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**Meeting:** Schools Forum  
**Date:** 7 March 2011  
**Subject:** Dedicated Schools Grant (DSG)  
**Report of:** Deputy Chief Executive and Director of Children's Services  
**Summary:** To update and make recommendation on the School Funding Settlement for 2011/12.

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Contact Officer: Dawn Hill, Technology House

Public/Exempt: Public

Wards Affected: All

Function of: Council

Reason for urgency  
(if appropriate)

<b>RECOMMENDATIONS:</b>	
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| 1. | To note the estimated Dedicated Schools Grant (DSG) funding and deployment.  |
| 2. | To endorse that LACSEG (Academy) recoupment for 11/12 to be paid from Headroom.  |
| 3. | To endorse the use of Headroom to fund a temporary appointment for one year and to commission targeted support for Academy conversions.    |
| 4. | To endorse the distribution of 1-2-1 Tuition Grant mainstreamed into DSG to Key Stage 2 and 3 pupils.                                      |
| 5. | To endorse the distribution of the Extended Schools Grant mainstreamed into DSG through the Deprivation factor.                            |
| 6. | To endorse the distribution of the National Strategies Grant mainstreamed into DSG to the age weighted pupil unit for year groups 3 to 10. |
| 7. | To approve a breach of the Central Expenditure Limit in the specific circumstance of funds held as Headroom.                               |
| 8. | To endorse that shortfall arising from the funding for Looked After Children Pupil Premium be funded from Headroom.                        |
| 9. | To endorse that any shortfall from the Young People Learning Agency (YPLA) SEN funding to be funded from Headroom.                         |

## Background

1. Since the beginning of the financial year 2006/07 local authorities have received allocations of DSG to finance the Schools Budget in each authority. The full DSG received must be applied to the Schools Budget in each authority, although authorities may provide additional resources in support of the Schools Budget should they decide to do so.
2. The Schools Budgets, as set out in the Statutory Section 251 budget, comprises the following:
  - a) Individual Schools Budgets (ISB), delegated to individual schools, by phase (also known as School Budget Shares). These allocations are delegated via the local Fair Funding Formula, which the Local Authority (LA) sets, in conjunction with its Schools' Forum.
  - b) Central Expenditure. This is the amount held back centrally for expenditure on pupils and includes:
    - Expenditure to fund Nursery Education in non-maintained settings (Private, Voluntary and Independent Sector)
    - School Specific Contingency
    - Special Education Needs - provision for statemented pupils, pupil referral units, behaviour support units
    - Termination of Employment costs
3. Central expenditure must not increase as a proportion of the overall Schools' Budget. This mechanism is known as the Central Expenditure Limit (CEL) and can only be breached in exceptional circumstances and with the specific approval of the Schools' Forum. In the case of Schools' Forum refusal the LA can ask the Secretary for State to approve the breach.
4. The final Schools' Budget depends on the January PLASC count and is determined by the units of funding (no of pupils - FTE) multiplied by the Guaranteed Unit of Funding (GUF).
5. The distribution of DSG is governed by the School Finance (England) Regulations 2011, updated for 2011/12, coming into force 28<sup>th</sup> February 2011.

## Update

6. It was resolved at the School Forum meeting on the 1<sup>st</sup> November 2010 that there would be no changes for 2011/12 to the formula funding factors that distribute funds via the Individual Schools Budget (ISB), and should grants merge with the DSG that these would be clearly shown as a separate factor using the same methodology.
7. At the School Forum meeting of the 24<sup>th</sup> January 2011 it was further agreed that the Pupil Premium allocation for Alternative provisions would be centrally retained and should Headroom arise for 2011/12 that this would be allocated to the Schools Specific Contingency pending the final settlement in June 2011.

Headroom is the amount of unallocated funds once the Schools formula has been run and DSG funds allocated to Children Services Cost Centres. This is expected to arise following rates revaluations and a negative Minimum Funding Guarantee.

8. The new updated school finance regulations for 2011/12 have been laid and include:
- enabling LA to set a single budget share for schools in a 'hard' federation (with a single governing body)
  - Carbon Reduction Commitment (CRC) purchase of allowances relating to schools an allowable item against central DSG
  - Amendment to Academy recoupment to not include SEN support services (S251 statement line 1.2.2)
9. The government will not be continuing to double fund pupils who have dual subsidiary registrations at PRUs. Many pupils attending a PRU are also registered at another institution but until recently there has been no way of differentiating between dual main and subsidiary registrations. This means that all dual subsidiary registered pupils in PRUs have attracted up until now double funding for their LA.

