

Date of Meeting: 1 March 2010

Subject: **Indicative Schools' Budget 2010/11**

Report of: Head of Finance Children's Services

Contact Details: Name: Rachel Rosewell
Tel: 0161 234 1324
E-mail: r.rosewell@manchester.gov.uk

Confidential: Not applicable

Introduction

The purpose of this paper is to inform Schools Forum of:

1. The anticipated level of Dedicated Schools Grant (DSG) and the Young Peoples Learning Agency grant for Manchester in 2010/11.
2. The anticipated allocation of the 'Schools' Budget' between the funding delegated to schools, known as the Individual Schools Budget (ISB), and the centrally retained schools budget (RSB).
3. The plan for considering appropriate use of the DSG surplus.
4. Impact of Academy budgets on the ISB for 2010/11.

Summary

The report sets out the anticipated 'Schools' Budget' for 2010/11 and the background to the current schools' funding settlement. The basis of the estimated Dedicated Schools Grant (DSG) for 2010/11 is explained, together with the allocation of the 'Schools' Budget' to the Individual Schools Budget (ISB) and Retained Schools Budget (RSB). There is a table which sets out the movement from 2009/10 budget to indicative 2010/11 budget for the RSB and ISB.

The need to breach the CEL due to the impact of Academy budgets on the ISB is set out and Schools Forum approval requested. The report requests consideration of the use of 2008/09 DSG surplus carry forward by the Schools Forum.

Recommendations

The Schools Forum is asked to:

- a. Note and comment upon the estimated 'Schools' Budget' for 2010/11 and the estimated Dedicated Schools Grant (DSG) funding in 2010/11,
- b. Note that DSG will not be finalised until confirmation is received from the Department for Children, Schools and Families (DCSF) in June 2010. Any under or over provision will be a call on or addition to the DSG in the following year.
- c. Approve the requirement to breach the Central Expenditure Limit in 2010/11 due to the impact of budgets for Academies being deducted from the Authority's DSG.
- d. Note the plan for considering appropriate use of the DSG surplus.

Reference to Key Documents/Previous Papers

19/10/09 - Item 7 - Schools' Budget – Final Settlement and Clawback of Dedicated Schools Grant 2009-10

25/01/10 – Item 4 – Indicative School Budget Shares 2010/11

Implementation Date (if appropriate):

1st April 2010

REPORT TO THE SCHOOLS FORUM

Indicative Schools Budget 2010/11

1. Purpose of the Paper

- 1.1 The purpose of this paper is to inform Schools Forum members of the indicative 'Schools' Budget' for 2010/11. The estimated figures have been updated since the last report on the indicative 2010/10 budgets based on the latest information, including estimated of pupil numbers.
- 1.2 The 'Schools' Budget' funds schools and other pupil related services provided by the Authority. The funding for the Schools Budget is paid to the Local Authority through a ring fenced grant known as the Dedicated Schools Grant (DSG) plus Young People Learning Agency (YPLA)¹ grants for post-16 pupils.
- 1.3 The proportion of the Schools Budget that is delegated to individual schools at the beginning of the financial year is known as the **Individual Schools Budget (ISB)**. The proportion held by the LA for services in support of pupils and schools is known as the **Retained Schools Budget (RSB)**.

2. School Funding Settlement 2008/09 - 2010/11

- 2.1. The Government has previously announced the school funding settlement for the three year spending period 2008/09 to 2010/11. For the final year of the settlement the average percentage increase in total schools funding nationally is 5.3% in 2010/11. This includes not only the DSG but also funding in relation to extending the Early Years entitlement from 12.5 hours to 15 hours per week and additional funding required for the growing number of Academies.
- 2.2 The percentage increase in per pupil DSG funding and the cash figure per pupil is as follows:

¹ The Young Peoples Learning Agency (YPLA) will come into existence on 1st April 2010 and will fund Local Authorities for post-16 provision. Post 16 provision will no longer be funded by Learning and Skills Council as this will cease to exist from 31st March 2010.

