

CITY OF PLYMOUTH

Subject: Setting the Schools Revenue Budget 2011/12
Committee: Cabinet
Date: 8 March 2011
Cabinet Member: Councillor Mrs Watkins
CMT Member: Director of Services for Children and Young People
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Ref:
Key Decision: N
Part: I

Executive Summary:

The Local Authority must make an initial determination of the Schools Budget for 2011/12 and give notice of that determination to the governing bodies of the schools it maintains before the 31 March 2011.

The Schools Budget includes the Individual Schools Budget (ISB) which is determined by the local schools funding formula and all other expenditure incurred in connection with the authority's functions in relation to the provision of primary and secondary education and all relevant early years provision.

The Local Authority determines the local schools funding formula to ensure the equitable distribution across all schools, in consultation with the Schools Forum.

The Schools Budget has historically been funded from the ringfenced Dedicated Schools Grant (DSG), post 16 funding from the Young Peoples Learning Agency (YPLA) and the Standards Fund programme. The Schools Funding Settlement announced on the 13 December 2010 ended the standards fund programme and streamlined the majority of grants into the DSG. The Local Authority must determine how the grants streamlined into the DSG are distributed in 2011/12 and any changes to the local funding formula prior to the final budget allocations being sent to schools.

The DSG has faced rising pressures over the last few years due to the increasing cost of providing for Special Education Needs (SEN) pupils. The Schools Forum commissioned a sub-group to review the funding of SEN in June 2009, to ensure it effectively and efficiently meets the needs of pupils.

Corporate Plan 2010 – 2013 as amended by the four new priorities for the City and Council:

Raising Aspiration: The principles of reducing turbulence and maintaining stability during 2011/12 have been adopted, to protect the education system as far as possible during a period of significant change.

Reducing Inequality: The proposals continue to target funding at vulnerable children and young people to support their development and educational achievement. The Pupil

Premium is welcome additional funding which is targeted to the most vulnerable children, in order to support schools in the work they do to raise attainment.

**Implications for Medium Term Financial Plan and Resource Implications:
Including finance, human, IT and land**

The recommendations in this report concern the distribution of the Dedicated Schools Grant (DSG). The DSG is ring fenced and as such any changes within it will not have a direct impact on the MTFP.

A number of local authority school related functions are funded by the central element of the DSG. As schools transfer to academy status the funding which the authority receives in relation to those functions will reduce. The authority will need to either a) replace the funding by charging the academy to continue delivering services on its behalf or b) re-focus services in line with the reducing requirement to deliver services on behalf of schools.

The Pupil Premium is a new ring fenced grant allocated by the Department for Education in addition to the DSG.

Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, Equalities Impact Assessment, etc.

An Equalities Impact Assessment is currently being undertaken regarding the proposed changes to the funding of SEN in mainstream schools.

Recommendations & Reasons for recommended action:

- a. The recommendations from the Schools Forum regarding the distribution of streamlined grants should be accepted by Cabinet.
 - b. Cabinet note the risk to the central DSG budget as schools transfer to academy status.
 - c. The current 1 to 10 banding system used to direct funding to SEN pupils in mainstream schools should be replaced by a 1 to 4 banding system from April 2011 for new cases and for transition from primary to secondary from April 2012.
 - d. Agree new allocation formula for all new named SEN cases from April 2011 and for transition from primary to secondary from April 2012.
 - e. The proposed DSG budget should be set with an expected £425,000 deficit carried forward to the 2012/13 financial year. The estimated deficit will be updated to reflect the January 2011 pupil numbers and the final individual schools budget calculation.
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Alternative options considered and reasons for recommended action:

Continue to use all the predecessor grant distribution methodology to distribute streamlined grants in 2011/12 which would retain funding within a centrally managed programme. The recommended action is in line with the principles set out in the Education White Paper: The Importance of Teaching which outlines the commitment by the Government to devolve as much funding to schools as possible.

Background papers:

Schools Forum Report: Setting the Schools Budget 2011/12 (27 January 2011)

Schools Forum Report: Final Report on Funding Special Educational Needs in Mainstream Schools from April 2011.

