
Meeting: Schools Forum
Date: 25 June 2012
Subject: Dedicated Schools Grant (DSG)
Report of: Deputy Chief Executive and Director of Children's Services
Summary: To note the update on the DSG arrangements and Funding Reform Consultation

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 deployment of the 2012/13 DSG**
- 2. To note the update on the School Funding Reform Consultation**
- 3. To request membership to a Technical Funding sub group to work with LA officers following the outcome of the Consultation.**

Background

1. Since the beginning of the financial year 2006/07 local authorities (LA) 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. After taking advice from the Director of Children's Services, 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.
5. The DfE will continue with the current funding system for schools for 2012/13. For DSG, this means a continuation of the "spend plus" methodology and is subject to the recent School Funding consultation. In the longer term, the Government's intention is to bring in a simpler and more transparent funding system. This should help reduce the funding differences between similar schools in different areas

Deployment of DSG 2012/13

6. The budget allocation of DSG for 2012/13 is the full time equivalent (FTE) number of pupils as at Jan 12 of 37,333 multiplied by the GUF £4,658 to give £173.901M. The School Forum agreed at the meeting of the 5th March 2012 that unspent DSG in 2011/12 to be distributed to schools as a one-off payment based on degree of incidence of low level needs (HILLN). The sum of £309K has been added to the 2012/13 DSG allocation. The table below represents the initial distribution of the 2012/13 DSG based on the current number of academies.

DSG	Academies		Revised DSG	ISB	Central Spend
£'000	ISB £'000	LACSEG £'000	£'000	£'000	£'000
174,210	60,407	465	113,338	103,504	9,834

7. 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 at the School Forum meeting on the 5th March 2012 that the cost of LACSEG up to £550K would be funded from DSG, the remainder funded by the Authority.
8. The LACSEG deductions attributable to 30 converted schools as at May 2012 is £465K. It is anticipated that a further 22 schools will convert by the end of this financial year.
9. The Schools Finance Regulation 2012 governs the operation of the Central Expenditure Limit and ensures central spend does not increase as a proportion of the overall Schools Budget. The CEL can only be breached in exceptional circumstances and with the specific approval of the Schools Forum. The proposed allocation of DSG for Central services has reduced from 2011/12 reflecting services increasingly being commissioned to be run through schools. The CEL has not been breached.
10. Unallocated DSG from 2011/12 of £26,878 has been transferred to School Contingency for redistribution in 2012/13.

School Budgets 2012/13

11. School Budgets were distributed during the week ending 9th March 2012 ahead of the advised target date of week commencing 19th March 2012. Guidance notes have been posted on the Schools portal. Details of Schools 'Ever6' which represents pupils on the January 2012 School Census known to have been eligible for Free School Meals (FSM) in any of the previous six years will be used for the calculation of the Pupil Premium. Details are available from the DfE's 'Key to Success' website which can also be accessed from a link on the Schools portal.

Consultation on School Funding Reform

12. On the 26th March 2012, the Department for Education launched a third Consultation 'Next steps towards a fairer system' which ended the 21st May 2012 (eight weeks). This consultation builds on how a fairer system may be implemented and operated. Full details can be found on the DfE website www.education.gov.uk.
13. The document in part a decision document clearly outlined the way forward for 2013/14. Only 12 questions were being asked, six of which related to High Needs pupils.
14. There will be no additional funding before at least 2015. DfE have confirmed they will not introduce a National funding formula in 13/14 but instead work towards introducing one in the next CSR. The 2013/14 settlement will be based on 2012/13.
15. The DSG will now be split into three Notional un-ringfenced blocks; Schools, Early Years and High Needs. It is proposed that ALL the Schools Block will be delegated to Schools with only three exceptions; maintained schools agree a service should be provided centrally, historic commitment or statutory function. Funding will now be based on the October census, apart from Early Years where this will be based on the January counts.

