

Schools Forum 22 January 2013

Report of the Director of Children's Services

Dedicated Schools Grant Budget Process 2013/14

Purpose of Report

1. The purpose of this report is to update Schools Forum on the 2013/14 Dedicated Schools Grant budget process.

Budget Working Group Discussed

2. Yes – 16 January 2013.

Schools Forum Role and Responsibilities

3. From 1st April 2006, the Schools Budget has been funded by a direct DfE grant: Dedicated School Grant (DSG).
4. The Forum is the 'guardian' of the local Schools Budget, and its distribution among schools and other bodies, and therefore must be closely involved throughout the development process.

Action for Schools Forum

5. To note the contents of this first report in respect of the 2013/14 Dedicated Schools Grant planning process. Further updated information will be presented to the February and March 2013 Schools Forum meetings before final school budgets are issued on 15 March 2013 and the commencement of the 2013/14 financial year.

Attachments to Report

6. Appendix 1 - Reform of funding for high needs pupils and students: Operational implications for educating institutions.
7. Appendix 2 – Local Authority Schools Budget proforma for submission to the EFA on 22 January – to be tabled at the meeting.

Karen Cocker
Children's Services Finance Manager
7 January 2013

Schools Forum 22 January 2013

Report of the Director of Children's Services

Dedicated Schools Grant Budget Process 2013/14

1. The purpose of this report is to update Schools Forum on the 2013/14 Dedicated Schools Grant budget process.

Background

2. The School funding reform: Next Steps Towards a Fairer System published in June 2012 announced that 2013/14 would see the first steps towards reforming the funding system. The Government's intention is to introduce a national funding formula during the next spending review period to reduce the funding differences between similar schools in different areas.
3. For 2013/14 the arrangements for calculating the Dedicated Schools Grant (DSG) have therefore changed in line with the Department for Education (DfE) School Funding Reforms aided by the Education Funding Agency (EFA).

Role of the Department for Education (DfE)

4. The Department for Education is responsible at a national level for the education service. This includes responsibilities for planning and monitoring the education service in schools in England, ensuring the provision of integrated services for children, and bringing together policy relating to children and young people.

Role of the Education Funding Agency (EFA)

5. The Education Funding Agency is the Department of Education's delivery agency for funding and compliance. They provide revenue and capital funding for education for learners between the ages of 3 and 19, or the ages of 3 and 25 for those with learning difficulties and disabilities and also support the delivery of building and maintenance programmes for schools, academies, Free Schools and sixth-form colleges. They are the first port of call for queries from open academies, and carry out a number of compliance and assurance activities on behalf of the Secretary of State, including monitoring funding agreements and admission appeals. The EFA are implementing funding reform for pre- and post-16 education for 2013/14.

Dedicated Schools Grant Process For 2013/14

6. Unlike previous years whereby the local authority was required to estimate the DSG in December/January in preparation for the forthcoming financial year, the school funding reforms allow the DfE to provide local authorities with their provisional DSG funding settlement in December; this was announced on 19 December 2012. This report summarises the DfE settlement for Dudley, identifying any issues or actions for Schools Forum.

7. The 2013/14 settlement marks the first step towards a national funding formula. The DfE will continue to refine the school funding arrangements so that they are better placed to move to a new national funding formula during the next spending review period for 2015 onwards.
8. The DSG can only be used for the purposes of the Schools Budget as defined in the School and Early Years Finance Regulations. The Schools Budget consists of delegated budgets allocated to individual schools, Pupil Referral Units (PRUs) and Early Years Provision in Private, Voluntary and Independent (PVI) providers, a budget for other provision for pupils which local authorities fund centrally, which now includes the bulk of high needs provision, including post-school provision up to age 25, together with centrally retained expenditure in respect of special education needs and early years services.
9. The distribution of the DSG to local authorities will continue to be based on the current "spend-plus" methodology for 2013/14 but the presentation of the settlement data has been changed to show three, un-ringfenced funding blocks for each local authority:
 - Schools Block;
 - Early Years Block; and
 - High Needs Block
10. The Central Expenditure Limit (CEL) calculation will no longer be a requirement for Schools Forum approval, but for 2013/14 there will be a series of central expenditure limits rather than a single one. Authorities are free to move funding between the blocks provided that they comply with requirements of the Minimum Funding Guarantee (MFG) and central expenditure. Further information will be reported at the February meeting.
11. For 2013/14 there are three additional budgets which are to be funded by the DSG:
 - Early education for 2 year olds from lower income households;
 - Newly Qualified Teachers (NQT) induction;
 - Post 16- 18 SEN and 19 -24 Learning Difficulties and Disabilities.

