

Schools Forum 6 February 2007

Report of the Director of Children's Services

2007/08 Schools Budget – Funded by the Dedicated Schools Grant (DSG)

Purpose of Report

1. To update Schools Forum on the budget process and the estimated budget position for 2007/08.

Budget Working Group Discussed

2. No.

Schools Forum Action

3. Having agreed stage one of the budget process for 2007/08 in December 2006, Schools Forum are now required to advise the Director of Children's Services regarding the use of any unallocated budget in order that schools' indicative budgets can be prepared during half term week.
4. To review the current process for allocating funds to nursery pupils who do not meet the rising 3s criteria.
5. To review the current process for allocating funds to nursery pupils who are placed in schools on a full-time basis.
6. To consider the funding implications of the secondary school closure proposal.

Attachments to Report

7. Appendix A –Estimated 2007/08 Schools Budget.
8. Appendix B – DfES correspondence regarding Nursery Pupils.

Karen Cocker

nance Manager

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Purpose of Report

1. To update Schools Forum on the budget process and the estimated budget position for 2007/08.

Background

2. The report to Schools Forum on 12 December 2006 indicated that the estimation of the DSG prior to the PLASC or Early Years census data being confirmed is absolutely necessary in order to plan ahead for the forthcoming financial year. If the Authority were to wait for the data to be finally confirmed by the DfES then this would not be available until May or June, which is three months after the commencement of the financial year. Clearly this is not acceptable when allocating significant funds to schools and services that need to plan in advance.
(Over £180m in total).
3. Using the current data available regarding pupil number trends the data in Table 1 is anticipated for 2007 pupil data and was discussed at the December meeting.

Table 1 – Forecast Pupil Numbers for 2007 (excluding 6th Form) at November 2006

Category	2006 Count (Net of LSC) FTE	Provisional Estimate of 2007 Count (Net of LSC) FTE	Variance in Pupil No's
Nursery	1297	1264.5	-32.5
Primary	25773	25416	-357
Secondary	20282	20062	-220
Special	586	586	0
Early Years	859	812	-47
SLASC	91	91	0
Form 8b	126	126	0
Total	49014	48357.5	-656.5
Per pupil funding	£3,549.08	£3,785.70	
Total Funding available	173.955m		
Total Funding estimated		183.071m	£-2.485m

6th Form provision is funded by a grant from the LSC (Learning and Skills Councils).

SLASC: this refers to pupils in Dudley Pupil Referral Units.

Form 8b: this refers to pupils in Independent Places and Education Otherwise.

4. The estimated pupils of 48,357.5 for 2007, in Table 1 would provide a DSG of £183.071m. This estimate has been used for indicative modelling of the 2007/08 Schools Budget. This is based on a pupil reduction of 656.5 fte from 2006.

5. Schools Forum on 12 December 2006 agreed in principle to a provisional allocation of the DSG for 2007/08 in line with the data attached at Appendix A and Table 1. No decision was made or necessary at that point regarding the unallocated budget of £1.4m.
6. The 18th January 2007 was the date for the annual school survey (PLASC); this is the largest part of the pupil number count, which is required for the calculation of the DSG. The early years count will be known later on in the month together with SLASC and Form 8b. This data, once received from schools, is subject to rigorous internal validation before the data is submitted to the DfES by 14 February 2007. It is anticipated that an update on these pupil numbers will be made available at the Schools Forum meeting in order that members can make decisions based on the latest information and use the data shown in Table 1 as a comparison.
7. Since the Forum met in December 2006, the DfES has written to a number of local authorities (18 December 2006) to highlight an error in the DSG calculation for 2006/07 in respect of incorrectly allocated funding for all two year-olds, that some LAs were funding rather than just the rising 3s. A copy of the DfES correspondence is attached at Appendix B. The DfES will not be making a retrospective adjustment for 2006/07 but have been clear that they will not be funding any pupils registered on PLASC January 2007 who do not meet the rising 3s age criteria. The error has occurred in respect of 29 pupils who were registered in Dudley maintained nursery schools at January 2006. In funding terms this is £50,000 of DSG claimed which Dudley are not entitled to. In reviewing the processes for collecting pupil data for January 2007 a further issue has been drawn to our attention regarding some schools taking nursery pupils on a full-time basis instead of a half time basis; the DSG allocation for nursery pupils is paid on a half-time basis. So if any nursery pupils are taught on a full-time basis then the DSG will only fund at the statutory requirement of half-time albeit Dudley's LMS formula has been funding 60 pupils on a full-time basis; at an additional cost of £20,000. Schools Forum are asked to consider the funding arrangements for these schools from 2007/08:
 - Should we continue to allocate school funds for nursery pupils who are not yet aged 3 ?;
 - Should we continue to allocate school funds for nursery pupils who are allocated a full-time place in a nursery but for whom the LA is funded at a part time equivalent ?
8. If school indicative budgets are to be prepared during February half term, which is standard practice in Dudley, then the Forum is required to discuss the use of the unallocated DSG balance; which is currently estimated at £1.4m but subject to change once the pupil numbers have been confirmed. There are three options for consideration:
 - Set aside the unallocated balance to fund the possible DSG overspend incurred during 2006/07;
 - Allocate an element to schools – to be included in their indicative budget data for 2007/08;
 - Set aside for the possible outcomes of the secondary school closure programme.
9. Budget monitoring of the DSG for 2006/07, as identified in the report included on the agenda for this meeting, is currently projecting an overspend of £1.1m. An update on this forecast outturn will be presented at the meeting, but it is a requirement of the DfES that any DSG overspend must be first call against next years DSG allocation. Until such time that the final 2006/07 DSG outturn is known and the value – then it is