Sign off:

Fin	SA/ ChS0318/ 24.2.11	Leg	LLT 11020 24.2.11	HR		Corp Prop		IT		Strat Proc	
Originating SMT Member: Colin Moore Assistant Director Services for Children & Young People											

1.0 Introduction

- 1.1 Whilst the Local Authority had been working towards the implementation of changes to its local schools funding formula from April 2011, the change of government in May 2010 has led to substantial reform of the education system. The Coalition government will be reviewing the schools funding system during 2011. The Local Authority, in consultation with the Schools Forum, must decide the distribution of the Dedicated Schools Grant for 2011/12 and set the Schools Budget by the 31 March 2011.
- 1.2 In order to cope with the large amount of work needed regarding changes to schools funding, the Schools Forum commissioned a Schools Forum Budget Modelling Sub-Group in November 2010 with the following scope of work:
- a) Setting the 2011/12 Schools Budget taking account of local priorities and national directives prescribed via the Comprehensive Spending Review and the Education White Paper
 - b) Building on the local formula review work already developed for 2012/13 and beyond, taking account of the Education White Paper and possible national funding formula.
- 1.3 This report focuses on the initial priority of setting the 2011/12 Schools Budget.
- 1.4 The main areas for consideration include:
- i) The Schools Funding Settlement
 - ii) Distribution of streamlined grants
 - iii) Operation of the Pupil Premium
 - iv) Overall affordability of the Schools Budget

2.0 Schools Funding Settlement

- 2.1 The Secretary of State for Education announced the schools funding settlement on the 13 December 2010. The funding settlement covers the one year period of 2011/12 only. It is hoped that the Department for Education (DfE) will issue a settlement for the remainder of the Comprehensive Review Period following consultation during 2011.
- 2.2 The Dedicated Schools Grant (DSG) has been allocated to local authorities based on a standstill funding value per pupil compared to 2010/11, before the allocation of the streamlined grants previously allocated via the standards fund programme.
- 2.3 All schools will be guaranteed that their funding will not reduce by more than 1.5%, where pupil numbers stay the same. Whilst the guarantee will offer some protection, schools will be expected to make efficiency savings to live within the settlement.
- 2.4 £24m of grants previously allocated via the standards fund programme have been streamlined into the Dedicated Schools Grant. Most grants appear to have been streamlined in full.
- 2.5 Devolved Formula Capital has been reduced by 80% from the total available in 2010/11. Given that 40% of the 2010/11 allocation had been paid in 2009/10 and that some of the total funding is abated and held centrally for some projects, the actual reduction for schools compared to the 2010/11 allocation schools received will feel more like 65%.

- 2.6 Details of the Post 16 settlement are still awaited from the Young Peoples Learning Agency (YPLA). Early information indicates individual schools could experience potential reductions of up to 10%.

3.0 Distribution of Streamlined Grants

- 3.1 With the aim of simplifying the funding system a total of 20 grants previously distributed via the standards fund programme have been streamlined into the DSG. The cash value, totalling £24m, of the predecessor grants received in 2010/11 has been equated into a value per pupil and added to the DSG guaranteed unit of funding.
- 3.2 A number of the predecessor grants had been expected to be discontinued from 2011/12 prior to the announcement of the funding settlement.
- 3.3 The Department for Education has given local authority's the choice of using the current methodology to distribute the streamlined grants in the first year or targeting the resources locally. Given the short time scale and in the interest of stability, the Schools Forum Budget Modelling Sub-Group agreed the grants which could easily be incorporated into the local funding formula and the grants which would require greater consideration.
- 3.4 After taking on board the detailed considerations of the sub-group, the Schools Forum and officers make recommendation to Cabinet regarding the treatment of streamlined grants. The detail is shown in Annex A and is summarised below.

	Streamlined Grant £'000	Proposed Distribution £'000	Increase/ (decrease) £'000
Allocated Direct to Schools	18,184	19,362	1,178
Centrally Managed Programmes	5,834	2,473	(3,361)
Total	24,018	21,835	(2,183)

The net decrease relates to a) pupil number changes and b) the prioritisation of the Schools Forum when assessing the overall affordability of the schools budget.

4.0 Operation of the Pupil Premium

- 4.1 On 13 December 2010, Michael Gove set out funding arrangements for the Pupil Premium which targets additional funding to the most vulnerable children, in order to support schools in the work they do to raise attainment.
- 4.2 The Pupil Premium will be allocated for service children, deprived children as assessed by FSM entitlement and Looked After Children in years reception to 11.