	Per Pupil Funding 2010/11 £	Increase from 2009/10
Manchester	4919	4.0%
Met Average	4405	4.2%
England Average	4398	4.3%

- 2.3 The funding is intended to support the Minimum Funding Guarantee (MFG), headroom and ministerial priorities such as Personalisation including Special Educational Needs (SEN).

a. Minimum Funding Guarantee (MFG)

The MFG for the period 2008/09 to 2010/11 is 2.1% per annum. The MFG is intended to fund the assessed cost pressures for schools, including pay and price inflation. The teachers' pay award for September 2010 is 2.3% and this is the final year of the current three year pay settlement. In assessing cost pressures, the MFG being set at 2.1% assumes schools achieve efficiency gains of 1%. The MFG is estimated to equate to increase in funding by £6.011m of which £5.238m will be added to the ISB and £0.773m will be added to the RSB to cover inflation pressures.

b. Headroom

Headroom represents "capacity" within the funding settlement which is not earmarked for any specific purpose. Headroom was 1% in 2008/09 and 0.8% in 2009/10 and 2010/11. It is for Authorities to agree with Schools Forum how the Headroom will be allocated. This is estimated to equate to £2.290m in 2010/11 which will all be delegated to schools.

c. Personalisation/SEN

It is intended that this funding, included within the baseline DSG rate per pupil, will support universal roll out of the personalised offer to all. For Manchester based on DCSF indicative pupil numbers this will equate to around a further £3.062m in 2010/11 which will all be delegated to schools.

3. Indicative DSG 2010/11

- 3.1 The indicative DSG for 2010/11 is based on a rate per pupil of £4,919 multiplied by the indicative January 2010 pupil census from maintained schools, pupil referral units, early years settings, special needs provision etc.
- 3.2 The Authority will finalise locally the January 2010 pupil census during February in order to issue school budgets by 31st March 2010. However the Authority will not be notified of the final DSG settlement for 2010/11 by the Department for Children, Schools and Families (DCSF) until around June 2010, once data cleansing has taken place nationally. Any variance between the final DSG notified by DSCF and the DSG anticipated by the Authority as at March 2010 must be adjusted for by the Authority, either in-year or in subsequent years.
- 3.3 The DSG is anticipated at £297.606m based on 60,500 FTE pupils at a rate of £4,919.11 per pupil. This is an early estimate of pupil numbers and will change once the January 2010 census has been finalised. In addition to this there is estimated YPLA funding for post 16 learners of £7.032m.

- 3.4 For Academies the Authority calculates each individual school's budget using the local funding formula. Then the DSG is reduced by the value of the individual Academy budgets, plus a small amount relating to Academies from the RSB (known as the Local Authority Central Spend Equivalent Grant (LACSEG)). It is estimated that £16.535m will be deducted from the DSG for pupils due to be in Academies in 2010/11, which will be directly funded by the DCSF. The residual DSG after the Academy reduction is estimated to be £281.071m.

4. Individual Schools Budget (ISB)

- 4.1 Individual school budgets are calculated using the Authority's approved schools' funding formula. Incorporated into this is the statutory requirement to meet the Minimum Funding Guarantee (MFG) for schools. This states the minimum percentage by which individual schools budgets must increase from the previous year, subject to pupil number changes. As mentioned above, in 2010/11 the MFG is 2.1%.
- 4.2 The ISB also includes the budget for private, voluntary and independent (PVI) settings for the three and four year old free entitlement to early years provision.
- 4.3 The total estimated ISB for 2010/11 is £250.760m, which is made up of £247.359 for maintained schools and £3.401m for PVI settings. Appendix 1 sets out the movement on the ISB from the 2009/10 ISB to the indicative 2010/11 ISB.

5. Centrally Retained Schools Budget (RSB)

- 5.1 The total funding requirement for the RSB is anticipated at £37.343m. Appendix 1 also sets out the movement on the RSB from the 2009/10 budget to the indicative budget for 2010/11. It is worth highlighting that all the growth from headroom and SEN/Personalisation in the DSG for 2010/11 is expected to be passed on to school budgets, rather than retained centrally. In total reductions from the RSB in respect of the new Academy Schools in Manchester with a September 2009 and 2010 opening dates is estimated at £0.246m.
- 5.2 In 2009/10 the non-delegated element of the DSG is forecasting a surplus of £0.900m. This is largely due to an underspend for the Sensory Support Service, due to vacancies in the service and the grant for the free entitlement for Early Years provision for three and four year olds. It is not planned to reduce these budgets on a permanent basis, however the underspend for 2009/10 will be carried forward to 2010/11 following which consultation will take place with the Schools Forum on an appropriate use of the carry forward.