Schools Block

16. The local formula will be restricted to only ten factors. LAs and School Forum can limit gains to afford the necessary protection that may be required. The factors are as follows:
 1. Basic per-pupil entitlement - AWPU (single unit rate for Primary/Secondary, although the department are asking should a separate KS3 and KS4 be permitted)
 2. Deprivation (based on FSM and/or IDACI – a single rate or a form of banding)
 3. Looked after Children
 4. Low cost, high incidence SEN (prescribing Early Years Foundation Stage Profile for Primary and KS2 data for Secondary)
 5. English as an additional language (for only three years after entry into compulsory school system)
 6. Lump Sum (Requesting a response on what the upper limit should be in the range £100-£150K with the same lump sum applicable to Primary/Secondary)
 7. Split Site (to encourage schools who adopt efficient solutions, such as merging and federating)
 8. Rates
 9. PFI contracts
 10. Only applicable to five LA's London fringe area

17. The DfE may set a minimum threshold for the basic entitlement, either at 60% for AWPU, 80% all pupil led factors or no threshold and accept that there will continue to be variation across the country. The intention is to move to National consistency and a suggested fixed range for the Primary to Secondary funding ratio. No restriction will be placed on the ratio for 2013/14 but it may be considered from 2014/15.
18. A number of small school factors (infant class size, small school protection) will not be permitted going forward and may have significant impact on our small rural schools. Once the protections from existing levels of funding decrease it is possible some schools may need to consider more efficient organisational structures e.g. federating, merging or becoming part of an Academy chain. Schools funded on split sites will still be permitted, in line with the encouragement for schools to merger/federate.
19. The Minimum Funding Guarantee will be simplified but continued to be set at negative 1.5% for both 13/14 and 14/15, with looser arrangements thereafter. However, in order to make the formula changes affordable gains at a per pupil level will be allowed to be capped or scaled back. A National prescribed maximum gain will not be set this will be left for local decision, taking into account the affordability of the protection. Authorities and their Schools Forums will therefore need, as part of their formula modelling, to determine whether and how to limit gains.
20. There are some services where maintained schools will be able to decide that some funding should be retained centrally rather than delegated e.g. Contingencies (including support for schools in financial difficulties and to support basic need pupil growth), support for minority ethnic pupils or underachieving groups, behaviour support service. For each of these, it would be for the School Forum members in the relevant phase (primary or secondary), to decide whether that service should be retained centrally.
21. For each service retained centrally the LA will need to make a clear statement of how the funding is being taken out of the formula. Academies will continue to receive a share of funding for those services in their delegated budgets.

High Needs Block

22. Proposed changes to high needs pupils will change the way Special Schools, special units and provisions in mainstream schools are funded.
23. The High Needs Block will be drawn from the 2012/13 S251 Budget Statement and the 2011/12 information on student numbers and spend on students aged 16 – 25 in FE providers independent specialist providers held by the YPLA
24. Special Schools will no longer have a delegated budget on the same basis as Primary and Secondary. Instead Schools will receive a proposed £10K base funding per planned place with top up funding above this level from each LA placing pupils in the school. There will be a condition of grant in the first year ensuring that the school's total funding for 2013/14 would not be more than 1.5% below that received in 2012/13. The number of places will be set initially on the current number of funded places, thereafter any changes will be agreed between the provider and commissioners, and a case out to the EFA as part of a standard annual process.

25. Special units in mainstream schools will be funded like Special Schools with base funding and top up funding. The places and the pupils do not count towards AWPU or other mainstream funding.
26. Inter Authority recoupment will be replaced by direct funding between commissioner and provider.
27. The Pupil Referral Unit (PRU) will be receiving a delegated budget for the first time in 2013/14. The LA will be needed to identify funding needed to operate then rework them as £8K base funding per place plus per pupil top up funding.