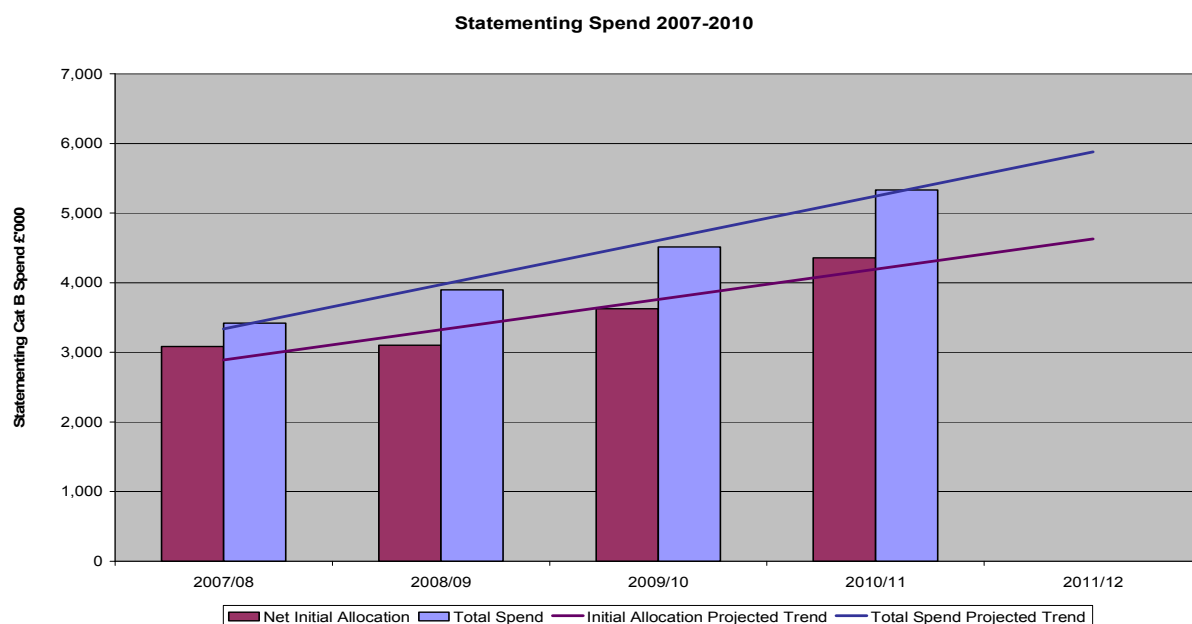
Category	£ per pupil	Estimated Total Allocation £'000
Service Children	200	373
Free School Meal	430	2,606
Looked After Children	430	106
		3,085

4.3 The DfE will issue guidance to schools on what the Pupil Premium should be spent on. The additional funding cannot be used to bridge a schools budget gap. Individual schools will need to report to parents how the premium has been spent.

5.0 Special Educational Needs (SEN)

5.1 Funding for SEN has been delegated to schools for all pupils apart from those in the early years sector, using a formula for low level needs (Category A) and named allocations for high level needs (Category B). Named allocations for high level needs are linked to statutory assessment of need and allocated via the Statementing Resources Panel (SRP). Allocations are made throughout the year and will follow a pupils movement between schools.

5.2 Significant growth in named allocations between 2007 and 2010 has put pressure on both the contingency for in-year allocations and the overall schools budget. The chart below shows the initial allocation at the start of the financial year compared to the total expenditure, which includes the in-year allocations, between 2007 and 2010. Allocations made in year will have a knock on impact on the subsequent years. The extrapolated trend shows that costs will continue to increase at a significant rate if no action is taken.



5.3 The Schools Forum commissioned a sub-group to review the funding of SEN in June 2009, to ensure it effectively and efficiently meets the needs of pupils. The initial review plan was linked to an April 2011 implementation date. The implications of government funding and policy changes will make it necessary for some proposals to be implemented in April 2011, whilst allowing the group to continue reflecting national changes ready for April 2012.

