
Meeting: Schools Forum
Date: 28 November 2011
Subject: Update on the Dedicated Schools Grant (DSG) and School Funding Reform
Report of: Deputy Chief Executive and Director of Children's Services
Summary: To note the update on the DSG and School Funding Reform

Contact Officer: Dawn Hill, Technology House

Public/Exempt: Public

Wards Affected: All

Function of: Council

Reason for urgency
(if appropriate)

RECOMMENDATIONS:

- 1. To note the update on the DSG and School Funding Reform.**

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. 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).
4. The Chief Finance Officer (CFO), must sign two statements annually: the Actual deployment (out-turn) and Budgeted Allocation of the DSG, confirming that it has been fully deployed in support of the School's Budget in accordance with the condition of the grant and the School Finance Regulations.

Deployment of DSG 2011/12

5. The budget allocation of the DSG for 2011/12 is the full time equivalent (FTE) number of pupils as at Jan 11 of 37,044 multiplied by the GUF £4,658 to give £172.555M. This amount is adjusted for Academies which open in 2008 to 2012 as at September 2011, revising the allocation to £147,541M. The allocation is continually revised as Schools convert to academy status during the financial year. The table below represents the distribution of the final DSG based on current number of academies as at end of October 2011.

DSG	Academies 2008/12	Revised DSG	Academies Oct	Individual Schools Budgets	Central Spend	Headroom
£'000	£'000	£'000	£'000	£'000	£'000	£'000
	ISB					
172,555	25,014	147,541	168	135,129	11,515	729

6. Academies receive a Local Authority Central Spend Equivalent Grant (LACSEG) deducted from the DSG for those services that are the responsibility of the Academy but are retained centrally e.g. behaviour support, practical learning etc. it was agreed by School Forum meeting of the 7th March 2011 that the cost of LACSEG up to a £1M would be funded by Headroom for 2011/12. Any amount over this cumulative sum would be brought back to the Forum.
7. The LACSEG deductions attributable to 15 converted schools as at October 2011 is £440K. It is anticipated that a further 21 schools will convert by the end of this financial year, requiring a further £183K from Headroom leaving an estimated balance of £546K.

Consultation on School Funding Reform

8. On 19th July 2011 the Department for Education (DfE) launched a Consultation on school funding arrangements. The consultation considered revising the current methodology for allocating some £35bn of annual school revenue funding across 151 Local Authorities through the Dedicated Schools Grant. The consultation closed on the 11th October 2011. Although the consultation proposed no changes to the 2012/2013 methodology for funding Local Authorities it did give a clear steer as to the direction of travel. Pupil Premium will continue, and is outside the DSG arrangements.
9. Two sessions were organised and both School Forum members and Officers were invited to attend. Each of the 47 questions asked in the Consultation were debated before formulating a response. Both the LA and Schools Forum responded to the consultation.
10. The consultation did strongly suggest that the formula used to allocate funding to both the LA and Schools must be more simplistic and easy to calculate. The School Finance Regulations prescribes the factors that are currently allowed to be used for allocating funding to schools, however, Local authorities in consultation with School Forums have flexibility in deciding how and which of these are used. The DfE believes that there is scope to reduce this list of factors to provide greater consistency in funding across the country and to limit the degree to which local authorities can diverge from the national formula. The proposed list of factors only include the five elements below :
 - Basic entitlement per pupil (currently Age-Weighted Pupil Units)
 - Funding for additional educational needs (e.g. deprivation, SEN, EAL)
 - Rates
 - Exceptional site factors (e.g. split site, PFI and rent)
 - Lump sums for schools
11. School Forum members were in agreement with the proposed reduction to formula factors. It was acknowledged that this would simplify the local formula and enable schools to calculate with some accuracy their own allocation of funding. It was agreed that this should be done in phases as it was accepted that there would be 'winners' and 'losers' as the DSG is a finite source of funding. Officers were requested to model the reduction of formula factors and this was presented to members at the second session on the 30th September. **Appendix A.**
12. Members at the session proposed Model 2a to be implemented for Lower Schools and Model 2 for Uppers. Officers were requested to model a lump sum for Middle Schools as although the consultation proposed a lump sum to only schools with no higher than a year group 6, it did not take account of those LA's that still have a three tier system. Middle Schools were not represented at this meeting and it was agreed following the further modelling, officers would seek the views of Middle School representatives.
13. Proposals for the 12/13 distribution will be brought back to the next meeting in January 2012.

Pupil Premium

14. On 12 October 2011 the Department for Education announced that this year's Pupil Premium for disadvantaged pupils has been increased from £430 to £488; an additional £58 per pupil. The money has been released because fewer children than expected have registered for Free School Meals and fulfils the Government's commitment to allocate £625m to the pupil premium this year. Children who have been looked after by local authorities for more than six months will also qualify for the Pupil Premium at the higher rate. The funding premium for children of service families will remain at £200 per pupil for 2011/12.

