

<b>MEETING:</b>	<b>SCHOOLS FORUM</b>
<b>DATE:</b>	<b>23 SEPTEMBER 2011</b>
<b>TITLE OF REPORT:</b>	<b>DEDICATED SCHOOLS GRANT</b>
<b>OFFICER</b>	<b>SCHOOLS FINANCE MANAGER</b>

**CLASSIFICATION:** Open

### **Wards Affected**

County-wide

### **Purpose**

To inform Schools Forum of the final Dedicated Schools Grant (DSG) for 2011/12, consider an outstanding issue regarding mainstreamed grants in the 2011/12 schools budget and the outturn for 2010/11 including proposals for the use of the underspend.

### **Recommendation(s)**

**THAT Schools Forum:**

- (a) note the final DSG settlement and the average decreases in per pupil funding in schools for 2011/12**
- (b) comment on the Section 251 Budget Statement as appropriate.**
- (c) to retain the 2010/11 DSG underspend of £421k as follows;**
  - i that the existing contribution of £25k for five years for the Music Service (already approved by Schools Forum in March 2011) is replaced by a one off contribution of £185k from the underspend to fund the music service deficit and avoid academy recoupment.**
  - ii £236k to provide a reserve for deficit schools subject to School Forum's approval for individual withdrawals in accordance with the approved policy.**
- (d) is invited to consider what action to take regarding the budget amendments for the mainstreamed grants in 2011/12 set out in paras 21 (a)-(c) and 25**

### **Key Points Summary**

- The Individual Schools Budget (ISB), which includes individually assigned SEN resources, is the amount distributed direct to schools and has increased overall by 3.5%. Primary budgets

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Further information on the subject of this report is available from  
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have increased by 3.2%, high school budgets by 3.6% and special school budgets by 5.8%.

- The total 2010/11 DSG underspend of £421k is available for distribution.

## **Alternative Options**

- 1 No alternative options for the use of the underspend have been identified at this stage.

## **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 2010/11. It also updates Schools Forum on the final amount of DSG for 2011/12.
- 4 The report is in three parts as follows;
  - A The Budget 2011/12
  - B Mainstreamed Grants 2011/12
  - C The DSG Outturn for 2010/11

## **Key Considerations**

### **A. The Budget 2011/12**

- 5 Three year budgets (final for 2011/12 and draft for 2012/13 and 2013/14) have been completed and issued to schools. The Section 251 Education Budget Statement has been completed for financial year 2011/2012 and submitted to the Department for Education (DfE). Full details of all the Section 251 (previously section 52) tables have been published on the Council's website. Table 1 setting out an overview of school and central expenditure is attached as Appendix 1.
- 6 The Schools Budget was based on pupil numbers of 22,561.6 (including early years and alternative provision) and a Dedicated Schools Grant (DSG) planning total of £106.942m. The final grant allocation for DSG has now been confirmed at £106,939k which is only £3,000 different from the planning total, a difference equivalent to less than one pupil.

- 7 School budgets have been calculated on the following pupil numbers (excluding nurseries and sixth forms and the Steiner Academy). The table shows that the fall in pupil numbers continues at 1% per year. The reduction in 2011/12 at 200 pupils is greater than the 163 pupil reduction in 2010/11.

<b>Pupil Numbers</b>	<b>2011/12</b>	<b>2010/11</b>	<b>Difference</b>	<b>%</b>
Primary	11,854	12,001	-147	-1.2%
High	9,140	9,209	-69	-0.75%
Special	246.5	231	+15.5	+6.7%
Total	21,240.5	21,441	-200.5	0.94%

