

**For general release**

<b>REPORT TO:</b>	<b>Children and Young People Scrutiny Sub-Committee</b>  <b>17 July 2012</b>
<b>AGENDA ITEM:</b>	<b>9</b>
<b>SUBJECT:</b>	<b>Dedicated Schools Grant</b>
<b>LEAD OFFICER:</b>	<b>Paul Greenhalgh Executive Director of Children Families and Learning</b>
<b>CABINET MEMBER:</b>	<b>Cllr Tim Pollard</b>
<b>PERSON LEADING AT SCRUTINY COMMITTEE MEETING:</b>	<b>Richard Simpson</b>

<b>ORIGIN OF ITEM:</b>	This report addresses questions asked by the committee in respect of gaining a greater understanding of the Dedicated Schools Grant (DSG)
<b>BRIEF FOR THE COMMITTEE:</b>	To provide detail of the DSG and how it is used to fund education provision with Croydon. To inform the committee of the impact on funding due to academy conversions, and provide an update on the funding reform being introduced for 2013/14.

## **1. EXECUTIVE SUMMARY**

1.1 This report provides an overview on the use of Dedicated Schools Grant (DSG) funding by Croydon Council.

## **2. BACKGROUND**

2.1 Dedicated Schools Grant (DSG) is received from the Department for Education (DfE) to fund education activity in Croydon. The majority of the is delegated directly to schools, this is known as the Individual Schools Budget (ISB). The remainder is retained centrally to fund education activities provided by Croydon Council.

Table 1: Total DSG funding

<b>DSG funding</b>	<b>2010-11 outturn £'000s</b>	<b>2011-12 outturn £'000s</b>	<b>2012-13 budget £'000s</b>
<b>Total DSG funding</b>	<b>203,352</b>	<b>*231,693</b>	<b>227,025</b>
Individual schools budget (ISB)	174,959	203,025	195,440
Centrally retained share	28,393	28,668	31,585

\* The increase between 2010-11 and 2011-12 is due to the mainstreaming of the Standards Fund into the DSG. Previously this had been paid separately.

### 3. USE OF CENTRALLY RETAINED DSG

3.1 Table 2 below sets out how the centrally retained share is being used within the Children, Families & Learning department

Table 2: Use of centrally retained DSG

<b>Service Area</b>	<b>2010-11 outturn £'000s</b>	<b>2011-12 outturn £'000s</b>	<b>2012-13 budget £'000s</b>
Early Years	6,317	1,819	1,642
Inclusion, Access and Special Educational Needs (SEN)	19,419	21,417	23,637
Prudential borrowing for SEN capital strategy			1,000
School Improvement	886	1,558	1,931
Central schools costs **	13	1,957	2,862
School Admissions	791	542	513
Partnership & Business Development	65	31	0
<b>Total expenditure</b>	<b>27,491</b>	<b>27,324</b>	<b>31,585</b>
Centrally retained DSG funding	(28,393)	(28,668)	(31,585)
<b>Deficit / (surplus)</b>	<b>(902)</b>	<b>(1,344)</b>	<b>0</b>

\*\* Central school costs consist of :-

- 2011-12 Outturn contained a charge to DSG for the educational element of Children Looked After placement costs
- 2012-13 Budget also contains Carbon Reduction Commitment charge

### 4. SECTION 251 RETURNS

4.1 Croydon's use of all DSG funding is reported to the DfE twice a year via the Section 251 return, for both budget forecasts and outturn data.

4.2 Use of centrally retained DSG is regulated by the Schools (Finance) regulations 2012, and it can only be applied to fund specific activities that relate to education. The remainder of activity in CFL is funded by the Council’s general fund.

4.3 The overall level of centrally retained DSG is agreed by the Schools forum at the start of the financial year, and reviewed periodically throughout the financial year.

