

DEDICATED SCHOOLS GRANT 2012/13

DRAFT for discussion at Budget Working Group 9th September

BUDGET CONSULTATION FOR SCHOOLS AND RESPONSE FORM

(Response form still to be drafted)

**The budget response form must be returned by 11th November 2011 to
malcolm.green@herefordshire.gov.uk**

1.0 INTRODUCTION

- 1.1 This report sets out the expected financial position for school budgets for 2012-13 and the approach to consulting with schools and PVI nursery providers on the budget options available for the next financial year. The government is due to announce the next steps in the implementation of the national school funding formula and the budget settlement for schools in early December.
- 1.2 The financial settlement for both the council and schools is expected to remain “tight” and it will continue to be important to ensure that all the available funding is targeted effectively. In order to ensure the best use of available funding, Schools Forum has agreed a set of principles which will be used to inform decisions. These principles are set out in section 2 below.
- 1.3 This budget consultation with schools and Private, Voluntary & Independent nurseries is an important part of ensuring that the final 2012/13 budget proposals are fair and equitable. As such the views of all headteachers, governing bodies and nurseries are important and will contribute to the development of the final budget recommendations. You are encouraged to reply by the 11th November and attend the briefing meetings.

2.0 BUDGET PRINCIPLES

- 2.1 Schools Forum has updated the principles used in determining the 2011/12 budget and also included additional principles that have been set out by the Department for Education in the consultation paper on the national school funding formula. The principles underpinning the national funding formula are helpful in ensuring that decisions taken locally support the gradual move to a national formula whereby all schools with similar pupil intakes will receive comparable levels of funding. There are currently wide variations in the per pupil funding levels locally. These national and local principles will be used to guide the planning of the 2012-13 Schools Budget.

2.2 National principles to be adopted locally

2.2.1 In preparation for the potential implementation of the national school funding formula by government from 2013-14 onwards, the Budget Working Group considers that it would be sensible forward planning and to assist the eventual transfer of Herefordshire schools onto the national formula for the 2012-13 Herefordshire Schools Budget to be prepared using the same key principles locally as will be used nationally. These national principles (set out in italics below) to be adopted locally are as follows;

2.2.2 Funding is fair and logical

“Schools in similar circumstances and with similar intakes would receive similar levels of funding”

2.2.3 Extra resources for pupils who need them most

“many children need additional support for which additional funding is necessary”

2.2.4 Supports a diverse range of school provision

“ transparent and fair funding ensures all schools operate on a level playing field”

2.2.5 Provides value for money and ensure proper use of public funds

“represents good value for money, funds directed where needed and spent appropriately”

2.3 Local Herefordshire principles to be adopted locally

2.3.1 In addition to the principles set out nationally, in setting the 2010-11 budget Schools Forum adopted a number of principles and these are set out below

2.3.2 Consultation on a broad range of savings options

2.3.3 Savings options are focussed at generating significant savings

2.3.4 Schools Forum should have genuine budget choices available

2.3.5 All aspects of school funding to be included in savings options including small schools protection

2.3.6 All centrally retained budgets will contribute some savings e.g. through a percentage reduction at least inline with the savings required

- 2.3.7 Reductions in social deprivation funding will be equivalent to the growth in the national pupil premium
- 2.3.8 Narrow the “per pupil” funding gap between the highest and lowest funded schools as the gap is perceived as too great
- 2.3.9 PVI nursery funding to be reduced until parity with the three adjoining counties is achieved
- 2.3.10 Ideally SEN and banded funding budgets to be sufficient to meet the needs of the children
- 2.3.11 All budget increases to be robustly challenged by Schools Forum
- 2.3.12 No subsidised services
- 2.3.13 Ensure that appropriate PVI settings and schools will be consulted on budget proposals annually through meetings and consultation documents

Note: nationally the DfE has requested authorities to maintain current levels of social deprivation funding as the pupil premium is additional to existing budget allocations.

3.0 INITIAL BUDGET ASSESSMENT

3.1 Draft DSG budget projections 2012/13

- 3.1.1 The Budget Working Group has agreed some initial funding projections 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. The actual net budget reduction will depend on the actual reduction in pupil numbers and the ratio between primary and secondary. The net loss of DSG income has been as high as £500k in previous years but is expected to reduce as the fall in pupil numbers transfers to the secondary sector. The current estimate for 2012/13 is £185k
Banded funding -	Possible to continue to increase by £200k p.a. (based on the growth since 2006/07). Current forecast for 11/12 is approx £230k overspend (as at 1 st September)

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	On recent trends 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 2012/13 and a further £1m in 2013/14 and a further £1m in 2014/15 (based on national spend of £625m in 2011/12 rising to £2.5bn in four years – but not confirmed by DfE).