Consultation on School Finance (England) Regulations 2012

15. On 11 October 2011 the DfE launched a consultation on the new School Finance (England) Regulations 2012, which included the Minimum Funding Guarantee (MFG) disapplications, Pupil Premium for excluded pupils and Remissions of boarding fees. The consultation ended on Friday, 11th November 2011.
16. Individual school's budgets are subject to a Minimum Funding Guarantee. It is based on the current year's budget as allocated at the start of the year with a fixed percentage uplift, adjusted for changes in pupil numbers and a limited number of exempt items. Formula factors exempt from MFG calculation are:
 - YPLA funding
 - Rates
 - Individual named pupils allocation
 - Infant class size allocation
 - Newly qualified Teachers (NQT)
 - Other: Insurance Pupil Led and Lump sum, Hearing Impaired unit,
17. The MFG protection for the period 2008/09 – 2010/11 was set at 2.1%. However for 2011/12 the protection was set at a **negative 1.5%** for all schools with exception of Nursery and Special Schools. For Nursery and Special Schools the LA in consultation with Schools Forum agreed 1% for Nurseries and negative 1.5% for Special Schools. For maintained primary and secondary schools the LA uses the MFG calculator published by the DfE.
18. MFG disapplication - In 2011/12 LAs could apply to the Secretary of State for further exclusions than those items listed in paragraph 15. Central Bedfordshire did not request any such disapplication. Where a factor is disappplied the school is not protected against any changes in the amount allocated through that factor. Although the MFG level for 2012/13 has not yet been announced, the DfE intend that disapplication could be agreed locally, subject to schools forum approval where the Secretary of State had agreed these unconditionally in 2011/12 and relate to factors were disapplications were consistently approved in 2011/12.
19. The consultation seeks views on the proposed MFG disapplications, Pupil Premium for excluded pupils following the pupil and the Remission of Boarding Fees being an allowable category of central expenditure within the central schools budget.

Appendices:

Appendix A – Modelling of Formula Factors

Assumptions:

The pupil numbers in all Options are based on the January 2011 PLASC data. Minimum Funding Guarantee (MFG) is calculated using the same calculator and assumptions used in calculating the 11/12 actual MFG. This may be subject to change in 2012/13.

The “pot” for all phases is kept the same for each option.

Caddington Village School and Fairfield Park are excluded from the direct comparison as individual factors applied in 2011/12.

For Upper Schools the Young People’s Learning Agency (YPLA) funding is assumed at the same level as 2011/12 actual.

Early Years Single Funding Formula and Special Schools funding will not change.

All funds reallocated to AWPU or lump sum for Lower and Middle.

There are three Models, each one increasing the number of factors removed until only five factors remain in line with the DfE proposals in the Consultation paper.

There are variations in Model 2 for Lower and Middles to take account of a *Lump Sum* factor.

Model 1.

Factors removed and added to the AWPU:

- Mainstreamed Grants
- Teachers Threshold
- Newly Qualified teachers (NQT)

	Lowers	Middles	Uppers
	£'000	£'000	£'000
Highest increase	44	95	28
Highest decrease	30	53	60
MFG increase	739	164	50

Model 2.

Factors removed and added to the AWPU:

- Mainstreamed Grants
- Teachers Threshold
- Newly Qualified teachers (NQT)
- Formula Funding Lump Sum
- Insurance Lump Sum
- Schools Meals Lump Sum

For Lower Schools Model 2 assumes no lump sum and Model 2a a lump sum factor of £95k.

For Middle Schools Model 2 assumes no lump sum, Model 2a a lump sum of £47,500 and Model 2b a lump sum of £40,000. The lump sum for middle schools is included to take account of year groups 5 and 6.

	Lowers		Middles			Uppers
		a		a	b	
	£'000	£'000	£'000	£'000	£'000	£'000
Highest increase	66	21	74	52	54	63
Highest decrease	59	31	84	59	61	63
MFG increase	1,911	14	169	133	136	114

Model 3

Factors removed and added to the AWPU:

Mainstreamed Grants
 Teachers Threshold
 Newly Qualified teachers (NQT)
 Formula Funding Lump Sum
 Insurance Lump Sum
 Schools Meals Lump Sum
 Addition Summer Intake Funding (Lowers only)
 Admissions
 Free School Meals
 Infant Class Size (Lowers only)
 Personalisation
 School Meals
 Small School protection (Lowers & Middles)

For Lower Schools Model 3 assumes no lump sum and Model 2a a lump sum factor of £95k.

For Middle Schools Model 3 assumes no lump sum, Model 3a a lump sum of £47,500 and Model 3b a lump sum of £40,000. The lump sum for middle schools is included to take account of year groups 5 and 6.

	Lowers		Middles			Uppers
		a		a	b	
	£'000	£'000	£'000	£'000	£'000	£'000
Highest increase	101	62	124	92	97	148
Highest decrease	93	73	118	104	106	106
MFG increase	3,847	865	427	353	365	240

The table below shows the AWPU rates derived from each model and the actual AWPU rates for 2011/12.

Loweres	Year Group	Actual 2011-12	Model 1	Model 2	Model 2a	Model 3	Model 3a
		£	£	£	£	£	£
	Stat	2,244	2,743	2,954	2,456	3,291	2,870
1	2,231	2,727	2,937	2,442	3,271	2,853	
2	2,308	2,821	3,038	2,526	3,384	2,951	
3	2,144	2,620	2,822	2,347	3,144	2,742	
4	2,148	2,625	2,827	2,351	3,150	2,747	

Middles	Year Group	Actual 2011-12	Model 1	Model 2	Model 2a	Model 2b	Model 3	Model 3a	Model 3b
		£	£	£	£	£	£	£	£
	5	2,365	2,917	3,101	3,006	3,022	3,384	3,292	3,306
6	2,370	2,923	3,108	3,013	3,028	3,391	3,299	3,313	
7	2,622	3,213	3,417	3,312	3,329	3,725	3,623	3,639	
8	2,628	3,220	3,425	3,320	3,337	3,733	3,632	3,648	

Uppers	Year Group	Actual 2011-12	Model 1	Model 2	Model 3
		£	£	£	£
	9	2,908	3,559	3,679	3,956
10	3,405	4,168	4,308	4,632	
11	3,659	4,479	4,630	4,977	
12	3,770	4,615	4,770	5,128	