6. The Central Expenditure Limit

- 6.1 In general the amount of funding retained centrally (RSB) is determined by the Local Authority within the agreed limit known as the Central Expenditure Limit

(CEL). Regulations regarding the CEL require that the total funding retained centrally by the Authority within the Schools Budget (i.e. the RSB) does not grow faster than that delegated to schools (the ISB). The Schools Forum must agree any increase in the CEL above the accepted rate of growth. If the Local Authority and Schools Forum cannot agree it may be referred to the Secretary of State for a decision.

- 6.2 Due to technicalities brought about by the DSG reductions for the Academies, the Local Authority will breach the CEL in 2010/11. The impact of the full year budget for the four Academies that opened in September 2009 and the part year impact of the Academy due to open in September 2010 means that the ISB will reduce by £8.321m more than it otherwise would have done.
- 6.3 The School Funding Regulations require that any breach of CEL is discussed and agreed with the Schools Forum. The DCSF has indicated that due to this being a breach brought about by the transfer of budgets for Academies, provided the Authority can demonstrate that the RSB is not increasing above the level of the ISB, then support for this will be given by the Secretary of State.

7. Use of DSG surplus from 2008/09

- 7.1 As outlined in the Schools Budget report from 19th October 2009, there remains £2.2m in surplus DSG from 2008/09.
- 7.2 It is proposed that recommendations for the use of the surplus are made by the Authority in support of Council priorities for children, young people and families, for discussion at the Schools Forum meeting in May 2010.

8. Recommendations

The Schools Forum is asked to:

- a. Note and comment upon the estimated 'Schools' Budget' for 2010/11 and the estimated Dedicated Schools Grant (DSG) funding in 2010/11,
- b. Note that DSG will not be finalised until confirmation is received from the Department for Children, Schools and Families (DCSF) in June 2010. Any under or over provision will be a call on or addition to the DSG in the following year.
- c. Approve the requirement to breach the Central Expenditure Limit in 2010/11 due to the impact of budgets for Academies being deducted from the Authority's DSG.
- d. Note the plan for considering appropriate use of the 2008/09 DSG surplus.

INDICATIVE SCHOOLS' BUDGET 2010/11

	£m	£m
<u>Individual Schools Budget (ISB)</u>		
School Budgets 2009/10		249.150
Plus		
Minimum Funding Guarantee 2.1%	5.168	
SEN/Personalisation 1.1%	3.148	
Headroom 0.8%	2.290	10.606
Less		
Reduction in pupil numbers	-1.956	
One-off funding from 2007/08 c/f	-2.120	
Removal of funding for Academies*	-8.321	-12.397
Indicative Delegated School Budget 2010/11		247.359
PVI** Budget 2009/10		3.331
Plus		
Minimum Funding Guarantee		0.070
Indicative Budget 2010/11		3.401
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Total ISB		250.760
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<u>Retained Schools Budget</u>		
RSB 2009/10		36.696
Plus		
Minimum Funding Guarantee 2.1%		0.773
Less		
Removal of funding for Academies - LAGSEG*		-0.126
Total RSB		37.343
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TOTAL		288.103
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<u>Funded by:</u>		
Estimated DSG - 60,500 pupils x £4,919.11	297.606	
Less Academy deduction*	-16.535	281.071
Estimated Young Peoples Learning Agency grant		7.032
		288.103

*Academy deduction - In 2009/10 £8.088m was removed from the DSG for the part year effect of the four academies that opened in September 2009. In 2010/11 it is estimated that a further £8.321 and £0.126m will be deducted. In total this means that it is estimated that £16.535m will be deducted from the 2010/11 DSG.

** PVI - Private, Voluntary and Independent Early Years Providers