Hence in broad terms no increase in DSG funding is to be expected, spend on SEN may increase by £0.55m per annum, continued falling rolls may cost £0.5m and other business costs to schools a further £0.2m DSG budget planning should therefore assume budget cuts of £1.25m pa will be required in 2012/13. This is comparable with the budget cuts that were required in setting the 11/12 DSG budget – and arise from the same underlying reasons.

3.2 Preliminary costs/pressures

3.2.1 Preliminary work on the 2012/13 schools budget indicates (pupil forecasts are based on admissions offers and will be firmed up when September census pupil numbers are known)

1. Falling Rolls

To be confirmed by the pupil census in September however initial estimates based on admission offers for September 2011 are as follows;

- High school pupils reduced by -107
- Primary school pupils reduced by -24
- Possible loss of pupils on transfer to secondary -30
- Increase in special school numbers of +10

Although there is a net reduction in pupil numbers estimated as 151 pupils i.e. 0.67% the circumstances for individual schools will vary, some schools will have increasing pupil numbers or are full whilst others will be falling.

Loss of DSG (gross) is £713,000 i.e. 151 pupils x £4,723.65. The average savings in school budget is £3,500 per pupil so the next loss in grant is £185,000. This is lower than in previous years due to the falling rolls transferring to the secondary sector. The additional costs of higher special school pupils are shown elsewhere.

2. Savings already identified

Full year savings in 2012/13 flowing through from the budget cuts made in last year's 2011/12 budget are estimated as £419k and additional savings in business rates from academy and foundation status are expected to be £265k dependent on precise numbers of schools converting.

3. Hence 2012/13 budget position is potentially as follows

• Net reduction in DSG	£185k
• Add increase in Banded funding (based on trends)	£200k
• Add extra Special schools places (based on trends)	£300k
• Complex Needs (based on trends)	£200k
• Business rates, insurance, UPS pay (based on trends)	£200k
Total costs pressures	£1,085k
• Less savings in charitable rates	-£265k
• Less savings accrued from 2011/12 budget proposals	-£419k
Total identified savings	-£684k

Reduction in Schools Budget	+£401k
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Add estimated cost of phase 1 of grants review	+£500k
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Estimated gross Reduction in schools Budget	+£901k
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Savings social deprivation and personalised learning as set out
In sections 9,10 and 11.

Offset by increase in Pupil premium grant	-£918k
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Net change in Schools Budget	+£17k
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Note: All SEN costs will be reassessed early in the autumn term although accurate end of year predictions will only be available towards December when more of the 2011/12 actual expenditure is known.

3.3 Mainstreamed Grants Review

3.3.1 The Budget Working Group (BWG) has reviewed all the component grants that were mainstreamed into DSG in 2011/12 and have agreed a series of proposals for change over a three year period. The review is designed to achieve greater fairness in the allocation of the former standards fund grants. It is not a cost cutting exercise. The overall cost of change at £1.5m is too great to be achieved in a single year and so it is proposed to phase in the changes over a three year period at a cost of £0.5m per year. The cost arises from the protection provided by the Minimum Funding Guarantee to those schools losing funding whilst at the same time allocating additional funding to those schools gaining. The BWG consider that change is necessary due to the wide variation in the amount of grant per school 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

3.3.2 In conducting the review, BWG agreed some principles to guide consideration of the actual allocations at a later stage as follows:

- ❖ **Basic School Development Grant (SDG)** (i.e. excluding Previous Excellence cluster payments)

Proposal: to be paid the same rate per pupil for all schools

SDG is worth £4.46m, equivalent to £205.48 per pupil for all schools. SDG includes 40% of the former National Grid for Learning (ICT infrastructure) grant, which was rolled into SDG in 2006/07 and additional budget headroom from DSG has been added into SDG on a social deprivation basis as required by the previous government.

To achieve greater consistency with the proposed national school funding formula It is proposed that SDG funding is allocated at a fixed base of £10,000 for all schools plus £159 per pupil (pupil numbers x 4 for special schools) which would bring some convergence with the national school funding formula proposals for a £95,000 lump sum for all primary schools. Alternatively, £205.48 per pupil could be allocated to all schools however this is not favoured by the Budget Working Group.

Implementation is to be phased over a 3 year period so that the new formula is introduced by a 1/3rd each year to phase in winners and losers gradually. This will minimise the change in school budgets over the 3 year period.

❖ ***Excellence Cluster funding***

Proposal: Due to the complexity of the Excellence cluster and BIP funding, £1.18m, it is proposed that there should be no change in 2012/13 for schools in the South Wye and Golden Valley areas and that there should be further more detailed discussions with the schools (including South Wye schools and similar schools elsewhere in the county) involved so that agreed proposals can be brought forward for consultation next year and implementation in 2013/14 and 2014/15.