8. Analysis of 2011/12 school budgets indicates that the funding passed through to schools has reduced by at least 1% per pupil. Excluding the pupil premium grant and individually assigned SEN funding (Band 3 & 4), the per pupil funding for primary schools has reduced by an average 1%, for high schools and special schools the average reduction is 2%. On average across Herefordshire as a whole the pupil premium is equivalent to an additional 1% per pupil but its allocation to individual schools depends on free school meal numbers. Overall the additional pupil premium will have made up for the budget loss in the primary sector however high schools will have seen reduced budgets. Cost increases due to inflation will be an additional pressure to be absorbed by school budgets.
9. The Guaranteed Unit of Funding (GUF) used by the DfE to determine the DSG now includes the additional funding for the mainstreamed grants for the first time in 2011/12. Hence the per pupil funding rate for Herefordshire has increased from the previous £4,002 per pupil in 2010/11 to £4,723.65 per pupil in 2011/12. Our position in the funding league table has changed from 3<sup>rd</sup> from bottom to 29<sup>th</sup> from bottom although we have received no more money. This is because Herefordshire delegated most of the School Development Grant (SDG) directly to schools and the funding has been retained in DSG. However, other authorities transferred more of SDG into the Area Based Grant and as a result have lost funding due to the budget cuts. This has meant that the GUF amount for mainstreamed grants in Herefordshire was higher than for other similar low funded counties and we have moved up the league table.
10. The DfE deducts funding for academy recoupment from the DSG for known academies at the start of the financial year; In percentage terms Herefordshire is 28<sup>th</sup> out of 151 authorities nationally with an overall recoupment percentage of 10.9% of DSG, by comparison with our neighbouring counties Gloucestershire is 11.2%, Worcestershire 2.6% and Shropshire 0% which gives a good indication of the rate of transfer to academy status in Herefordshire.

#### **B. Mainstreamed grants 2011/12**

- 11 There is one outstanding issue relating to the mainstreaming of grants in the 2011/12 schools budget that needs to be addressed. The former standards fund grants have been mainstreamed to comply with DfE guidance using the amount per pupil in 2010/11 and adjusted for the number of pupils in 2011/12. The sums paid to schools in 2010/11 were collected from finance records, high school bursars and the school improvement service

during December and January. The information collected was believed to be final and had been collected on that basis.

- 12 Following receipt of a letter from John Masefield high school it is now clear that the payment information collected for 121 tuition and targeted primary standards fund was not the final allocations and further 121 grant payments have continued to be made to schools. In fact amendments to payments to schools relating to 121 tuition have continued during the summer term as schools continue to take up or decline the 121 grant. Final spend on the 121 grant must be submitted to the DfE by 14<sup>th</sup> October as part of the final standards fund accounts.
- 13 The implication is that had the up to date payment information been used to calculate the mainstreaming of grants in the 2011/12 budgets then the allocations given to schools would have been different. Some schools would have received additional funding in their 2011/12 budget and other schools less. There are already a number of inequities in the mainstreaming of grants in 2011/12, for example targeted grant allocations have been dependent on funding received in 2010/11 and not over a longer period, extended schools allocations have varied depending how the agreements in each partnership. As all the grant funding was allocated to schools, to adjust the budgets of those schools gaining would require other schools to receive less.
- 14 For example, the “final” payment for 121 Tuition to John Masefield as at January 2011 was recorded as £22,500 for the 2010/11 financial year and on a pro-rata basis with increased pupil numbers £23,103 was allocated in the 2011/12 budget (i.e. an increase of 20 pupils from the 746 pupils in Jan 10). However the actual amount paid to John Masefield for 121 tuition was £25,500 as a further payment of £3,000 was paid in early March from the 121 grant. The actual take up would have entitled the school to £26,184 in 2011/12 rather than the £23,103 actually received. The school has requested that Schools Forum consider their entitlement to the additional £3,081. The points below set out how Schools Forum might wish to address the issue countywide.
- 15 The budgets of all schools in the county will be affected to a greater or lesser extent. A summary of the position of individual schools is set out in the table below. Currently only John Masefield are aware of the potential impact on their budget, other schools have not yet been informed.

Primary Schools	Number of schools with budget reductions	Number of schools with budget increases
Less than £200	39	12
Between £201 and £600	7	3
Between £601 and £1,100	2	2
Between £1,101 and £2,350	13	0

High Schools	Number of schools with budget reductions	Number of schools with budget increases
Less than £2,000	3	0
Between £2,001 and £5,000	5	32
Between £5,001 and £10,000	1	0
Between £10,001 and £15,000	0	1
Between £15,001 and £20,000	1	0

In addition, the three special schools will receive a budget reduction of £200 each.

All budget adjustments are listed prior to any protection offered by the minimum funding guarantee which is likely to increase the cost for those schools losing funding.

