
Meeting: Schools Forum
Date: 21 January 2013
Subject: Dedicated Schools Grant (DSG)
Report of: Deputy Chief Executive and Director of Children's Services
Summary: To note the update on the DSG, DSG Settlement 2013/14 and the new Education Services Grant (ESG)

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

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 review. For 2013/14, the Government will introduce a simpler and more transparent funding system.

Deployment of DSG 2012/13

6. The budget allocation of DSG for 2012/13 has 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. .
7. The School Forum agreed that unspent DSG reserves from 2011/12 to be distributed to schools as follows; a one-off payment based on degree of incidence of low level needs (£308k), an additional amount per statutory pupil (£442k) and termly headcount of Early Years (£131k). The sum of £881k 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
174,796	68,019	262	106,515	94,713	11,802

8. 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 would be partly funded up to £550k from DSG, any amount exceeding this must be brought back to the Forum.
9. The LACSEG deductions attributable to 37 converted schools as at December 2012 is £524K. It is anticipated that a further 24 schools will convert by the end of this financial year, with LACSEG rising to an estimated £558k. Unspent DSG allocation will be returned to School Contingency.
10. 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.

Update

11. The Department for Education announced on the 19th December 2012 the School Funding settlement for 2013/14 including allocations for the DSG and illustrative allocations for the Pupil Premium. The Pupil Premium is £900 and Service Premium £300 per pupil. As the PP is calculated using January school census, final allocations will be confirmed in summer 2013.
12. The Department also announced a new grant, the Education Services Grant, which will replace the LA Block element of LACSEG for Academies, and the corresponding element of LA revenue funding, from 13/14.
13. The distribution of the DSG will continue to be based on the current 'spend plus' methodology for 2013/14 but the presentation of the settlement will be shown in three spending blocks (Early Years, Schools and High Needs). In addition, the baseline has been adjusted to reflect the incidence of high needs pupils and places supported by each LA.
14. The underlying school budget is kept at flat cash per pupil for 13/14 (before the addition of Pupil Premium). The DSG will be paid as a ring-fenced grant and will be subject to formal grant conditions.
15. The High Needs Block has been adjusted for the ending of inter authority recoupmnt, the inclusion of post-16 funding and for growth in places.
16. The Minimum Funding Guarantee is set at minus1.5% for 2013/14 and 14/15.
17. The following table illustrates the allocations for each block and additions. The Schools block is based on October 2012 School census and for Early Years the January 2012 census.

Block		Unit of Funding £	Pupil Numbers	Allocation (£ M)
Schools		4,144.47	34,747	144.008
Early Years		3,979.80	2,475	9.850
High Needs	Pre 16			21.268
	Post 16			1.344
Transitional Funding (floor protection for 3 year olds)				0.050
2 year olds (grant tfr from RSG previous EIG)				1.793
NQT (transferred from RSG)				0.053
Total Allocation DSG				178.366

18. The High Needs Block for Post 16 combines three previous budgets, SEN Block Grant, Specialist placements funding and the cost of high needs student in FE. The EFA will pay all place led funding with the remaining funds transferred into the DSG. The new system for funding high needs pupils will not be introduced for post 16 students until August 2013. The allocation of £21.268M for Pre 16 and £1.344M Post 16 High Needs will be covered as a separate 'High Needs Block' paper.

19. The floor protection for 3 year olds has reduced by £48k from 2012/13 funding and will be completely removed in 2014/15.
20. The 2013/14 funding for early education places for 2 year olds from lower income households, previously funded through Early Intervention Grant, has now merged into the DSG. It is to fund Statutory Places (£1,288k) and 'trajectory building' (£505k) to create non-statutory places in preparation for the increased entitlement. Allocations have been calculated based on the estimated number of eligible 2 year olds likely to receive provision in the area, using Free School Meals data for 4 to 6 year olds as a proxy.
21. Funding for the cost of monitoring and quality assuring NQT induction has also been transferred into the DSG and for CBC is £53k, Nationally £10M has been reduced from the Education Support Grant to fund this.
22. The Department has agreed with the Copyright Licensing Agency (CLA) and the Music Publishers Association (MPA) to purchase a single national license managed by the DfE for all state-funded schools in England. These arrangements included Academies as well as maintained schools and LAs will be allowed to hold this money centrally. The charge to CBC will be £83,772 based on total pupil numbers.

Education Services Grant (ESG)

23. The funding for the ESG comes from a transfer from local government of £1.04 billion in 2013/14, £180 million less than proposed in July 2012. The reduction is to protect LAs who are spending less on education services on a national basis.
24. The calculation of the ESG was based on total net planned expenditure as reported in the 2012/13 S251 budget statement submitted by LAs, deflated in line with reductions in local government revenue funding but taking into account council tax revenue.
25. The ESG will be allocated on a per pupil based on the number of pupils whom the LA are responsible for. This removes the link between the amount spent on education service by individual LAs and the funding allocations for Academies.
26. The reduction in the transfer does not mean Academies will receive less money through the ESG. As a transitional protection the ESG rate will be set at £150 in 2013/14 and £140 in 14/15. The table below reflects the per pupil rate for the ESG General Funding Rate for Academies

	General Funding Rate for Academies 2013/14
Mainstream	£150.00
PRU	£562.50
Special Schools	£637.50

27. The amount allocated to Academies is the General Funding rate multiplied by the total number of 3-19 year old pupils. For Special Academies and AP Academies the allocation is based on planned places data as agreed with the Department in January 2013.

28. This protection will be funded from the DfE and not funding transferred from local government. The transitional protection will be removed from the system over a limited period so rates are brought together for LAs and Academies.
29. In order to protect Academies from significant year on year reductions in their funding the higher of two protections will apply; a) a minus 10% per pupil protection applied to the 2012/13 LA Block LACSEG rates for the LA (Primary and Secondary £174.01 and Special Schools £739.54), or b) a minus 20% per pupil protection on the Academy's individual 2012/13 LA Block LACSEG allocation.
30. Final ESG allocations for Academies will be issued by 31st March 2013 along with confirmation of the General Annual Grant.