However due to falling rolls, some schools in the former excellence cluster would receive an increase in funding, to avoid this it is proposed to cap SDG and excellence cluster/BIP funding so that no school receives more in 2012/13 than in 2011/12.

❖ ***School Lunch Grant***

Proposal: the £0.2m paid out at £17.65 per pupil for primary and special schools rather than taking account of transport costs for hot meals as previously agreed by Schools Forum. Since high schools have on-site kitchens there is no transport cost.

❖ ***Specialisms***

Due to the complexity of the specialist grants, £1.9m, it is proposed that there should be no change in 2012/13 for high schools and that there should be further more detailed discussions with HASH so that proposals can be brought forward for consultation next year and implementation in 2013/14 and 2014/15.

❖ ***School Standards Grant (SSG)***

This grant was originally allocated by government to schools in blocks of funding per size of school e.g. in 2003/04 primary schools up to 100 pupils received £10k, up to 200 pupils received £20,000, up to 400 pupils £30,000 and up to 600 pupils £45,000 high schools up to 600 pupils received £80k and up to 1200 pupils £96,000. Special schools with up to 100 pupils received £27k. However, in more recent years, schools have received the higher of either the DfE formula or a percentage increase on the per pupil amount received in the previous year. In 2010/11 this increase was 2.1%. In 2011/12 all the standards fund grants were paid at the same amount per pupil as in 2010/11 less a 1.5% budget cut.

The DfE formula is now a £12k flat rate for primary schools and PRUs plus £120 per pupil, high schools received a flat rate of £12k plus £130 per pupil and special schools received £29k plus £130 per secondary pupil, else £120 per pupil. Special schools were subject to a £44k ceiling and PRUs a £39k ceiling.

Proposal: funding is based on the DfE formula over a three year period as follows;

Primary £12k plus £120 per pupil
High £12k plus £130 per pupil
Special £29k plus £120 per pupil
PRUs £12k plus £120 per pupil

Payment of the fixed base allocation of £12k for primary schools would be consistent with the national school funding formula proposals for a fixed base allocation for primary schools of £95k. This would be a move towards achieving this. It also represents the previous grant allocation rather than the previous per pupil payment used in 2011/12.

This basic proposal as above leaves £450k unallocated so it is suggested to move gradually over 3 years to the base DfE formula and to allocate any surplus as a percentage increase to all schools. Hence in 2012-13 schools will receive 2/3rd of their 10/11 allocation and 1/3rd of the base DfE formula plus an additional 3.5%. In 2013-14 schools will receive 2/3rd of the base DfE formula and 1/3rd of their 10/11 original and adjusted by any surplus. In 2014-15 schools will be funded solely on the DfE base formula.

Alternative: that the £4.37m paid out at £205 per pupil for all pupils /all schools. A factor of 4 could be applied to special school numbers would marginally reduce the per pupil payment

❖ **Advanced Skills Teachers (AST)**

Proposal: that from April 2015 funding will be shared out equally to all schools on a per pupil basis. Prior to April 2015 schools previously in receipt of AST funding will be funded at £6,840pa for each AST actually employed (based on 38 weeks of supply cover at £180 to provide one day per week release) as these schools must provide the AST for the one day per week for use by other schools). The balance of the funding, approx £100k will be shared equally on a per pupil basis.

Payment is being continued for schools with ASTs for three years to ensure that salary protection requirements can be met. From April 2015 schools will be able to charge for this service and no additional funding will provided. This is consistent with the wider introduction of traded services and service level agreements across the county and also avoids complicated grant adjustments when ASTs retire, move onto new schools or otherwise cease to be ASTs through promotion etc.

❖ **School Standards Grant – Personalisation (SSGP)**

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)

Proposal: the £966k to be paid out as per LMS deprivation formula as opposed to government method of Low Prior Attainment and % free school meals (both factors in LMS formula)

❖ **Disadvantage Subsidy**

Proposal: the £0.49m is paid out using LMS deprivation formula rather than disadvantage formula (including rurality) used by extended schools team.

❖ **One to One tuition**

Proposal: the £0.7m paid out using LMS deprivation funding formula rather than government's method of bidding for funding for pupils behind their expected key stage level.

❖ **Extended Schools Sustainability**

Proposal: that the extended schools sustainability should be at a standard rate per pupil. The £0.43m paid out at standard £19.68 per pupil rather than allocated by school partnerships (potentially each partnership has different arrangements)

❖ **Primary and Secondary strategy funding**

Proposal: that the targeted secondary and primary allocations should be allocated at a standard rate per pupil for all high and primary schools rather than only those schools fortunate to continue to receive their 2010/11 allocations

- i. £0.28m of secondary targeted funding allocated to all high school (& PRU/special) pupils at £30 per pupil rather than allocated to only those schools with need in 10/11
- ii. £0.08m of targeted primary and £0.19m of universal primary funding allocated at £21.92 to all primary pupils.