recommended that the Forum do not use any unallocated budget for next financial year; however decisions in principle could be discussed. A further meeting of Forum is scheduled for 20th March 2007, which would still give time to issue final budgets for distribution to schools if any of the unallocated budget was available at that date and there would be an update on the outturn for 2006/07.

10. Since the Forum meeting in December, a date for the meeting of the SOC (School Organisation Committee) has been set in respect of the proposed closure of Cradley High school. The closure of any school mid year requires early consideration of the distribution of LMS funds to those schools closing and the funds subsequently allocated to those schools receiving pupils from the closed schools as part of a managed move process. In this case schools can expect to receive a per pupil allocation from the date of transfer. This is a principle established as part of the primary school closure and is permitted within the scheme of delegation. This allocation would relate to the per pupil led funding previously received through the LMS formula together with a 'one off' uniform allowance of £75 per pupil and an additional 'one off' sum of £100 per pupil to support the receiving schools admission processes and the impact on management and administration. Approx cost £60k. No further one off grants would be made available to schools.

The closure of a secondary school presents technical funding issues when distributing LMS funds due to the retention of the final year group for 12 months until the formal school closure. The implications of this in delegated budget terms will result in disproportionately high expenditure for the school when compared to the funds the school will receive through the LMS formula. This being due to the high operational costs of educating just one year group (or one fifth of the pupils) in a secondary school for 12 months. It is estimated that by the end of 2007/08 Cradley High could have a deficit school budget balance of up to £1m unless management action is taken early to avoid this position by minimising the core staffing requirements.

If Cradley High end the 2007/08 financial year with a deficit this will eventually be a charge against the DSG when the school closes and therefore Schools Forum could decide to set aside any unallocated budget in 2007/08 as a contingency for this purpose.

Finance

11. The funding of schools is prescribed by the DfES through the School Finance (England) Regulations 2006.
12. From 1st April 2006, the Schools Budget is funded by a direct DfES grant: Dedicated School Grant (DSG).

Law

13. 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.

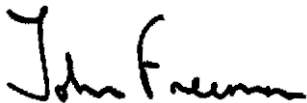
Equality Impact

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

Recommendations

15. Schools Forum to consider and make recommendations regarding:

- The continuation of schools' funding for nursery pupils who are not yet aged 3 (paragraph 7);
- The continuation of schools' funding for nursery pupils who are allocated a full-time place in a nursery instead of a half-time place (paragraph 7);
- The proposal to allocate 'one off' funds, for school uniform allowances and to assist in the admissions process, on a per pupil basis from the date of transfer to those schools receiving pupils as part of a managed move process (paragraph 10);
- The use of any unallocated DSG for 2007/08 based on the latest pupil number data available at meeting (paragraph 8).



John Freeman

Director of Children's Services

Contact Officer:

Karen Cocker, Children's Services Finance Manager

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Appendix A

DSG Indicative Modelling 2007/08 – Presented at Schools Forum 12 December 2006

Budget Area	Sub total	Budget Pressures	Total 2007/08
	£m	£m	£m
Dedicated Schools Grant, provisional estimate 2007/08 – based on Table 1 in reoport			183.071
Less Actual Dedicated Schools Grant 2006/07			(173.955)
<i>Increase in DSG 2006/07 to 2007/08</i>			9.116
<u>Application of DSG increase in 2007/08:</u>			
Schools ISB – 3.7% MFG & targeted funds		6.000	
Centrally retained budgets inflation – 2.6% average		0.384	
Over allocation of DSG 2006/07 for extended schools		0.289	
Budget pressures -above inflation:			
• Out of Borough - Independent Placements	0.400		
• Out of Borough – Other Special Schools	0.160		
• Out of Borough – Statemented Mainsteam Pupils	0.070		
• Union Duties – support in excess of budget	0.030		
• Specialist Support for medical pupils	0.070		
• Alternative Provision – in excess of budget and pupil retention grant income	0.260		
• Payment to Connexions Service for 16+ school leavers with SEN	0.010		
Total budget pressures – above inflation		1.000	
<i>Total of Additional Budget Costs 2007/08</i>			-7.673
<i>Unallocated Funds Based on Provisional Estimate of DSG 2007/08</i>			£1.443m

Appendix B

-----Original Message-----

From: Rafiq.HUSSEIN@dfes.gsi.gov.uk [mailto:Rafiq.HUSSEIN@dfes.gsi.gov.uk]

Sent: 12 January 2007 15:20

Cc: David.WOOD@dfes.gsi.gov.uk

Subject: Correction to SPS06_341 - Dedicated Schools Grant 2007-08: funding for 2 year olds

To the Chief Finance Officer and Education Finance contacts

This email is being sent to the individual local authorities incorrectly allocated funding through the Dedicated School Grant in 2006-07 for all the 2 year-olds they were funding, rather than just their rising 3s.

Dear Colleagues

I wrote to you on 18 December 2006 to advise you that the Department had incorrectly allocated funding to you in 2006-07 for all the two year-olds you were funding rather than just your rising 3s. In doing so, we gave an incorrect definition of rising 3s and I am writing now to correct this.

I incorrectly stated that rising 3s are children who are 2 at the beginning of the academic year but have reached their third birthday by the January census date. The correct definition is that rising 3s are children who are 2 at 31 August but have reached their 3rd birthday by 31 December. I apologise for any confusion this may have caused.

For further information, please see the Department's pupil number guidance at www.teachernet.gov.uk/docbank/index.cfm?id=10357.

If you have any queries on the content of this email, please contact David Wood (020 7925 5596 or david.wood@dfes.gsi.gov.uk).

Once again, please would you acknowledge that your authority has received this email and my e-mail on 18 December.

Yours sincerely

Rafiq Hussein on behalf of David Wood
School Funding Division, DfES
020 7925 5596

Appendix B cont'd

To the Chief Finance Officer and Education Finance contacts – 18.12.06

Dear Colleagues

In his letter of 28 November 2006 to all local authorities about the publication of revised indicative allocations of Dedicated Schools Grant (DSG) for 2007-08, Dugald Sandeman, Director of School Resources Group, drew attention to an issue concerning

the funding of provision for 2 year olds. Details of the announcement, including Dugald's letter, are at www.teachernet.gov.uk/financeofficernews/.

The Department has identified a small amount of funding (£3.7m nationally in 2006-07) which the Department has incorrectly allocated to a number of authorities for all the 2 year-olds they were funding, rather than just their rising 3s, as specified in DfES guidance on the free entitlement and the DSG. Rising 3s are children who are 2 at the beginning of the academic year but have reached their third birthday by the January census date.

I am writing to you now as Dudley is one of the authorities who were affected in 2006-07. For 2006-07, we incorrectly allocated to Dudley funding for 29 part-time equivalent 2 year-olds amounting to £ 51,462 or 0.03% of your total DSG. Now that this has come to our attention, we need to correct this for 2007-08, since it is only right that funding is channelled to local authorities for the purposes intended. We will therefore fund only rising 3s in 2007-08. There will be no retrospective adjustments for this error.

Because of the uncertainty in predicting early years pupil numbers, we have not reflected this in the revised indicative DSG allocations announced on 28 November. You should make your own estimate of January 2007 pupil numbers in finalising your Schools Budget, taking into account your knowledge of local demography. We have provided guidance and a toolkit at www.teachernet.gov.uk/docbank/index.cfm?id=10357 to help authorities estimate their pupil numbers and final DSG allocations for 2007-08.

If you have any queries on the content of this email, please contact David Wood (020 7925 5596 or david.wood@dfes.gsi.gov.uk).

As the amount concerned for your authority is small, I am not copying this email more widely. However, I should be grateful if you would make sure that it reaches any colleagues who need to be aware of this issue.

Please would you acknowledge that the authority has received this email.

Yours sincerely

Rafiq Hussein on behalf of David Wood
School Funding Division, DfES
020 7925 5596