- 5.4 No banding descriptors exist to support the current system of allocating funding for SEN. Banding descriptors provide clarity to schools, parents and panels when making decisions regarding the needs of pupils and the resource implications. The current 1 to 10 banding system should be replaced by a 1 to 4 banding system from April 2011 for new cases and for transition from primary to secondary from April 2011. Banding descriptors should be introduced to provide clarity regarding whether a need could be met from the schools formula allocation and when an additional named allocation would be necessary.
- 5.5 The Category A funding formula should remain the same in 2011/12. Further work should be undertaken to refine the formula distribution method with a view to increasing delegation from April 2012. The final proposed formula should take into account details from the White Paper and the SEN Green Paper.
- 5.6 The current funding system requires schools to meet the needs of pupils below Band 7 (new proposed Band 2). When a pupils needs are judged to be Band 7 (new proposed Band 2) or above the total funding of a Band 7 (new proposed Band 2) etc. is allocated to the school. There is an argument that some of the resources needed to meet pupil needs are already delegated to schools via the formula allocation. If only a top up allocation was paid to the school for the additional need beyond the formula funding, the overall cost of the named allocations would be significantly reduced.
- 5.7 As pupils with previously approved allocations leave the school, the savings on the Category B budget should be transferred to the Category A budget and increase the total formula funding available to schools.
- 5.8 The proposals in this report do not reduce the spending commitment on Special Educational Needs and thus do not have a direct impact on individual school budgets or the funding currently allocated to named pupils. The proposals are designed to prevent the escalation of costs by controlling the allocations made in year.

6.0 Overall Affordability of the Schools Budget 2011/12

- 6.1 Given that the only increase in the Dedicated Schools Grant (DSG) in 2011/12 will be through the streamlining of grants, consideration must be given to expected cost pressures when determining the overall affordability of the 2011/12 Schools Budget. The DSG budget must legally be determined using the January pupil census data. The draft budget outlined in this report has been based on the October pupil census and thus is subject to pupil number change.

6.2 Expected cost pressures are shown in the table below.

Cost Pressure		£000
1	Repayment of the 2010/11 DSG Deficit	517
2	Growth in SEN Named Allocations	872
3	Provision for Special School Post 16 Places	100
4	Increased data factors i.e. UPS, FSM, NNDR	34
	School Budget Pressure to date	1,523
5	School Sports Partnership	110
6	Special schools increase to JE average cost	188
	Total Schools Estimated Pressures	1,821
7	Central Expenditure Pressures	396
	Total Estimated DSG Pressures	2,217

6.3 The Schools Forum considered the cost pressures and the overall affordability of the schools budget which has been taken into account in the recommendations regarding the distribution of streamlined grants.

6.4 Proposals for balancing the budget are shown in the table below.

	£'000
Estimated budget gap reported to Schools Forum 27 January 2011	2,217

Recommended Savings:

1	Reduction of the AST budget by 50% - all outreach will cease, where schools require outreach to be provided by an AST they will need to pay supply costs to the AST's school.	(300)
2	Targeted Support for primary and secondary schools will be reduced as follows: 50% delegated to schools instead of the original proposal of 75% 0% held centrally instead of the original proposal of 25%	(698)
3	Diploma Grant reduced in line with the predicted learner numbers	(59)
4	School review group funding reduced	(75)
5	Extended schools subsidy - Celebratory events budget ceased	(150)
6	Extended schools subsidy funding delegated to schools reduced by 50%	(410)
7	LA income target for Traded Services with academies	(200)
	Deficit to be carried forward to 2012/13	325
	Supporting Schools in Financial Difficulty (Max funding pot)	100
	Total Proposed Deficit carried forward to 2012/13	425

- 6.5 The grant conditions of the DSG require any surplus or deficit to be carried forward to the next financial year. The DSG budget was set with an agreed deficit of £350,000 in both the 2009/10 and 2010/11 financial years. The proposed deficit in 2011/12 does not represent significant growth and equates to 0.25% of the total estimated DSG (before academy recoupment). Any deficit carried forward would be the first call on the 2012/13 DSG allocation. The DSG will be subject to a national review during 2011/12. The local authority will continue to work with the DfE to ensure Plymouth is not disadvantaged by any new national funding formula adopted from 2012/13.
- 6.6 The proposals regarding the distribution of the DSG in 2011/12 represents a balanced allocation across all schools. However, a very small number of schools (3 primary and 1 special schools) will remain on the Minimum Funding Guarantee (MFG). The nature of the MFG means that those schools will effectively lose a maximum of 1.5% compared to their 2010/11 budget. A number of other schools may experience cash reductions but this will relate to pupil number and other data changes rather than as a result of the redistribution of streamlined grants.
- 6.7 To support schools experiencing financial difficulty in 2011/12 the Schools Forum proposes that a Supporting Schools in Financial Difficulty budget be created from the DSG up to a maximum value of £100,000. An application and assessment process will be determined by the Schools Forum and local authority officers in line with the scheme operated in 2010/11.
- 6.8 The Schools Finance Regulations prohibit the increase of the central expenditure at a rate which is higher than the direct schools expenditure. The total estimated DSG budget shown in Annex B demonstrates that no breach of the central expenditure limit has occurred.