- iii. £0.38m of Every child a writer/reader/counter and primary lead teacher, early years foundation and primary modern languages allocated at £31.32 per primary pupil to all primary schools

3.4 Impact of the grant review proposals

3.4.1 The impact of a three year plan for changes in the distribution of the former grants to schools is estimated to reduce the variation in per pupil as follows (to be updated prior to consultation). It is suggested that Schools Forum implement phase 1 in 12/13 and agree in principle to proceed with phases 2 and 3 in the following years subject to review by the Budget Working Group each year to ensure that the impact in the second and third years, is as expected. This will allow amendments to the plan to be considered. This is considered important given the £16m value of the former standards fund grants.

3.4.2 It is possible that special schools will lose grant funding disproportionately under these proposals due to their much smaller number of pupils. In this case consideration will be given to an additional increase in the special school per pupil funding allocations to ensure that pupils in special schools are not disadvantaged.

	11/12 Actual Grant allocation	Proposed grant review 12/13 Estimated	Proposed grant review 13/14 Est.	Proposed grant review 14/15 Est.
	£	£	£	£
Min	361	400	435	470
Average	895	810	730	641
Max	3,700	2,900	2,100	1,310
Variability (standard Deviation.)	541	410	280	166

3.5 Overall the grant review proposals

3.5.1 Overall these proposals provide for

- A flatter allocation of “per pupil” grant funding to all schools
- Recognising the fixed base allocations to smaller schools in line with proposals for the national school funding formula
- Payment to special schools is based on using a 4-fold multiple of pupil numbers for consistency with the national funding formula (Herefordshire has previously used a multiplier of 3)

- Deferral of the Excellence Cluster and school specialisms for 12 months to allow for more detailed discussions with the schools involved.

3.5.2 The Secretary of State has previously refused all applications from local authorities in 2011/12 to suspend the Minimum Funding Guarantee (MFG) and so the full cost of implementing change is almost certain to fall on the MFG. DfE are currently unable to confirm the MFG arrangements for 2012/13.

DEDICATED SCHOOLS GRANT 2012/13 – BUDGET OPTIONS

4.0 SCHOOLS BUDGET SETTLEMENT 2012/13

4.1 The Government is due to announce the schools budget settlement for 2012/13 in early December and it is anticipated that there will be no increase nationally in the per pupil allocation for DSG. Herefordshire will continue to receive the same rate as 2011/12 i.e. £4,723.65 per pupil and that the Minimum Funding Guarantee (MFG) will be set at a similar level, around -1.5%.

4.2 The pupil premium was set at £430 per “free school meals” pupil and £200 for “service children” in 2011/12. This brought an additional £1m into Herefordshire schools for the basic pupil premium and the second instalment in 2012/13 is expected to bring a further £1m to Herefordshire although the basis of the entitlement may change to “ever free meals”, i.e. will include pupils who have been eligible for free meals at any time in either the last 3 or 6 years. An announcement in December is expected. The impact of the change is likely to be that more pupils will benefit and the second instalment will be worth slightly less per pupil.

4.3 The predicted shortfall in the Herefordshire schools budget is estimated to be £1.1m as set out in paragraph 3.2 which arises from a net budget loss of £185k due to falling rolls and estimated increases in spending commitments of £901k. The budget agreed by Schools Forum in March 2011 has delivered £419k of savings in 2012/13 and further savings of £265k from charitable rates relief reducing the additional cost pressures to £401k. However, if implemented, the review of mainstreamed grants by the Budget Working Group could incur additional costs possibly upto £1.5m over three years. The proposed budget for 2012-13 would allow for first year implementation costs of up to £500k to be met from the 2012-13 budget. It is expected that the additional funding from the second year of pupil premium grant will be £1m. Offsetting the additional cost pressures and implementation costs of the grant review against the expected additional pupil premium funding will provide for a small overall increase in the School Budget of around £47k. Details of all the spending pressures are set out at paragraph 3.2.

4.4 Additional spending pressures from growth in pupil numbers, free school meals or other school budget factors (e.g. Banded funding, business rates, teachers UPS

costs) cannot be confirmed until February 2012 when final pupil census details are available. All costs will be updated prior to Schools Forum on 24th February 2012.

