

**Schools Forum 12 December 2006**

**Report of the Director of Children's Services**

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

**Purpose of Report**

1. To advise Schools Forum of the budget process and the estimated budget position for 2007/08.

**Budget Working Group Discussed**

2. No.

**Schools Forum Action**

3. To note the estimated budget position for 2007/08 and advise the Director of Children's Services on the service strategy for 2007/08 and future years.

**Attachments to Report**

4. Appendix A –Estimated 2007/08 Schools Budget.

Karen Cocker  
Children's Services Finance Manager

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**Background**

2. 2007/08 is the final year of the DfES's current multi year funding period. The next multi year funding period will cover the 3 financial years 2008/09 to 2010/11. Financial details will be released by Central Government after the Comprehensive Spending Review is announced in the Autumn of 2007. This means that local authorities will not be in a position to make any sound medium term financial forecasts for 2008/09 onwards for at least 12 months.
3. The DfES advised local authorities in 2005/06 of their 2007/08 per pupil funding. For Dudley this is £3,785.70, which represents an increase of 6.67% increase from the 2006/07 per pupil rate. Compared with other Children's Services budgets for 2007/08, which are funded by the Council through Revenue Support Grant (RSG), this is favourable. However, the annual reductions in pupil numbers will have the impact of reducing the 6.67% DSG per pupil increase to an approximate overall budget increase of 5.2% in cash terms.
4. The per pupil rate (£) is applied to all pupils registered at the PLASC and Early Years census date in January and in sum constitutes the basis for calculating the Dedicated Schools Grant (DSG). The DSG funds those activities within the Schools Budget, which include the Individual Schools Budget (ISB) and the centrally retained support services to schools, such as early years and special education needs. The DSG is a ring-fenced grant and must fund all activities as prescribed within the Schools Budget. The Local Authority is permitted to supplement this expenditure with funding outside of the DSG, but is not required to do so.
5. 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).

6. Using the current data available regarding pupil number trends the data in Table 1 is anticipated.

**Table 1 – Forecast Pupil Numbers for 2007 (excluding 6<sup>th</sup> 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
<b>Total</b>	<b>49014</b>	<b>48357.5</b>	<b>-656.5</b>
Per pupil funding	£3,549.08	£3,785.70	
Total Funding available	173.955m		
<b>Total Funding estimated</b>		<b>183.071m</b>	<b>£-2.485m</b>

*6<sup>th</sup> 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 8:b this refers to pupils in Independent Places and Education Otherwise.*

7. There is no direct source of indicative information for collecting anticipated pupil number data in advance of the future years PLASC and early years census returns. Yet the ultimate responsibility rests with Schools Forum to make key decisions on the application of estimated DSG funds for 2007/08. Therefore as the data shown in Table 1 can only be a provisional estimate at this stage then Schools Forum must take this into account the decision making process.
8. 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.
9. Using the 2006/07 Schools Budget as a baseline for 2007/08, (budget monitoring data reported to Schools Forum in October 2006), anticipated inflationary increases have been added, which averages at 2.6%, plus the estimated MFG (Minimum Funding Guarantee) for schools, which has been set by the DfES at 3.7% for 2007/08.
10. After applying the inflationary increases and estimated MFG an unallocated balance of £4m is potentially available for distribution in 2007/08. Set against this will be a number of central budget pressures already identified to the Forum during 2006/07, which are expected to continue into 2007/08; such as the costs of alternative

provision for excluded pupils. Other central pressures, either in early years for the new foundation stage curriculum and the changes to admissions or the Education and Inspection Act 2006, have not yet been fully quantified in financial terms; but a cost pressure is expected. For schools, the universal extended schools programme must be funded in addition to pressures on schools to implement the Common Assessment Framework (CAF) and lead professionals. Appendix A details the 2007/08 estimated allocation of funds.

11. At the next scheduled meeting in February 2007, Schools Forum will be presented with a more reliable forecast of the DSG based on the actual, but unverified, PLASC return and the early years census data. Unfortunately, we are not in a position to hold back from making some key decisions in principle until February 2007, as this will be too late in the budget process.
12. Schools Forum are responsible for the Schools Budget and the allocation of the DSG therefore the Director of Children's Services is seeking the Forum's view in principle as to the allocation of funding for 2007/08, in accordance with Appendix A.
13. If the Forum approves in principle the allocation of funds for 2007/08 in line with Appendix A, which will fund the current level of budget activity identified to the Forum in recent months, then the Forum will be required to approve a breach in the Central Expenditure Limit (CEL) for 2007/08.
14. The CEL calculation is set by the DfES (The School Finance (England) Regulations 2006, schedule 3) and ensures that the allocation of the increased funds from one year to the next is distributed (*approximately*) in line with the initial value of the base budgets. So for example, the total DSG for 2006/07 is £174m, of this the ISB is £159m and the centrally retained budget is £15m. This is a ratio of 91:9. Under the CEL calculation, for each additional £100 received through the DSG in 2007/08, £91 should be directed to the ISB and £9 directed to the centrally retained areas. This is an approximation; there are exceptions to this detailed calculation, for example the increase in early years expenditure.
15. For 2006/07 a number of local authorities have breached the CEL. Further details will be presented to the Forum on the 12 December if the data is available from the DfES.

## **Finance**

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

## **Law**

18. 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**

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

## **Recommendations**

20. Schools Forum:

- Note the process and timescale for the setting of the 2007/08 Schools Budget funded by the DSG;
- Advise the Director of Children's Services regarding the allocation of the DSG resources for 2007/08, as detailed in Appendix A;
- Agree to the breach of the CEL for 2007/08 if the centrally retained budget pressures are to be funded for 2007/08.



**John Freeman**

**Director of Children's Services**

Contact Officer:

Karen Cocker, Children's Services Finance Manager

[Karen.cocker@dudley.gov.uk](mailto:Karen.cocker@dudley.gov.uk) Tel: 01384 815382

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

<b>Budget Area</b>	<b>Sub total</b>	<b>Budget Pressures</b>	<b>Total 2007/08</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Dedicated Schools Grant, provisional estimate 2007/08 – based on Table 1 in reoport			183.071
Less Actual Dedicated Schools Grant 2006/07			(173.955)
<b><i>Increase in DSG 2006/07 to 2007/08</i></b>			<b>9.116</b>
<b><u>Application of DSG increase in 2007/08:</u></b>			
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	
<b><i>Total of Additional Budget Costs 2007/08</i></b>			<b>-7.673</b>
<b><i>Unallocated Funds Based on Provisional Estimate of DSG 2007/08</i></b>			<b>£1.443m</b>