## 5. ACADEMY CONVERSIONS

5.1 Conversion of schools to academy status reduces the level of DSG grant received by Croydon. This reduction of DSG funding is known as recoupment.

5.2 Recoupment applies to both the ISB share and the centrally retained share of DSG, and is calculated on a per pupil basis by the DfE.

5.3 When a school is no longer maintained by Croydon, its entire ISB share is recouped from the local authority. But the majority of centrally retained funding is not subject to recoupment, as Academy school pupils still receive a range of services delivered by Croydon Council (such as special educational needs, and pupil referral units).

## 6. FORMULA GRANT AND ACADEMY CONVERSIONS

6.1 As schools convert to academy status, a portion of centrally retained DSG is recouped from the authority, based on the Section 251 budget estimates. These values are set out in table 3 below:

Table 3: Centrally retained DSG recoupment per pupil

	Loss of DSG in 2012-13 per pupil for conversions to date	Anticipated academy pupils in 2012-13	Total loss per pupil for known conversions
Primary school pupil	£28.79	4,341	£124,977
Secondary school pupil	£35.95	10,187	£366,222
Special School pupil	£36.57	0	
<b>Total</b>			<b>£491,199</b>

6.2 Note: this 2012-13 recoupment loss has already been accounted for in the centrally retained total of (£31,585k) shown in table 2. Any new academy conversion during 2012-13 will cause a further reduction in centrally retained DSG

## 7. PUPIL NUMBERS

7.1 The table 4 below shows the number of primary and secondary pupils in maintained and non maintained schools:

Table 4 :- Pupil Numbers

Maintained Schools:

	January 2011 census (for 2011-12)	January 2012 census (for 2012-13)	Projected 2013 (for 2013-14)
Primary school pupils	26,769	25,845	25,369
Secondary school pupils	13,598	11,198	7,601
<b>Sub total</b>	<b>40,367</b>	<b>37,043</b>	<b>32,970</b>

Non maintained schools

	January 2011 census (for 2011-12)	January 2012 census (for 2012-13)	Projected 2013 (for 2013-14)
Primary school pupils	1,263	3,395	4,650
Secondary school pupils	2,351	3,816	7,512
<b>Sub total</b>	<b>3,614</b>	<b>7,211</b>	<b>12,162</b>
<b>Total maintained and non maintained pupils</b>	<b>43,981</b>	<b>44,254</b>	<b>45,132</b>

## 8. FUTURE FUNDING IMPLICATIONS

8.1 On the 28<sup>th</sup> June 2012 the DfE announced the final details of the revenue funding reform for 2013-14. This will be a one year settlement for 2013-14.

8.2 This is the first step towards the introduction of a new national funding formula during the next spending review period, which is aimed at making funding to schools simpler, more transparent and fairer. The Government wants funding for education to reach schools and the pupils that need it the most.

8.3 There will be three notional blocks of funding within the DSG so funding is clearly identifiable, the three blocks are:-

- Schools
- Early Years Provision
- High Needs Pupils

8.4 Latest proposals recommended that the majority of schools funding would be delegated to schools and the element retained centrally by the LA would be minimal, thus allowing schools to have greater control over their budgets. This proposal would allow schools via the schools forum to de-delegate monies back to the LA for the provision of services should they wish or provide for these services using their own chosen provider.

8.5 One key exception to this is funding for pupil growth, which allows Councils to create a pupil growth fund from the DSG in advance of allocating monies to schools.

8.6 A more detailed explanation of these implications is contained within appendix 1 to this report.

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**CONTACT OFFICER:** Lisa Taylor – Head of Finance CFL

**BACKGROUND DOCUMENTS:** None

## School Funding Reform 2013/14

### Introduction

On the 28<sup>th</sup> June 2012 the Department for Education announced the final details of the revenue funding reform for 2013/14. This will be a one year settlement for 2013/14.

This is the first step towards the introduction of a new national funding formula during the next spending review period, which is aimed at making funding to schools simpler, more transparent and fairer. The Government wants funding for education to reach schools and the pupils that need it the most.