5.0 ESTIMATED DSG 2012/13

- 5.1 The 2012/13 DSG will be confirmed by DfE in early July 2012, this is in common with previous year's practice. An accurate estimate will be calculated based on January pupil numbers and until these are available in mid-February all budget projections are estimates and subject to revision. The final budget proposals will be agreed with Schools Forum in March 2012 and recommended to the Council for approval.
- 5.2 Based on September 2011 pupil numbers (estimated at 22,488), DSG prior to academy recoupment, is estimated as £106.225m.
- 5.3 Additionally, in 2011/12 there is an estimated academy recoupment from DSG of £110k due to the expected 21 academies that will have been established before the start of the financial year. The recoupment is determined by DfE based on the authority's expenditure on admissions, additional needs services, behaviour support and the trade union facilities agreement. Because these are services that can be purchased by academies through the Service Level Agreement (SLA) process the loss of DSG income should be offset by additional income targets for these services from academy buy-back. This will ensure that there is no extra cost to be met by the DSG as a whole. Further school transfers to academies during 2011/12 will result in additional top-slices which will be dealt with by income budgets as above.
- 5.4 Central DSG spend is estimated as £9.95m, an increase of £332k or 3.5% from 2011/12. This arises mainly from an increase due to banded funding (+£200k), CNS (+£200k) and savings from reducing the additional budget need for PRUs as the second year of PRU charges for the additional 25 hours teaching (-£78k).
- 5.5 Hence £96.8m is available for individual school budgets (plus the YPLA SEN grant of £341k plus Earl Mortimer VI form. Academy VI forms are funded directly by the YPLA).

6.0 BUDGET STRATEGY 2012/13 and beyond

- 6.1 School Forum's Budget Working Group (BWG) has developed a budget strategy in accordance with the principles adopted by Schools Forum and set out in section 3 of this budget consultation paper. The additional cost pressures, identified at £0.5m, and the first year implementation cost of £0.5m for the implementation of the first phase of the mainstream grants review, could be funded from savings of £1m in social deprivation and personalised learning (which are offset by the equivalent £1m increase in the pupil premium in 2012/13).

- 6.2 The proposals changing the allocation of the mainstreamed grants allow some opportunities to simplify the formula for small schools protection and take some initial steps in bringing into line with the proposed national school funding formula i.e. a fixed base allocation of around £95,000 for all primary schools in order to cover fixed costs. This strategy was approved by Schools Forum on 23rd September 2011 as the basis for consultation with schools and PVI nursery providers.
- 6.3 Following the schools budget settlement, expected in early December, the Budget Working Group will assess whether the budget strategy needs to be amended and whether any further consultation with schools and PVIs is necessary. In broad terms the BWG has attempted to set a level of budget cuts to match the expected increase in the pupil premium as follows;
- Social Deprivation -£500k
 - Personalised Learning -£500k
 - Central Budgets etc -£100k
 - Remove PRU one-off funding -£78k
- Changes to small schools protection are proposed reducing the overall cost by £100k but changing the pupil thresholds to ensure that the protection paid to the smallest schools remains at the same levels to 2011/12.
- 6.4 Schools Forum has set up a small working group to consider whether proposals to delegate Band 3 and Band 4 funding can be developed which would give schools greater responsibility for meeting SEN funding requirements from within their delegated funds. Detailed proposals are set out in section 9.
- 6.5 The budget strategy requires further savings in central DSG funded services
- 6.6 The Minimum Funding Guarantee will provide protection to schools so that the full value of the proposed reductions in school budgets will not be realised in 2012/13. For example, a cut of £250k to small schools protection only saves £121k due to increases in the protection to individual schools offered by the MFG. It does have the advantage that in future years the protection will be gradually phased out over a number of years and that further savings will be released in 2012/13 and 2013/14.

7.0 BUDGET CONSULTATION TIMESCALES

- 7.1 The budget process and timeline is:
- The BWG's proposals for 2012/13 to be considered and amended/approved by Schools Forum on 23rd September for consultation with schools and PVI nursery providers during the autumn term.

- Responses to the budget consultation due by 11th November and to be considered by Schools Forum on 8th December.
- DSG settlement and outcome of national school funding formula consultation announced by DfE in early December.
- BWG to meet w/c 12th December consider whether any change to the budget strategy is required following the DfE announcement and if so, approve a brief supplementary consultation to be returned by the 31st January.
- The BWG would then meet in early February to consider the responses from schools and draw up final budget proposals for Schools Forum on the 24th February 2012.
- Schools Forum on 24th February to recommend a final budget to the Cabinet Member for Corporate Service and Education for final approval in mid-March.

8.0 BUDGET OPTIONS

8.1 Each option set out below has been considered cumulatively because of the impact on the Minimum Funding Guarantee.

9.0 PROPOSED CHANGES IN SCHOOL BUDGETS

9.1 The £1.0m shortfall could be funded by a range of options as set out below

A IMPLEMENT PHASE ONE OF THE GRANTS REVIEW AT A COST OF £500k

9.2 To consider in principle whether schools wish to proceed with the grants review or alternatively not to and to reduce the budget reductions set out below e.g. to reduce the reductions in social deprivation funding by £500k.