### Estimated DSG

10. The estimated DSG for 2011/12 is the full time equivalent (FTE) number of pupils as at 10/11 of 36,413 multiplied by the Guaranteed Unit of Funding (GUF) 4,658 giving **£169.61m**. The table below represents the distribution of DSG based on estimates and assumes a further 6 Schools convert to Academy status from 1<sup>st</sup> April 2011.

DSG £'000	Academy Recoupment £'000		ISB £'000	Centrally Retained £'000	Headroom £'000
	ISB	LACSEG			
<b>169,611</b>	<b>16,626</b>	<b>332</b>	<b>136,212</b>	<b>15,566</b>	<b>876</b>

It should be noted that as Schools convert to Academy status during the financial year further recoupment will apply which will be a further pressure for 2011/12.

### Academies

11. The Academies Act 2010 has provided an opportunity for many schools to consider the benefits of conversion to Academy status. There are currently six schools that have received secretary of state approval to convert and four of these are aiming to do so on the 1<sup>st</sup> April. In addition, officers have been advised of a further eight schools that are an advanced stage of application and are very likely to seek conversion early in the new financial year.
12. The process of conversion requires involvement from the following Council service areas in a condensed period of time:
- School Organisation & Capital Planning
  - Human Resources, Payroll & Pensions
  - Property Services

- Legal
- Finance

13. Each converting school receives a £25k grant from DfE to cover legal and specialist support in the conversion process, the Council does not receive any additional funding.

### Mainstreamed Grants

14. The grants mainstreamed into DSG include; Schools Standards Grant and Personalisation, Specialist Schools, School Lunch Grant, Ethnic Minority, 1-2-1 Tuition, Extended School, National Strategies and Diplomas.
15. Following the School Forum agreement that the same methodology should be applied, that is those grants previously paid to schools have been included as separate items on the ISB and those centrally retained grants held for LA distribution (1-2-1 Tuition, Extended Schools and National Strategies) distribution for which to be proposed.

### Centrally Retained DSG

16. The Centrally retained DSG has been initially allocated to LA cost centres based on the 10/11 allocation. See the table below for distribution.

Description		DSG Allocation £'000
<b>Director of Children Services</b>	Director of Children's Service	<b>126</b>
<b>AD Learning &amp; Strategic</b>	Learning & Strategic Commission	<b>145</b>
<b>Schools Support Services</b>	Eth min & Travellers Advisory	356
	Behaviour Support Team	508
	School Improvement	262
	Learning Support and Teachers	149
	Education Welfare	47
		<b>1,321</b>
<b>Other Schools Budget</b>	Official Duties	66
	Audit	38
	Schools Forum	5
	School Specific Contingency	518
	SEN Contingency	276
		<b>903</b>
<b>Head of Partnership &amp; Workforce</b>	Children's Workforce Develop	<b>5</b>
<b>School Improvement</b>	Learning HOS Operational Costs	46
	School Improve - Anti Bullying	59
	14-19 Practical Learning	556
		<b>661</b>

<b>Schools ICT</b>	<b>Schools ICT Team</b>	<b>53</b>
<b>AD - CSS</b>	AD Children's Services Operation	134
	Health & Education Partnership	65
	CAMHS	38
		<b>237</b>
<b>Youth Service</b>	Child Information	<b>70</b>
<b>SEN &amp; Inclusion</b>	Psychology (Teachers Advisory)	225
	Early Years SEN	112
	Virtual School	174
	EY & Sensory Impaired Team	746
	Holmead Provision	130
	PRU	1,281
	Behaviour & Attendance Therapies	210
	100	
	Statementing - Schools	450
	Statementing - Academies	440
	Therapy & High Cost Pupils	451
	Special Recoupment	110
	Hospital Recoupment	92
	Out of County provision	890
	Teachers assistant in schools	219
	<b>5,629</b>	
<b>Central Overheads</b>		<b>1,802</b>
<b>Adjusted for</b>	<b>Centrally retained Grants</b>	<b>4,906</b>
	<b>New converters LACSEG</b>	<b>-293</b>
		<b>15,566</b>

17. Further realignment work will be carried out following the organisation restructure to ensure DSG has been appropriately allocated.
18. It was agreed at the School Forum meeting of 24<sup>th</sup> January that initial headroom will be allocated to the School Specific Contingency and brought back to a future meeting of the School Forum. It should be noted as this is the first year of the Early Years Single Funding formula and the increase of funded hours through the DSG this may impact the available Headroom.