DSG Schools Block

12. The pupils counted for the purpose of calculating the DSG Schools Block allocations are those recorded in the School Census in maintained schools and academies going through recoupment in National Curriculum Year Groups R-11 aged 4 or above, but not including those pupils in SEN (Special Education Needs) units or Resourced Provision within such institutions; funding for these pupils is provided under the High Needs Block. Also counted towards the Schools Block are those relevant pupils in Alternative Provision (AP) who do not fall under the High Needs Block. Any pupils recorded as Year R but who are less than 4 years old are not counted, because funding for these pupils is provided under the Early Years Block.
13. The Schools Block allocation is derived from the October 2012 School Census pupil count plus a new allocation of £66,000 to enable schools to pay for the services of their preferred appropriate body for monitoring and quality assure NQT (Newly Qualified Teachers) induction. The Schools Block has been set at a cash flat rate per pupil; £4459.29 for Dudley.

14. Although the overall schools budget will stay at the same level on a per pupil basis before the addition of the Pupil Premium, the actual cash level of each school's individual budget will vary in line with pupil number changes and variations due to changes in each local authority's formula funding methodology, which was a requirement of the school funding reforms.
15. To protect schools' from significant budget reductions, the Minimum Funding Guarantee will continue to ensure that no school sees more than a 1.5% per pupil reduction in 2013/14 budgets (excluding sixth form funding) compared to 2012/13 and before the Pupil Premium is added.
16. From 2013/14, where a mainstream school has a number of funded places in a SEN unit or Resourced provision, then funding will be allocated from the High Needs Block and not through the Schools delegated budget which is funded through the Schools Block. The change in funding arrangements for Dudley schools is under discussion with the 8 schools affected.
17. The Schools Block budget will cover:
 - a. Mainstream Schools delegated budgets (but excluding SEN top up which will be funded from the High Needs Block);
 - b. Central Services – where the value of the budget is capped in line with the previous funding period. As agreed by Schools Forum;
 - c. Central Schools expenditure As agreed by Schools Forum;
 - d. Items that may be removed from Maintained Schools' Budget Shares - De-delegation. As approved by Schools Forum.

DSG Early Years Block

18. The DSG Early Years Block covers all pupils in maintained schools and academies going through recoupment in National Curriculum year groups N1 and N2, all relevant pupils in Private, Voluntary and Independent (PVI) providers, and under 5s in Alternative Provision. In addition, any pupils recorded as Year R, but who are less than 4 years old, are counted in the Early Years Block. Two-year-olds with SEN are funded under the High Needs Block.
19. The Early Years Block allocation is derived from the January 2012 Early Years Census, Schools and Alternative Provision Census to be updated for the January 2013 and January 2014 Census pupil data count. The allocation announced by the DfE in December 2012 is therefore provisional and will be updated in the Summer of 2013 and the Summer of 2014 to produce the Early Years Block allocations for the financial year 2013/14. This In-year adjustment process will leave local authorities with some uncertainty in budget planning for the early years sector, which is made more difficult when there is volatility in the pupil numbers; many local authorities are experiencing a rising population in the early year's sector.
20. The Early Years Block has been set at a cash flat rate per pupil; £3650.97 for Dudley. Additional funding in respect of the new DfE initiative for early education places for 2 year olds from lower income households has been allocated of £2.843m.
21. From 2013/14, where a nursery school/provision has a number of funded places in a SEN unit or Resourced Provision then funding will be allocated from the High Needs Block and not through the early years formula budget which is funded through the Early Years Block. The change in funding arrangements for Dudley

schools is under discussion with the 7 schools affected.