	Yes	No
Do you support the proposed grants review over a three year period		

B REDUCE SMALL SCHOOLS PROTECTION BY A FURTHER £100k (10% on 10/11 budgets)

9.3 To consider whether the basis of small schools protection in Herefordshire should be changed or reduced in light of the proposals in the national school funding formula that small schools protection will only apply to primary schools through a fixed lump sum of £95,000 to cover fixed costs.

Options to be considered by BWG could be as follows:

- 9.4 Overall a further £100k reduction (equivalent to 10% on the original 10/11 budgets) in small schools protection. After the MFG protection savings of £70k are achieved.
- Either by reducing the threshold for payment to 600 pupils for high schools (down from 655) and reducing the primary threshold to 175 pupils (down from 200) ensures that the protection paid to the smallest primary and high schools remains at the 2011/12 levels whilst reducing or removing to those schools above or near the pupil thresholds. These proposals reduce the number of schools receiving protection and ensure the smallest schools are protected at the same level as last year.
 - Or alternatively a cash reduction of £100k could be applied equally to all primary and high schools which would reduce the protection from all schools equally,

SMALL SCHOOLS PROTECTION	2011/12 BUDGET £'000	2012/13 PROPOSED £'000	REDUCTION £'000
Primary	547	476	-71
High	228	198	-30
TOTAL	775	674	-101

C SOCIAL DEPRIVATION - REDUCE BY £500K

- 9.5 The protection offered to schools by Minimum Funding Guarantee reduces the savings achieved in 2012/13 to £233k. The reduction in social deprivation funding will be offset by additional pupil premium grant in 2012/13.

SOCIAL DEPRIVATION FACTORS	2011/12 BUDGET £'000	2012/13 PROPOSED £'000	REDUCTION £'000
Primary	486	180	-306
High	311	117	-194
TOTAL	797	297	-500

D REDUCE PERSONALISED LEARNING BY £500K

9.6 The protection offered to schools by Minimum Funding Guarantee reduces the savings achieved in 2012/13 to £168k. The reduction in personalised learning funding will be offset by additional pupil premium grant in 2012/13. Note: there is an additional £1.5m personalised learning paid on a low prior attainment factor which is categorised as SEN funding. The reduction in personalised learning funding will be offset by additional pupil premium grant in 2012/13.

PERSONALISED LEARNING (EXCLUDING SEN)	2011/12 BUDGET £'000	2012/13 PROPOSED £'000	REDUCTION £'000
Primary	362	172	-190
High	592	282	-310
TOTAL	954	454	-500

E MAINSTREAM GRANTS REVIEW

9.7 Implement the initial first year of the grant funding review at a cost of MFG £500k in 2012/13 as set out in the table below

MAINSTREAM GRANTS REVIEW IMPLEMENTATION IN	2012/13	2013/14	2014/15
School Development Grant (basic)	1/3	1/3	1/3
Excellence cluster		1/2	1/2
Lunch grant	Yes		
Specialisms		1/2	1/2
School Standards Grant	1/3	1/3	1/3
Advanced Skills Teachers	Lower payment	Lower payment	Lower payment
School Standards Grant (Personalisation)	Yes		
Disadvantage Subsidy	Yes		
One to One tuition	Yes		
Extended Schools Sustainability	Yes		
Primary and Secondary strategy funding	yes		

F PER PUPIL REDUCTIONS BY 0.25% or £6 per pupil to save £125k

- 9.8 Any further savings required in the schools budget can only be made by reducing the “per pupil” unit of funding. This will reduce the funding for all schools pro-rata to pupil numbers. For example a reduction of 0.25% will reduce primary school funding by £6 per pupil, high schools by £8 per pupil and special schools by an average £43 per pupil and will save approx £125k.
- 9.9 Due to the proposed delegation of additional funding for Band 3 & 4 it is not expected that there will be a cost on the Minimum Funding Guarantee.