- 16 Overall, those primary schools gaining receive budget increases in total of £4,000 whilst those losing will receive budget reductions in total of £41,490. Special schools will lose a total of £600. Overall high schools gaining will receive in total £22,500 more whilst those schools losing will receive in total £44,625 less.
17. Since writing in April, John Masefield have converted to academy status and their funding is now determined by the Young People's Learning Agency although an amount is recouped by the DfE from Herefordshire's DSG.
18. All the DSG budget has been allocated to schools, there are minimal contingencies available to fund budget errors. The cost of making good those schools with a shortfall would be £26,500 in 2011/12 without reducing the funding of other schools. However as there is no funding available in the 2011/12 budget the funding would have to be found from elsewhere.
- 19 Options available to Schools Forum are
  - a Choose not to amend any school budgets on the basis that the grants information used in January was used in good faith as final information (and there are already many inequities in the mainstreamed grants)
  - b Re-determine all school budgets based on the final grant payments as at 31<sup>st</sup> August when no further standards funds payments can be made to schools.
  - c Allocate a sum of £26,500 so that those schools receiving less than their entitlement can be made good and those overpaid are not adjusted and ask the Budget Working Group to consider any impact on the 2012/13 mainstream grants in its grant review.

**C. DSG Outturn 2010/11**

- 20 School balances of £6,002k have been carried forward to the new financial year – this is a net increase of £505k from the previous year, adjusting for in-year balance transfers of schools converting to academies gives a comparable increase of £1,150k. Primary school balances are £3,501k (a net increase of £573k), high school balances are £2,285k (a net increase of £539k), special school balances are £218k (a net increase of £34k). At the end of 2010/11 five schools were in deficit and the total deficit was £372k compared previously with 6 schools and a total deficit of £233k at the end of 2009/10. Recovery plans will be agreed with those schools newly entering a deficit position. Balances of academy schools are excluded from the report as academies report separately to the Young People’s Learning Agency.
21. As required by DSG grant regulations, an underspend of £421k has been carried forward to 2011/12 to be allocated by Schools Forum. Budget variances in excess of £50k and the reasons are shown in the table below

<b>Over spends</b>	<b>Amount</b>	<b>Reason</b>
Banded Funding	£153k	Increased applications for Bands 3 & 4 from primary schools in particular
Complex Needs	£265k	Increased number of pupils in the joint social care, health and education out county complex needs budget
Contingencies	£198k	Initial underestimated school rates funded at cost.
<b>Underspends</b>		
Early Years	£189k	offsetting £146k of Sure start grant at year end
Nursery Education Funding	£272k	Offsetting £248k of Free 3 and 4 year old entitlement grant at year end
Recoupment	£98k	Income from out county pupils in Herefordshire schools exceeded payments for Herefordshire pupils out county
SEN support services	£102k	staffing vacancies
Governor Services	£63k	Underspend of additional £70k set-up funding
Travellers	£55k	Efficiencies from bring service in-house
PRU	£55k	Balance claw backs from PRUs with excess balances in excess of 10%
Carry Forward 09/10	£83k	Balance of £128k underspend after allocation PRU 25 hrs additional teaching costs

22 It is proposed to allocate the underspend of £421k as follows

- a. Firstly, Music Service Deficit - it is proposed that the existing contribution of £25k for five years (already approved by Schools Forum in March 2011) is replaced by a one off contribution of £185k from the underspend as this will avoid academy recoupment (up to 40%) of the annual £25k which would effectively reduce the contribution by £10k pa and leave a shortfall of at least £40k at the end of five years
- b. Secondly, it is projected that a number of schools in the next few years will incur deficits, either as a result of small schools either closing or federating with a deficit or schools suffering from an exceptional fall in pupil numbers which is unmanageable. It is proposed to transfer to reserves the balance of the underspend i.e. £236k for meeting school deficits subject to the principles to be approved by Schools Forum. This is a separate item on the agenda.

23 Finally it would now be possible to re-allocate the already agreed budget of £25k released from 24(a) so that those schools receiving less than their 121 standards fund entitlement can be made good and those overpaid are not adjusted as set out in para 21(c) above.

## **Community Impact**

24 No direct impact

## **Financial Implications**

25 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**

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

## **Risk Management**

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

## **Appendices**

Section 251 Budget Statement 2011/12

## **Background Papers**

None