

Dudley Metropolitan Borough Council

Schools Forum – 6 December 2005

Report of the Director of Children's Services

New School Funding Arrangements from April 2006 – Dedicated Schools Grant and School Budgets

Purpose of Report

1. The purpose of this report is to update Schools Forum in respect of the estimated Dedicated Schools Grant (DSG) for 2006/07 and the proposed multi-year school budget process for 2006/07 and 2007/08.

Background

2. Details of the DfES publication 'New School Funding Arrangements from April 2006' were submitted to the School's Forum in October 2005.
3. Funding for schools, which is included within the DSG, will operate on a financial year basis for 2006/07 and 2007/08. Ministers have announced that the DSG for 2006/07 and 2007/08 will increase by 6% each year starting from the aggregate level of budgeted spend by local authorities for 2005/06. The final DSG will reflect several transfers including one to ensure that specific grants received by schools will also increase in line with the minimum funding guarantee (MFG). Ministers have indicated their intention that the MFG will be set at a level to cover average cost pressures subject to the final assessment of those pressures and the level will be set in the autumn once the STRB (School Teachers Review Body) recommendations on teachers' pay are known.
4. Ministers have also announced that every authority will receive an increase of at least 5% per pupil over their Schools Budget for 2005/06.
5. Further guidance is expected from the DfES in response to the recent consultation in respect of the modified DSG. Dudley responded to the consultation as a local authority which spends significantly in excess of the Schools Formula Spending Share (FSS). Decisions on the method of distribution for DSG will be made in the autumn and will be announced at the same time as the first allocations of DSG for 2006/07 and 2007/08.

6. Since the last meeting of Schools Forum, the local authority has provisionally agreed the baseline funding and pupil numbers in respect of the DSG for 2005/06. It is expected that the DfES will announce shortly a baseline per pupil allocation for Dudley at a rate of £3,329 for 2005/06 (unit cost). Using this allocation, the DfES will then advise the local authority of the inflationary increase to be applied to the per pupil rate in respect of 2006/07 and 2007/08.
7. Once Dudley has received the per pupil rate funding allocation for the multi-year period this will then require the validated pupil numbers for 2006/07 (and an estimate for 2007/08) in order to confirm accurately the value of the DSG for 2006/07 and an estimate of 2007/08.
8. The pupil number data for the DSG will be based on pupil numbers from the January immediately before the financial year. The sources of pupil data are as follows:
 - a. PLASC (Pupil Level Annual School Census)
All pupils in maintained nursery and primary schools; all pupils in secondary schools save those in year groups 12 to 14 (sixth form funded by LSC); all pupils under the age of 16 in maintained special schools.
 - b. Form 8b
All pupils' aged 3 -15 attending schools not maintained by the authority for which the authority is paying full tuition fees plus all pupils educated otherwise than in schools under arrangements made by the authority.
 - c. SLASC (School Level Annual School Census)
This records all pupils in Pupil Referral Units plus pupils under the age of 16 in general hospital schools.
 - d. Early Years Census
All pupils in receipt of a funded place with all pupils counted as part-time equivalents.
9. The pupil count data identified in paragraph 8 a-c will be available during late January/early February. The early year's census is taken around May. Thus authorities will need to set their overall Schools Budget and issue budget shares to schools before the DSG is absolutely finalised by the DfES.
10. As it is a requirement of the DfES that schools receive their initial budget shares for both 2006/07 and 2007/08 by 31 March 2006. It is evident

therefore, that in order to comply with this timescale the local authority must estimate pupil numbers in order to complete this process on time.

11. For 2006/07, the authority is confident that the pupil data identified in paragraph 8a-c will be available and substantially validated. However, the early year's census will need to be an estimate. The baseline data for 2005/06 records 929 full time equivalent pupils aged between 3 and 4. At this stage we propose to use similar data for 2006/07. Assuming a 10% variance, either way on this estimate would create a variance in DSG of approximately £300,000. This is seen to be the major area of difficulty in estimating the DSG for 2006/07. Notwithstanding this, it is still anticipated that indicative school budgets will be issued around February half term for 2006/07; schools will be advised of the planning assumptions.
12. For 2007/08 indicative budgets will be issued by 31 March 2006. For an estimate of January 2007 pupil numbers the data can be extrapolated from 2006 pupil numbers with additional data from the Information Team regarding the early year's pupils. The immediate concern with this estimate will be based on the outcomes of Primary Review. In order to run the 2007/08 school budget shares the local authority needs to have an estimate of school based pupil numbers for January 2007 as at February/March 2006. Officers of the local authority are currently working on this issue.
13. School Forum members must note therefore that the data which will drive the final DSG calculation will also be used to set individual school and central budgets. Thus if following some early indicative modelling based on estimates of January 2006 (which will be necessary due to timescales), an authority finds the actual pupil count is lower than expected, both the final DSG and final school budgets will be lower.
14. DfES guidance is expected shortly to assist those local authorities where the forecast is different to the final DSG. Options might include:
 - a. Re-determine school and central budgets after 1st April; or
 - b. Carry forward the surplus/deficit to be first call on next years DSG.
15. As part of forward planning, the local authority will need to discuss the option of carrying out a September pupil count in the future in order to assist in the DSG modelling process.
16. Using the data available to the authority, a financial exercise has been undertaken in order to estimate what the DSG might be for 2006/07. The financial data will have its limitations, as set out in this report, and it is

provided to School Forum as a guide.

17. The data set out in Appendix A relates to 2006/07 financial year and can be interpreted as follows:
- a. Yellow box: The pupil number estimates relate to those provided by the DfES. The per pupil baseline funding relates to the scale of possible inflationary increases to be added to the 2005/06 funding of £3,329. Estimates range from 5- 8%.
 - b. Blue box: The data from the yellow box for 2006/07 is multiplied. The blue box highlights the cash increase over the current 2005/06 baseline Schools Budget.
 - c. Salmon box: This assumes that inflation might be an average of 2.7% and attempts to highlight how much 'real growth' might be available having covered the un-avoidable cost pressures.
 - d. Pink box: This assumes that inflation might be an average of 3.4% and attempts to highlight how much 'real growth' might be available having covered the un-avoidable cost pressures.
18. The limitations of the data shown in Appendix A include:
- a. Pupil numbers forecast;
 - b. Minimum Funding Guarantee (MFG) still to be set by DfES;
 - c. Central limits calculation – split of growth between central and school areas

It is anticipated that the data for 2006/07 will be refined further in time for the Schools Forum meeting in February 2006.

19. The authority is in discussion with the DfES regarding the allocation of budget shares to schools in 2006/07 given that the outcomes of the Primary Review may mean adjustment to pupil numbers in September 2006 on a school-by-school basis. It is likely that for 2006/07 a formula factor for 'closing/changing' schools will be used. Further information will be presented to Schools Forum at the February meeting.

Proposal

20. It is proposed that Schools Forum receive this report and note the contents.

Finance

21. The funding of schools is prescribed by the DfES through the Financing of Maintained Schools Regulations (England) 2004 and the LEA budget, Schools

2006 it will be amended to the School Finance (England) Regulations 2005.

22. From 1st April 2006, the Schools Block will be funded by a direct DfES grant: Dedicated Schools Grant (DSG).

Law

23. 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.

Equal Opportunities

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

Recommendations

25. Schools Forum is invited to note the contents of this report and advise the Director of Children's Services in respect of the proposals outlined in the report.



John Freeman
Director of Children's Services

Contact Officer:

Karen Cocker, Education Finance Manager

Karen.cocker@dudley.gov.uk Tel: 01384 815382