### **Central Expenditure Limit (CEL)**

19. Schools Finance Regulations 2011 governs the operation of the CEL and states that: *'In deducting central expenditure LAs must limit any increase in deductions, from the previous funding period to the funding period, by ensuring that it does not exceed the percentage of any increase in the authority's schools budget for the relevant funding period, unless they obtain the approval of their schools forum or the Secretary of State'*.

20. Following the School Forums approval that unallocated DSG may be held centrally as Headroom may cause a breach of the CEL.

### **Pupil Premium**

21. For looked after children (LAC) who at some point in the year up to 31<sup>st</sup> March 2011 have been looked after continuously for at least 6 months and who are in Year R to 11 during the 2011/12 financial year, the Pupil Premium should be allocated to the maintained school or Academy they mainly attend.
22. There is a possibility that the LAC pupil numbers in 2011/12 will be higher than pupil numbers for which we are funded for as this is based on the LA return for 2009/10 (SSDA903).

### **Post 16 Funding**

23. The funding from the Young People Learning Agency (YPLA) to fund post 16 pupils is yet to be announced. The table below shows the 2010/11 allocation. An element of the funding provides for SEN and contributions are split between the Special Schools ISB and central SEN cost centre.

<b>YPLA £'000</b>	<b>6<sup>th</sup> Form Allocation £'000</b>	<b>SEN Allocation £'000</b>	
		<b>Special Schools ISB</b>	<b>Central SEN</b>
<b>16,425</b>	<b>15,261</b>	<b>734</b>	<b>430</b>

24. There is a real risk that the total amount funded for 2011/12 will be reduced in line with the Coalition Government proposal that 6<sup>th</sup> Forum funding and Colleges should be aligned. There is also an expected increase in pupils attending post 16 education and it is yet to be advised if there is funding to cover this.

### **Recommendations**

#### **25. LACSEG**

The estimated recoupment for schools converting to Academy status in April 2011 is £293k. It is recommended that deductions from DSG should be funded from Headroom. It should be noted that this figure will increase as further schools convert.

#### **26. Academies**

It is clear that dedicated programme management support is required to effectively coordinate the LA conversion process and to manage the communication relationship between the Council, converting schools and their professional consultants and legal teams.

It is therefore requested to set aside a budget of £60,000 to fund a temporary appointment for one year and to commission targeted support where necessary from Headroom.

#### **27. Centrally Retained Grants - mainstreamed**

**1-2-1 tuition** has been previously allocated based on a per pupil element in Key

Stage 2 and 3 in English and Maths. To be consistent with this approach it is recommended that this grant is delegated to schools at the beginning of the financial year on a per pupil basis at Key Stage 2 and 3 and included as a separate factor 'Raising Standards' in the Schools ISB. The estimated value based on January 2010 pupils is £57 per pupil.

**Extended Schools** has been previously allocated to clusters of schools which worked together to provide Extended Service across the group. This was based on the number of pupils across the cluster with an additional factor on Acorn data. The cluster model is not an appropriate model moving forward. The recommendation is to allocate the funding direct to schools through the ISB increasing the amount of funds directed through the Social Deprivation factor focusing on the most vulnerable.

**National Strategies** has been previously directed at pupils who are at risk of underachieving at KS2, 3 and 4. It is proposed that these funds are delegated to schools via the Age Weighted Pupil Units (AWPU) rates for Years 3 to 10 to support achievement at KS 2, 3 and 4.

28. **Central Expenditure Limit**

Should the centrally retained grants be delegated to schools, on estimated figures, it is not anticipated that the central expenditure limit will be breached. However, the level of Headroom initially retained may cause a breach in the first instance. It is therefore recommended to breach the CEL for this specific circumstance.

29. **Pupil Premium for LAC**

There is a possibility that the LAC pupil numbers in 2011/12 will be higher than pupil numbers for which we are funded (2009-10). It is recommended that any shortfall relating to the payment of pupil premium to schools be funded from Headroom.

30. **Post 16 Funding**

It is recommended that any short fall to support the Special Schools ISB and Central SEN to be funded from Headroom.