form a significant part of the work of the BWG this year.

Legal Implications

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

Risk Management

- 34 The BWG's proposals for the 2012/13 budget will be fully considered by Schools Forum prior to final decisions by the Cabinet Member in March 2012. Schools and PVI nurseries will be consulted for their views in autumn 2011.

Consultees

- 35 There is a statutory requirement that Schools Forum is consulted on proposed changes to DSG funded budgets.

Appendices

- 36 None

Background Papers

- 37 Agenda papers considered by the BWG on 6th May 2011.