22. The Early Years Block budget will cover:

- a. Netherton Park nursery school's budget share (but excluding SEN top up which will be funded from the High Needs Block);
- b. Maintained schools' nursery classes early years single funding formula budget allocation;
- c. Early years providers single funding formula budget allocation;
- d. Central Services – where the value of the budget is capped in line with the previous funding period. As agreed by Schools Forum;
- e. Central Early Years expenditure. As agreed by Schools Forum;
- f. Funding for early education for two year olds from the 20% most socially disadvantaged areas in the Borough.

DSG High Needs Block

23. The DSG High Needs Block allocations will no longer be derived from pupil counts census data. Previously this included the Pupil Referral Unit together with a selection of pupils recorded on the Alternative Provision Census.

24. The High Needs Block will bring together funding for all high needs pupils/students to enable local authorities to commission places for their young people from 0-24 from a single funding stream.

25. Additional funding will be allocated in respect of requested growth in high needs places, subject to formal confirmation by the Chief Finance Officer by 25 January 2013. For Dudley the request includes growth in Alternative Provision and Special Schools a total of 18 places in excess of the existing 1103 already approved.

26. From 2013/14 all local authorities will have additional responsibilities for High Needs Students who are post 16-18 SEN or 19 – 24 with Learning Difficulties and Disabilities. The funding arrangements for this category of student will not commence until August 2013 but will be funded from the High Needs Block. Dudley will be responsible to fund only the 'top up' value or 'Element 3' of the cost of the High Needs Student where Dudley is the home local authority. Therefore the DSG allocation from the DfE to fund this activity for 2013/14 part year is £1.272m, which equates to £1.908m in a full year. Element 1 and 2 costs of approximately £11,000 per student will be paid directly to the provider by the EFA. The funding allocation of £1.272m is subject to final confirmation with the EFA as the planned place numbers are still being validated. The final data will be reported to Forum in February or March.

27. The High Needs Block budget will cover:

- a. Specials Schools delegated budgets at £10,000 per place;
- b. Pupil Referral Unit delegated budgets at £8,000 per place;
- c. SEN Units or Resourced provisions at £10,000 per place;
- d. Top up budget (element 3) for Special Schools, PRUs, 16-18 SEN or 19 – 24 with Learning Difficulties and Disabilities, Mainstream SEN pupils, SEN units or Resourced provision, Dudley resident pupils in other local authority schools with SEN;
- e. Independent Placements;
- f. Alternative Provision;
- g. Special education needs services: Counselling, Learning Support, Physical and Medical, Visually Impaired, Autism Outreach, Early Years;
- h. Hospital Education ;

- i. Central Services – where the value of the budget is capped in line with the previous funding period. As agreed by Schools Forum.

28. Appendix 1 outlines the top up arrangement under the place plus approach and provides a summary of the impact of the reform of funding for high needs pupils and students with the operational implications for educating institutions.

Dedicated Schools Grant (DSG) 2013/14 and Impact for Dudley

29. Table 1 summarises the provisional DSG settlement for 2013/14 in line with the details outlined in paragraphs 6 to 28 above.

30. The total provisional DSG at December 2012 is £234.136m. It is not possible to make a comparison with 2012/13 DSG of £229.636m due to the impact of the school funding reform changes which include additional funding, as detailed in paragraph 11, and baseline adjustments for hospital tuition and inter authority recoupment for extra district pupils for 2013/14.