G DELEGATION OF BAND 3 & BAND 4 for High schools and BAND 3 for primary schools

- 9.10 Schools Forum established a task and finish group to consider whether a sound basis for further delegation of banded funding could be developed in the view of the continued increasing applications for funding. Such proposals would significantly reduce the unnecessary cost of the administrative and professional time incurred by both schools and central staff in preparing and considering funding applications. Such an approach is also consistent with giving greater flexibility to head teachers to allocate their funding as they consider best.
- 9.11 The group consider that funding for both Band 3 and Band 4 special needs can be delegated to high schools but also wished to retain an option for centrally retaining the additional top-up funding for Band 4 equivalent to £4,150 per Band 4 pupil (i.e. £11,500 Band 4 funding less £7,350 Band 3 funding at 11/12 costs). In 2009/10, there were 85 pupils allocated Band 3 funding and a further 38 pupils allocated Band 4 funding. High schools have large delegated budgets and will be able to absorb any relatively small variation between the cost of meeting the needs of such pupils and the value of the additional delegated funding. It is inevitable that such variation will occur from year to year as individual pupils move on from school such changes are reflected in the formula funding. Headteachers will be able to plan SEN support at the start of each financial year based on known funding allocations.
- 9.12 The large number of small primary schools requires a different approach as their budgets are much smaller and most primary schools will be unable to manage the additional costs of new in-year pupils with Band 3 or Band 4 SEN. It is proposed that the current system of in-year applications will be retained for Band 4 primary pupils. Larger primary schools have budgets that are greater than the smallest high schools and should be able to manage the costs of Band 3 pupils from delegated funds. It is proposed to delegate Band 3 funding to primary schools on a sliding scale so that the largest primary schools with over 300 pupils, which are comparable to the smallest high schools, should receive 100% delegation by formula and the smallest

primary schools would receive 10% delegation by formula and 90% of actual cost. In this way the smallest primary schools will still be able to provide for the needs of Band 3 children by being funded at 90% of actual cost and 10% by formula. The sliding scale is as follows;

Band 3 proposals for Primary schools	Percentage Delegated by Formula	Percentage funded at actual cost
300 Pupils or more	100%	0%
150 to 299 pupils	75%	25%
100 to 149 pupils	50%	50%
75-99 pupils	25%	75%
Less than 75 pupils	10%	90%

Comments will be sought from schools as to whether there should be more than five pupil blocks in the above sliding scale and whether the percentage change should be less than 25% between blocks.

The sliding scale will apply to all band 3 SEN children in primary schools both those in school at the start of the financial year and most importantly new applications during the year. For example, as now, a school will be given funding for a Band 3 SEN pupil in school prior to the start of the financial year (the cut off date is end of February) in their budget in April. For a 200 pupil primary school, in line with the table above, 75% will be delegated by formula and only 25% based on actual cost. For new in-year applications to the banded funding panel only 25% of the actual cost will be granted as the other 75% is already included in the school's delegated formula funding. For a 50 pupil primary school, 90% of the actual cost will be granted as 10% is already in the school's delegated funding. Headteachers will be aware of the needs of the pupils in their schools and will be able to allocate the delegated SEN budget for existing pupils whilst retaining a contingency for potential new pupils. In many cases, the needs of pupils are known and can be anticipated well in advance of application to the banded funding panel. School balances have increased in 2011/12 and can be used to provide for such contingencies.

- 9.13 In order to determine the amounts for the delegation described above in 9.15, it is proposed to use the existing Band 1 and Band 2 delegation formula, which has been in operation from April 2009. This has been successful, and will be updated to meet the actual costs of Bands 3 and 4 in 2011/12, however these will not be known until February 2012. No complaints have been received from schools about the adequacy of the existing formula or the use of actual banded funding costs. Delegation models using 2009/10 banded funding applications and costs demonstrate a good fit between the proposed delegation method and actual costs and are set out in the Appendix (to follow – see section 12).

9.14 Separate arrangements, to be agreed with the school, will be put in place to meet the higher numbers of Band 3 and Band 4 pupils at the Kielder Centre. Such costs are estimated at £184k for full delegation of Band 3 and 4 and the lesser amount of £150k if the option for the central retention of the Band 4 top-up funding is preferred.

9.15 The delegation by formula of the Band 3 and Band 4 will be covered by The Minimum Funding Guarantee (MFG) and so schools that are already protected by the MFG may not receive the full allocation of delegated funding in 12/13 - in a similar manner to the newly delegated SEN support services in 11/12. It is estimated that the cost of the MFG is reduced by £150k.

10. NON SCHOOLS EXPENDITURE

H PVI NURSERY FUNDING FORMULA -XX% REDUCTION EQUIVALENT TO £YYK

10.1 In 2010/11 a reduction of 2% in the budget of £3,594k was agreed by Schools Forum. Benchmarking data from DfE to be added when available before distribution to schools & PVIs. Benchmarking data analysis to be provided from the early years team.

11. NON SCHOOLS EXPENDITURE – CENTRAL SERVICES

J CENTRAL DSG SAVINGS AT 3% or £172k

11.1 No impact on MFG as savings are made centrally. These savings and cost pressures have been assumed in the budget planning as set out in the table below.