7.0 Academy Recoupment

- 7.1 Part of the Local Authority's DSG allocation is recouped by the DfE for each school transferring to academy status. The majority of the recoupment is related to the Individual School Budget which is then paid direct to the academy by the YPLA. However, an element of the recoupment relates to the central expenditure where responsibilities are transferred to the academy.
- 7.2 The expected pressures on the central expenditure outlined in paragraph 5.2, includes an estimated academy recoupment of £200,000 for the three Plymouth schools which have transferred to academy status in 2010/11.
- 7.3 Where funding is recouped and paid direct to the academy the authority will need to either a) replace the funding by charging the academy to continue delivering services on its behalf or b) re-focus services in line with the reducing requirement to deliver services on behalf of schools. A Prospectus of Services is currently being developed by Officers.
- 7.4 As part of balancing the 2011/12 budget an income target has been set for the Authority to recover lost DSG via charging academies for services.
- 7.5 Additional risk surrounds the number of schools likely to transfer to academy status during 2011/12. Current assessment indicates an additional nine schools could transfer by 01 April 2011 which could increase the central expenditure recoupment to £1m.

7.6 The Authority will need to work quickly to re-focus services and develop service level agreements with academies to ensure the deficit on the DSG carried forward to 2012/13 is not increased.

8.0 Recommendations

8.1 The recommendations from the Schools Forum regarding the distribution of streamlined grants should be accepted by Cabinet.

8.2 Cabinet note the risk to the central DSG budget as schools transfer to academy status.

8.3 The current 1 to 10 banding system used to direct funding to SEN pupils in mainstream schools should be replaced by a 1 to 4 banding system from April 2011 for new cases and for transition from primary to secondary from April 2012.

8.4 Agree new allocation formula for all new named SEN cases from April 2011 and for transition from primary to secondary from April 2012.

8.5 The proposed DSG budget should be set with an estimated £425,000 deficit carried forward to the 2012/13 financial year. The estimated deficit will be updated to reflect the January 2011 pupil numbers and the final individual schools budget calculation.

Proposed Distribution of Streamlined Grants

Annex A

Predecessor Grant	Value £	Proposed Distribution Methodology
School Standards Grant	6,250,282	Mirror national formula used in 2010/11
School Standards Grant (Personalisation)	1,919,896	Mirror national formula used in 2010/11
Schools Development Grant	2,854,331	Allocate funding per pupil based on the historic allocation for individual schools
ICT in schools	759,961	Historic funding per pupil added to the Age Weighted Pupil Units (AWPU)
1:1 Tuition	1,321,156	Allocate 2/5 based on pupil numbers, 2/5 based on prior attainment data and 1/5 based on free school meal eligibility.
Extended Schools Subsidy	977,454	42% to be allocated to schools based on free school meal eligibility. 58% budget savings to offset cost pressures.
Extended Schools Sustainability	911,189	A lump sum equivalent to the cost of a Parent Support Advisor (PSA) for 20 hours per week, term time only, should be allocated to all schools. Individual schools would decide how to use this new allocation. A provision for redundancy costs would need to be set aside in the first year of delegation.
Gifted and Talented	21,531	Continue allocating to special schools using historic funding per pupil
Enterprise Learning	364,664	Funding should be allocated to the 11-15 AWPU and special school place values
Deprivation	623,793	Continue allocating to special schools using historic funding per pupil
Specialist Schools	2,714,189	Continue funding the current specialism's using the specialist college funding formula
School Lunch Grant	376,784	Continue to distribute funding based on January pupil numbers. Schools operating their own catering facility will continue to receive devolved funding into the schools budget. The allocation for schools within the Plymouth City Council catering contract and PFI schools will be allocated directly to the catering provider.
Ethnic Minority Achievement Grant	159,974	The funding should be devolved to schools via the Ethnic Minority Achievement Team with the majority of funding supporting new arrivals.
Advanced Skills Teachers	604,809	50% of the funding should be allocated to support the strategic deployment of AST's across the City. 50% budget savings to offset cost pressures. Schools with AST's will need to charge other schools wishing to utilise the AST time to compensate for the lost outreach funding.
Targeted Support for Primary and Secondary Strategy	1,398,858	50% of the funding should be allocated to schools based on pupil numbers. 50% budget savings to offset cost pressures.
Diploma Formula Grant	159,974	£100,000 allocated to schools in line with diploma learners in September 2011 with £59,974 budget savings to offset cost pressures.