Early Years Block

28. The Early Years Block will be calculated based on three January counts e.g. 2013/14 based on estimate on January 12, updated for January 13 numbers in the Summer 2013 and adjusted at year end for Jan 14 count.
29. The 90% funding floor that Central Bedfordshire currently benefits from (£98K 2012/13) is to be phased out entirely from 2014/15 using 2013/14 as a transition year reducing the protection to 85%.
30. It is not envisaged that this will be an issue for Central Bedfordshire as there is an increasing number of three year olds attending early years provisions as a result of two year old funding.
31. There are no major changes to the Early Years Single Funding Formula proposed other than constraining premises factors and requiring indicators to be based on child level definitions of eligibility rather than characteristics of setting.

Pupil Premium

32. No new announcements on Pupil Premium this will still remain as a separate grant, however the long term intention is to include in the DSG alongside existing deprivation funding within the DSG. This is currently based on FSM entitlement and will mean reviewing once Universal Credits (UC) have been introduced as the majority of criteria for determining FSM will no longer exist. Proposals for new criteria to align with UC are being considered.

School Forum

33. There are no changes to the powers of Schools Forums at this stage however, for 2013/14 the School Forum Regulations will be amended to:
 - Remove the requirement to have a minimum of 15 people on a Forum;
 - Limit the number of LA attendees from participating in meetings unless they are a Lead Member, A Director of Children's Services (or their representative) or are providing specific financial or technical advice;
 - Confine the voting arrangements to allow only schools members and providers from the PVI sector to vote on the funding formula;
 - Require LAs to publish Forum papers, minutes and decisions promptly on their websites;
 - Require Forums to hold public meetings – as is the case with other council committees

The EFA will also be given observer status.

34. Regulations currently require only the schools forum to be consulted on the formula. Authorities will now be required to consult with all bodies affected by formula changes.
35. It is also incumbent on each group of schools forum members to ensure that they communicate with the people or organisations they represent at least before debating major issues and again afterwards.

Timeline

36. Mar - Apr	LAs complete section 251 budget statements
Apr - June	LAs undertake detailed modelling of new formula in conjunction with schools forums
May - Sept	LAs able to requests exceptional factors and MFG exclusions to EFA
June - Oct	Consultation with all schools and Academies on new formula
By July	Reconstitution of schools forums where necessary
To Sept	EFA will confirm baselines with LAs once section 251 statements have been submitted
End of Oct	LA's submit pro-forma to EFA
Dec	Census data and schools / high need block confirmed
Mid Jan	LA's submit any final changes to pro-forma to EFA

Modelling

37. With the close of the consultation being before the next School Forum meeting, a sub group of the School Forum was convened on the 26th April 2012 to discuss a response (Appendix A). School Forum members from all School phases were present. Officers provided modelling to demonstrate the impact of lump sums being set at a maximum level and deprivation moving to a unit rate using either FSM, Ever 6 or IDACI.
38. Modelling showed that higher lump sums protected smaller schools although not entirely in all cases, although at the highest level of £150K moved funding away from the larger schools.
39. The current system for distributing deprivation funding requires a minimum of 15% of pupils to be deemed deprived before the school attracts funding. This directs funding to those schools in the most deprived wards. The move to a unit rate will significantly impact those schools, redistributing the current 'deprivation pot' amongst all schools that have a deprived pupil.

Example of Impact:

Lower 52 Pupils loss £5k (includes £40k protection)
 51 Pupils loss £5k (includes £63k protection)
 65 Pupils loss £6k (includes protection £100k)

Larger Lump sum:

234 Pupils loss £14k (includes £7k protection)
 246 Pupils loss £25k (includes £10k protection)
 Middle 190 Pupils loss £23k (includes £122k protection)
 384 Pupils loss £143k no protection overall reduction to numbers
 464 Pupils loss £49k (includes £97k protection)
 Upper 793 Pupils loss £64k (includes £162k protection)
 693 Pupils loss £60k (includes £17k protection)