31. The following DfE adjustments are still required before the final DSG for 2013/14 can be determined:

- Early Years Block will be amended in the Summer of 2013 and Summer of 2014 for updated pupil count data.
- Post 16 SEN and 19-24 LDD budget of £1.272m is still under discussion with EFA; the new responsibility is effective from August 2013.
- Growth for planned places in the High Needs Block is to be confirmed and this is expected before 31 March 2013.

Table 1 -Dudley Provisional Dedicated Schools Grant 2013/14 at December 2012

	Pupil Data	Unit of Funding	Schools Block £m	Early Years Block £m	High Needs Block £m
Total Funding Pupil Led	43,014	£4,459.29	191.812		
Total Funding Pupil Led	2,782	£3,650.97		10.157	
Newly Qualified Teachers			0.066		
2 Year Olds Early Education				2.843	
Baseline Funding					27.748
April – July Post 16 SEN Funding					0.239
Aug – March 2014 Post 16 SEN and 19 -25 LDD					1.272
Provisional 2013/14 DSG Budget			£191.878	£13.000	£29.259

Dedicated Schools Grant and Academy School Budgets

32. The calculation of each authority's DSG must include the pupils educated in the Academy schools within the borough. The pupil data is required to be supplied to the local authority by the academy school at October school census date.
33. It is a condition of the Dedicated Schools Grant that the Authority must maintain a single formula for funding both maintained schools and Academies in its area. The authority is responsible for calculating the Academy schools' delegated budget by replicating the local funding formula and these details are communicated to the EFA who are then responsible for funding Academy schools.

Local Authority Schools Budget Proforma for the EFA

34. It is a statutory requirement for each LA to submit to the EFA a proforma which details the proposed allocation of the DSG and detailed tables supporting the proforma. The detailed tables provide funding information at individual school level and both these tables and the pro forma are subject to scrutiny by the EFA. The deadline for LAs to submit their final proformas and detailed tables to the Education Funding Agency (EFA) is **22 January 2013**. Therefore the proforma will be tabled as Appendix 2 to this report at the Schools Forum meeting on 22 January for approval.

School Budgets and Final DSG Determination

35. Indicative school budgets for 2013/14 will be made available to mainstream schools during February 2013. At that time the indicative Pupil Premium allocations for 2013/14 will be issued.
36. Final budgets will be issued to primary, secondary, special and pupil referral unit schools by 15 March 2013 and for maintained nursery schools/classes and early years providers by 31 March 2013, in line with the DFE statutory regulations.

Coverage and Conditions of Dedicated Schools Grant

37. The School and Early Years Finance (England) Regulations 2013 prescribe how a local authority can allocate the DSG funding. These are effective from 1 January 2013.
38. The DSG is paid as a ring-fenced grant and is subject to formal grant conditions. The conditions include a requirement to use the grant in support of the Schools Budget and a provision for the Secretary of State to recover grant

Pupil Premium

39. The implementation of a pupil premium grant in 2011/12 provided additional funding for pupils from socially deprived backgrounds and is a key priority for the coalition Government; it was worth £625m nationally in 2011/12 rising to £1.25bn in 2012/13 and £2.5bn by 2014/15.

40. The Pupil Premium level of funding for 2013/14 for disadvantaged pupils is £900 per pupil. The Pupil Premium is calculated using the pupil numbers from the schools census.

In-year Adjustments to Mainstream Schools' Budgets – Changes for 2013/4

41. Some formula factors (for example, rates and PFI) may be based on actual cost and these costs can change after budgets have been determined. In these situations, the adjustments relating to that year will be made retrospectively to the following year's budget rather than changing the budgets once they were issued. Authorities will need to notify the EFA of any changes relating to Academies so that they can apply similar adjustments. For rates, authorities can if they wish announce that rates will be funded on actuals and handle payments for maintained schools centrally where they have done so previously; the adjustment would then be carried forward to the following year's DSG.