Predecessor Grant	Value £	Proposed Distribution Methodology
School Review Group	230,432	£155,432 should continue to be held centrally and targeted in year to support schools in most need at times of high risk. £75,000 budget savings to offset cost pressures.
Excellence in Cities	1,804,631	65% of the funding should be retained for use by the Excellence Cluster to ensure continuity of its frontline delivery for the most vulnerable children and young people. 35% of the funding should be allocated to primary and secondary schools using the following formula: 50% 4 to 15 pupil numbers and 50% 4 to 15 FSM entitlement. A provision for redundancy costs would need to be set aside in the first year of delegation.
Primary Expansion Funding	250,000	65% of the funding should be retained to support core staffing and provide continuity of service. 35% of the funding should be allocated to primary schools using the following formula: 50% 4 to 10 pupil numbers and 50% 4 to 10 FSM entitlement.
Primary Expansion Satellite Cluster	160,000	25% of the funding should be retained by the Satellite Cluster to support a transition period and allow restructuring of gifted and talented provision across the cluster. 75% of the funding should be allocated to primary schools using the following formula: 50% 4 to 10 pupil numbers and 50% 4 to 10 FSM entitlement.
Total Streamlined Grants	24,018,290	

Estimated DSG Budget 2011/12

Annex B

Dedicated Schools Grant		
2010/11	2010/11	2010/11
Original Budget	Academies & Streamlined Grants	Adjusted Budget
£'000	£'000	£'000
Direct Schools Expenditure		
Nursery Schools	79	499
Primary Schools	6,881	65,036
Secondary Schools	13,975	68,165
Special Schools	693	10,605
Schools excluding Contingency	21,628	144,304
EY PV and I		4,437
Contingency		50
Statementing Contingency		343
Prudential Borrowing		603
Grants held centrally	6,932	6,932
Total Direct Schools Expenditure	28,560	156,669
Central Expenditure		
Academies Income Target		0
Former Standards Fund contribution		272
Directorate Management		42
SEN Projects & Management		116
Independent Spec Schools & SEN		1,566
Behaviour & Attendance		2,424
Behaviour Support Team		831
FSM, Admissions & Transport		1,842
Integrated Disability Service		967
EY Education and Childcare		847
Ethnic Minority Achievement Service & National Strategies		526
Challenge and Support		83
Workforce Reform Development		57
Inclusion Equality Diversity		313
Pension and Other Costs		840
Maternity and Other Absence		570
Central Expenditure Overhead		632
Total Central Expenditure	0	11,927
Total Dedicated Schools Grant	28,560	168,597

Dedicated Schools Grant		
2011/12	Change	Change
Estimated Budget	in Budget	in Budget
£'000	£'000	%
478	-21	-4.1%
67,092	2,056	3.2%
68,856	691	1.0%
10,843	238	2.2%
147,269	2,965	2.1%
6,191	1,754	39.5%
1,743	1,693	3386.0%
343	0	0.0%
685	82	13.6%
2,562	-4,370	-63.0%
158,793	2,124	1.4%
-200	-200	100.0%
0	-272	-100.0%
28	-14	-33.7%
116	0	0.0%
2,202	636	40.6%
2,278	-146	-6.0%
822	-8	-1.0%
1,918	76	4.1%
1,014	47	4.9%
801	-46	-5.4%
415	-112	-21.2%
83	0	0.0%
57	0	0.0%
326	13	4.2%
840	0	0.0%
585	15	2.7%
639	6	1.0%
11,923	-4	0.0%
170,716	2,119	1.3%

Notes	
	£'000
Estimated DSG	171,008
Approved Brought Fwd	
less 2010/11 Deficit Carried Fwd	517
2010/11 DSG Budget	170,491
less DSG Allocated	170,716
less Academies recoupment	200
Forecast under/(over) spend	(425)
Includes growth items not yet included above	
Includes direct schools allocation to PRU's	
Broadband subsidy (£190k), strategies (£65k) Drug & Alc (£17k) Reduced business support	
Central statementing and independent sector place growth (£489k), ASD invest to save (£147k) ACE Restructure 2010/11 Delivery plans Increased FSM	
Reduction of national strategies	