
Meeting: Schools Forum
Date: 3rd September 2012
Subject: Dedicated Schools Grant (DSG)
Report of: Deputy Chief Executive/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

RECOMMENDATIONS:

- 1. To note the deployment of the 2012/13 DSG**
- 2. To note the update on the School Funding Reform 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 School Funding consultation. For 2013/14, the Government will introduce 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 has now been confirmed and is the full time equivalent (FTE) number of pupils as at Jan 12 of 37,336 multiplied by the GUF £4,658 to give £173.915M. 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 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
174,224	62,571	482	111,171	98,532	12,639

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 32 converted schools as at July 2012 is £482K. It is anticipated that a further 26 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.

Consultation on School Funding Reform

10. On the 26th March 2012, the Department for Education (DfE) launched a third Consultation 'Next steps towards a fairer system' which ended on the 21st May 2012. The final arrangements for 2013/14 were announced on the 28th June 2012.
11. From 2013/14 the DSG will be split into three notional blocks; Schools (£142.5M), Early Years (£10.5M) and High Needs (£20.9M). Authorities are free to move funding between the blocks provided that they comply with the requirements of the Minimum Funding Guarantee (MFG) and central expenditure. The entire Schools block must be delegated to Schools with a few exceptions.
12. There will be no additional funding before at least 2015. The DfE have confirmed they will introduce a national funding formula in the next Spending Review period. The 2013/14 settlement will be based on 2012/13.
13. In order to support the movement towards a national funding formula, all local authorities are required to simplify local arrangements for distributing funding to schools and other providers. The current School Funding Regulations allow authorities to use up to 37 funding factors within their formulae. Central Bedfordshire's local arrangements operate with 27. From 2013/14 only 12 factors will be permitted, two of which are not applicable to Central Bedfordshire.
14. Funding will be now based on October pupil census, uplifted to reflect the difference between October and January counts. Early Years will be calculated based on three January counts e.g. 13/14 estimates based on Jan 12, updated for Jan13 in the summer 2013 and adjusted at year end for Jan 14 count.
15. The Minimum Funding Guarantee (MFG) is set at negative 1.5% per pupil for both 2013/14 and 2014/15. There will be a separate Early Education MFG for all providers for the first time but only for the base rates.
16. At the 25th June 2012 School Forum meeting it was agreed to form a Technical Funding sub group to work with the local authority on matters arising from the Consultation on the Schools Funding Reforms. The members of the group representing all phases are:
 - Ann Bell (Nursery and Early Years)
 - Sue Howley MBE (Lower Maintained)
 - Stephen Tiktin (Lower Maintained)
 - David Brandon-Bravo (Middle Maintained)
 - John Street (Middle Academy)
 - Richard Holland (Upper Academy)
 - Shirley-Anne Crosbie (Special Maintained)
 - Martin Foster(Trade Union)
17. The LA and Technical Funding sub group have met (Appendix A and B – Minutes of meetings) and discussed the factors in the current formula which are not compliant under the new system. The Consultation document (Appendix C) includes the proposals for allocating all funding through factors which are allowable and the balance between those factors. A Frequently Asked Question document has been produced to help with initial questions and will be updated periodically (Appendix D).

18. A clear record has been kept of how any changes have been made, showing movement within the total Individual Schools Budget (ISB) between factors and phases. The consultation with all maintained schools and Academies must be open and transparent and should show the effect for each school and recouplement Academy of moving from the existing formula to the new formula, including the effect of protection (Appendix E).

High Needs Block

19. Special Schools and specialist units will no longer have delegated budgets on the same basis as Primary and Secondary Schools. They will be funded on £10k per place pre-16, plus top up funding for each pupil they have. Alternative Provisions will be based on £8k per place.
20. There will be a condition of grant in the first year in that total funding for 2013/14 will be no more than 1.5% below that received in 2012/13. Number of places will be set initially on the current number of funded places, thereafter, any changes to number of places will be agreed between the provider and commissioners, and a case put to the Education Funding Agency (EFA) as part of a standard annual process.

Early Years Block

21. The DfE are not proposing major changes to the main elements of the Early Years Single Funding Formula (EYSFF). Different base rates for different types of provision and specific factors for quality, flexibility and sufficiency will still be permitted. There will be a mandatory deprivation factor based on child level definitions of eligibility.
22. Factors allowed in the main formula are also allowed in the EYSFF but without prescribing the datasets that should be used. LA's are required to review their formulas and remove factors which are no longer allowed.
23. The MFG will apply to the EYSFF for all providers for the first time, but only for the base rates.
24. Local Authorities are responsible for funding all Academies for their early years provision.

Timeline

3 rd September 2012	Schools Forum to consider initial consultation to schools
4 th September 2012	Consultation document and Frequently Asked Questions issued to schools
20 th September 2012	Surgeries for specific school queries (two locations, venues to be advised from 1pm – 3pm and 4pm – 6 pm)
28 th September 2012	Consultation deadline – collation and analysis of responses from schools
October 2012	Consideration of responses by LA and School Forum Executive Approval
22 nd October 2012	Schools Forum considers responses from schools Schools Forum approval of new formula
31 st October 2012	2013/14 pro-forma submitted to EFA for approval

Appendix A: Minutes of 18th July 2012 Technical Funding Group Meeting

Appendix B: Minutes of 30th July 2012 Technical Funding Group Meeting

Appendix C: School Funding Consultation 2013/14

Appendix D: School Funding Consultation 2013/14 - Frequently Asked Questions

Appendix E: Impact on Schools (to follow)