Department for Energy and Climate Change (DECC)

42. In December 2012 DECC published the Government's response to the consultation about simplification of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. There are no changes to the arrangements for the forthcoming financial year of 2013/14, which means the requirement to purchase CRC allowances for energy use will continue. For 2014/15 DECC has announced the decision to withdraw all state funded schools in England from CRC participation. Further discussions will be held with local authorities regarding the funding implications of this decision. This budget features within the Central Schools expenditure heading of the DSG.

Copy Right Licensing

43. The DfE has agreed with the Copyright Licensing Agency (CLA), and the Music Publishers Association (MPA), to purchase a single national licence managed by the DfE for all state-funded schools in England. This means that local authorities and schools will no longer need to negotiate individual licences. The Department will pay the cost, including VAT, to the CLA and will provide this as a service to local authorities at a charge. These arrangements will cover recoupment Academies as well as maintained schools, and we will allow local authorities to hold this money centrally rather than include it in school budgets.

44. For Dudley the charge has been set at £76,116 for 2013/14. The administration arrangements are yet to be determined by the DfE but authorities should take into account that schools will no longer have to pay for these licences when calculating school budgets. It is proposed therefore that the value of £76,116 is top sliced from the funding to be allocated to mainstream and special schools for this to be retained and paid centrally from 2013/14.

The DfE Next Steps Timetable

45. Table 2 detailed the DfE next steps timetable as issued 19 December 2012.

Table 2 - Next Steps Timetable

Date	Action
19 December 2012	2013-14 Schools Block confirmed 2013-14 Provisional Early Years Block 2013-14 Provisional High Needs Block
7 January	Responses to the EFA on 16-24 high needs student numbers.
22 January 2013	Local authorities submit final formula proformas
25 January 2013	Confirmation from Chief Finance Officers on High Needs growth and Hospital education funding.
7 February 2013	EFA issues summary of 16-24 participation numbers to be funded in 2013/14 academic year.
February 2013	DSG payment dates confirmed.
March 2013	High Needs Block confirmed Confirmation of DSG to be paid to local authorities net of recoupment for existing academies.
April 2013	EFA issues summary of 16-24 allocations to all institutions.
June 2013	Early Years Block updated for Early Years pupils from January 2013 Census
April 2014	Early Years Block updated for Early Years pupils from January 2014 Census

Finance

46. The funding of schools is prescribed by the Department for Education (DfE) through the School and Early Years Finance (England) Regulations 2012 which are effective from 1 January 2013 and relate to the 2013/14 financial year.

47. Schools Forums are regulated by the regulated by the Schools Forums (England) Regulations 2012.

48. From 1st April 2006, the Schools Budget has been funded by a direct grant; Dedicated School Grant (DSG).

Law

49. Councils' LMS Schemes are made under Section 48 of the School Standards and Framework Act 1998. The Education Acts 1996 and 2002 also have provisions relating to school funding.

Equality Impact

50. The Council's Equal Opportunities Policy is taken into account when considering the allocation of resources.

Recommendation

51. Schools Forum is invited to note the contents of the report and in particular:

- The provisional DSG settlement for 2013/14 and the impact for Dudley.
- To approve the Local Authority schools budgets proforma to be submitted to the EFA on 22 January, to be tabled as Appendix 2.
- To approve a top slice from mainstream and special schools budgets of £76,116 for 2013/14 to hold as a centrally retained budget on behalf of the copyright licensing payment for all schools, as advised by the DfE in December 2012.
- A further update will be provided at the February and March meetings, to include the central expenditure budget allocations for Schools Forum approval.

A handwritten signature in black ink, appearing to read 'R. J. Porter', with a horizontal line drawn underneath it.

Jane Porter
Director of Children's Services

Contact Officer: Karen Cocker, Children's Services Finance Manager
Karen.cocker@dudley.gov.uk Tel: 01384 815382