There will be three notional blocks of funding within the Dedicated Schools Grant (DSG) so funding is clearly identifiable, the three blocks are:-

- Schools
- Early Years Provision
- High Needs Pupils

Academies will continue to be funded by the Education Funding Agency (EFA) but on the basis set by the Local Authority (LA). This will ensure that both academies and maintained schools are funded on a fair and comparable basis.

### Schools Block

The schools block aims to delegate as much funding to schools as possible using less factors (10 factors) rather than the 37 in the current regulations to ensure funding is allocated according to need.

The current arrangements allow the LA to retain an element of DSG for services provided centrally by the LA, this includes School Improvement services, SEN, Pupil Referral Units (PRUs), contingency for schools with significant growth in pupil numbers, and admissions.

The initial proposal issued in March 2012 recommended that the majority of funding would be delegated to schools and the element retained centrally by the LA would be minimal, thus allowing schools to have greater control over their budgets. This proposal would allow schools via the schools forum to de – delegate monies back to the LA for the provision of services should they wish or provide for these services using their own chosen provider.

This is still the case with one key exception regarding pupil growth which is detailed in the paragraph below.

When these proposals were issued in March 2012 the biggest concern for Croydon was the lack of ability to retain funding for supporting schools with significant growth in pupil numbers, the proposals were recommending that funding would need to be delegated to schools and they would be required to de delegate back to the LA for this provision. There was significant opposition to this proposal and the final details issued on the 28<sup>th</sup> June 2012 are now

allowing for LAs to create a 'Growth Fund' from the DSG in advance of allocating monies to schools. This fund will be ring fenced and only used to support the growth in pupil numbers where class size regulations require the need for additional classes.

There will still be a minimum funding guarantee as with the current arrangements of minus 1.5% per pupil in 2013/14 and 2014/15.

The schools forum will be strengthened under separate proposals that will be finalised later in the year and the EFA will provide greater support.

To enable budgets to be prepared earlier and allow schools to plan in a more timely manner the DSG will be calculated on the October Census data rather than the January data.

**Action being undertaken :-**

- Developing our formula with the schools forum working group, to be approved by schools forum. This needs to be submitted to the EFA in October 2012 for review and compliance checking.
- Attending briefing session hosted by the DfE to ensure compliance.
- Funding Reform briefings being delivered to various groups including Schools forum, Head Teachers forum and primary and secondary groups.
- Working to understand the impact on services that are currently provided by the LA and funded from the centrally retained element of DSG to understand how they are effected by the 2013/14 funding reform arrangements and what this means for Croydon. Development of traded services.

**Early Years Provision**

The Early Years block will continue to be funded on the January pupil numbers and be updated to reflect actual pupil numbers in the year. This will result in the early years funding from the EFA more accurately reflecting the pupils.

The DfE will shortly be issuing guidance aimed at simplifying the Early Years Single Funding Formula (EYSFF).

All providers of free early education, including Academies currently funded for early education by the EFA will be funded by LA's on common principles from 2013/14.

**High Needs Block**

The High Needs block will cover funding for pupils and students from birth to 25 years in line with the proposals in the Green Paper on SEN and Disability This will introduce an integrated and coherent approach to assessment and provision.

The 'Place Plus' approach will be adopted which will ensure that providers, both mainstream and specialist will be funded on an equivalent basis. This approach is designed to be straight forward, transparent, and encourage flexibility and choice.

Under Place Plus mainstream schools and academies will receive formula funding that will include a notional SEN element, these establishments will be expected to contribute the first £6k.

Specialist providers will receive base funding of £10k per place planned for pre 16 year olds and £8k for post 16s. Commissioners can allocate 'top up' funding on a per pupil basis if required.

Actions being undertaken:-

- Working with service to develop funding model.

Lisa Taylor  
6.7.12