	2011/12 BUDGET £'000	ADJUSTMENT £'000	2012/13 PROPOSED £'000	NOTES
Absences/TU facilities	73	-2	71	To ensure minimum service consistent with legal requirements
Casework	81	-2	79	-3%
Excluded Pupils	-46	0	-46	Excluded from -3% cut because demand led budget

	2011/12 BUDGET £'000	ADJUSTMENT £'000	2012/13 PROPOSED £'000	NOTES
Complex Needs	1,835	0	1835	Assess 12/13 budget need in Early Sept
Early Years	309	-9	300	-3%
Recharges	346	-10	336	-3%
PRUs	916+78	-78 -27	891	2 nd year income phased in so additional budget not needed but 3% cut applied
Recoupment	24	0	24	Excluded from -3% cut budget reduced by £70k in 11/12
Additional Needs services	1,169	-35	1,134	-3%
Admissions & School Planning	161	-5	156	-3%
Travellers	124	-4	120	-3%
LMS Review	12		12	Agreed by Forum subject to available funding
TOTAL		-172		

11.2 The -3% budget reduction has been applied equally to services funded by DSG to achieve savings of £94k. Additionally the one-off £78k allocated to the 25 hour teaching time in PRUs in 11/12 is withdrawn as the PRU charges will be extended to both years from 2012/13 bring in additional income of £156k. Savings may vary between services but in practice will total 3%.

12. IMPACT ON SCHOOL BUDGETS

- 12.1 The Appendix (to be completed when Sept pupil numbers are available) sets out the estimated impact on individual school budgets of implementing this package of budget cuts. The table includes all schools and shows the estimated 2012/13 budgets pre- and post the proposed budget reductions. The additional funding from the pupil premium has been included to give the overall impact of these proposals.
- 12.2 Comparisons with the 2011/12 budget are more difficult to assess for an individual school due to other budget changes from rising from pupil numbers, SEN funding and class size grant for primary schools. There will be further budget amendments when final pupil numbers are available from the January pupil census.

13. RISKS - ADDITIONAL BUDGET PRESSURES

- 13.1 There is a significant risk that the initial budget estimates will need to be revised after the consultation has closed as further information becomes available during the autumn term. The following provides a summary of the likelihood of potential adjustment. It is hoped that any such adjustments can be contained in the proposed budget strategy. If not and the changes are significant then a supplementary consultation may be required. Frequently additional budget pressures are offset by unexpected savings elsewhere.

<i>BUDGET PRESSURE</i>	<i>RISK of Significant additional cost</i>
Unexpected impact of schools funding settlement in December 2011 or national schools funding formula proposals	High
Complex Needs – increasing pupils requiring out county placements?- projection for 12/13?	High
Standards fund missing instalment - further info?	High
Budget reductions due to less DSG income from falling pupil numbers	Medium
Increasing demand for special school places/ enhanced funding needs in 12/13?	Medium
Any changes to Band 3 & Band 4 delegation proposals re extra accost of protection etc?	Medium
Losses from schools closing with a deficit	Medium
Estimates for additional costs for Kielder Centre at Bishop's is insufficient	Low
Update re for PRU extra teaching hours to meet statutory 25 hours teaching requirement	Low
TOTAL	Low

14. SAVINGS OPTIONS - SUMMARY

14.1 The savings set out above are summarised below with the impact and risk attached to each option. This table allows you to assess the full impact of the required savings and will be helpful when completing the consultation response form.

	DESCRIPTION	SAVINGS £'000	IMPACT	RISK
A	Implement phase one of grants review		Phasing change over three years will reduce the impact	Medium
B	Reduce small schools protection by £100k	70	Reducing the threshold for payment to 600 for high schools and 175 for primary schools maintains the protection paid to the smallest schools whilst reducing the overall cost.	Medium
C	Reduce social deprivation by £500k	233	Will reduce funding to disadvantaged schools however will be offset by extra funding from pupil premium.	Low
D	Reduce Personalised Learning (excluding SEN) £500k	168	Will reduce funding to disadvantaged schools however will be offset by extra funding from pupil premium	Low
E	Detailed proposals on grant by grant basis arising from mainstreamed grants review		Impact will be different for each grant	Various
F	Reduce schools "per pupil funding" by 0.25%	125	Each 0.25 Reduces budgets of primary schools by £6 per pupil, high schools by £8 per pupil and in special schools by £43 per pupil in proportion to pupil numbers	Low
G	Delegate Band 3 and Band 4 SEN	150	Reducing the cost of the MFG means that schools with protected funding will not receive the full budget for SEN.	High
H	Reduce PVI nursery formula funding by ??		Will impact on smaller and more rural nurseries. LA may incur additional set up costs for replacement providers.	Medium
J	Reduce central DSG by -3%	172	Reduces central services to schools e.g. will reduce additional needs service by 0.6 FTE teacher impacting on services to schools and pupils.	Medium
	TOTAL	918		

CONSULTATION RESPONSES BY 11TH NOVEMBER 2011

A separate consultation form is attached and must be returned to malcolm.green@herefordshire.gov.uk by 11th November 2011 in order that your views can be considered by Schools Forum at their meeting in December.