

## **Dedicated Schools Grant (DSG) and the Schools Budget**

- 1 The DSG is ring-fenced for funding the provision of education for pupils in schools (maintained, pupil referral units (PRUs), private, voluntary and independent (PVI) nurseries or externally purchased places). As such it covers funding delegated to individual LA maintained schools and PVI providers through the LMS & Early Years Funding Formula, plus funding for other pupil provision which is retained centrally by the LA (e.g. SEN, PRUs, behaviour support, home & hospital tuition, school contingencies etc.). It is distributed according to a formula that guarantees a minimum per pupil increase for each authority (0% in 2013/14).
- 2 The council itself cannot use the DSG for any purpose other than schools block funding, although with the permission of the York Education Partnership Board limited contributions are being made to the following areas:
  - Combined budgets supporting Every Child Matters objectives where there is a clear educational benefit.
  - Prudential Borrowing, where overall net savings to the Schools Budget have been demonstrated.
  - Some SEN transport costs, again only where there is a net Schools Budget saving.
- 3 There are also strict limits (Central Expenditure Limits) on the amount of the DSG that the council can retain centrally to either fund pupil costs outside of mainstream schools, or use to provide targeted allocations during the financial year to maintained schools. The funding reform changes for 2013/14 have further tightened these regulations, significantly reducing flexibility.
- 4 To some degree the government has attempted to protect schools from the full effect of their spending reductions when compared to other parts of the public sector, and the remainder of local government services in particular. The key features of the Schools Settlement for 2013/14 are:
  - Another one-year only settlement for 2013/14.
  - Significant changes to the system of allocating funding to schools and other providers for both mainstream and high needs pupils.
  - A continued flat cash per pupil allocation for all of the LA's core school funding.

- Increased funding through the pupil premium for disadvantage.
  - Increased funding for 2 year old nursery provision for disadvantaged pupils.
- 5 During 2012 the DfE undertook a major review of school funding arrangements, and has subsequently started to implement its proposals under “School Funding Reform – Next Steps to a Fairer System”. The main objective of these reforms is to move to a national funding formula for schools to be introduced at the start of the next spending review period in 2015/16.
- 6 As part of the progression towards this national funding formula, the DfE has instructed each LA to review and simplify its current LMS Funding Formula for the 2013/14 financial year. The new formula needs to be fully compliant with the DfE revised School Funding Regulations which describe:
- A reduction in the number of allowable factors from the current 37 (22 used in York) to 10, and significant prescription on how these remaining factors are to be applied.
  - A requirement to delegate to schools a number of budgets and services that are currently held and managed centrally by the LA.
  - An option for schools (via the York Education Partnership Board) to agree to de-delegate some of these services back to the LA if they wish.
  - New constraints on the use that the LA can make of any remaining centrally retained budgets.
  - Changes to the funding arrangements for high needs SEN and Alternative Provision (AP) pupils by introducing a commissioner / provider arrangement, with commissioners (including schools for AP) responsible for funding the actual cost of provision for their pupils.

#### LMS Formula Funding for Schools

- 7 As reported to the Cabinet Member in November, the revised funding formula has, despite best efforts to limit any turbulence, resulted in changes to the distribution of funding between schools for 2013/14 and beyond. However, under the new regulations the Minimum Funding Guarantee (MFG) will remain in place at -1.5% per pupil for 2013/14 and 2014/15. This will ensure that no school will see a significant reduction in

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funding following the introduction of the new formula. In order to fund the MFG the council is allowed to set a local limit on gains for those schools whose funding will increase under the new formula. This will again operate on a per pupil basis, and will be a ceiling increase of +1.38%. The range of change for individual schools in 2013/14 on a like for like basis is shown in the table below.

	Maximum Loss £000	Maximum Gain £000
Primary Schools	21	22
Secondary Schools	58	67

- 8 It is also important to understand the potential projected impact for individual schools once all of the transitional arrangements have run their course. In these circumstances the level of potential change for individual schools is more material. In summary, the range of change for schools at their target funding levels is as follows:

	Maximum Loss		Maximum Gain	
	£000	%	£000	%
Primary Schools	92	6.9%	68	9.5%
Secondary Schools*	87	2.4%	189	4.5%

\* Note – Excluding Burnholme Community College which is subject to separate support arrangements during its phased closure period.

### High Needs SEN and Alternative Provision

- 9 The DfE has made some significant changes to the way the costs of high needs pupils are to be funded from 2013/14. In particular the LA acquires the responsibility for commissioning all 16-25 year old SEN placements. At the time of writing this report we are still in discussions with the Education Funding Agency (EFA) around the number of high needs pupil places that they will fund for 2013/14. It is currently estimated that there could be a shortfall in the funding required to support the new arrangements of between £200k - £400k in 2013/14.

### Schools Budget Projection for 2013/14

- 10 A summary of the overall schools budget position is shown in Table 1 below. A full report on the schools budget and funding for schools has

been prepared for the York Education Partnership Board (YEPB) on 12 February (the YEPB undertakes the statutory responsibilities of the Schools Forum in York in relation to school finances). The YEPB report can be provided to any Member on request and provides further explanations of the figures set out in Table 1

**Table 1: Schools Budget Projection for 2013/14**

	£000
<b>2012/13 Approved Budget</b>	<b>116,269</b>
Impact of Previous Years Decisions:	
Burnholme Community College Closure - Transitional Arrangements	<b>+ 436</b>
<b>2013/14 Base Budget</b>	<b>116,705</b>
Provision for Pay Increases	<b>+ 109</b>
LA Centrally Retained Budget Efficiencies	<b>- 200</b>
LMS Funding Formula Requirements	<b>+ 122</b>
2 Year Old Nursery Provision	<b>+ 1,161</b>
Early Years Single Funding Formula (3&4 Year Olds)	<b>+ 100</b>
High Needs SEN & Alternative Provision	<b>+ 669</b>
Pupil Premium for Disadvantage	<b>+ 1,332</b>
<b>2013/14 Initial Budget Projection</b>	<b>119,998</b>
<b>Funding Available:</b>	
Dedicated Schools Grant	<b>109,558</b>
EFA Post 16 Grants	<b>6,543</b>
Pupil Premium	<b>3,708</b>
DSG Surplus b/f from 2012/13	<b>-</b>
<b>Total Estimated Available Funding</b>	<b>119,809</b>
<b>Schools Budget Shortfall</b>	<b>189</b>

Funding Available within the DSG

- 11 The funding available includes the estimated 2013/14 DSG allocation of £109,558k, the existing allocation of funding for post 16 pupils from the EFA of £6,543k, the estimated level of the pupil premium for York schools of £3,708k and an estimated zero balance carry forward of DSG from 2012/13. Table 2 sets out the latest estimate of the DSG for 2013/14.

**Table 2 – DSG Funding 2012–14**

	<b>2012/13</b>	<b>2013/14</b>
Early Years Pupil Numbers	1,616	1,616
DSG Per EY Pupil	£3,443.79	£3,443.79
<b>Early Years Allocation</b>	<b>£5.565m</b>	<b>£5.565m</b>
5-16 Year Old Pupil Numbers	21,032	21,222
DSG Per 5-16 Pupil	£4,209.24	£4,209.24
<b>5-16 Year Old Allocation</b>	<b>£88.529m</b>	<b>£89.329m</b>
<b>High Needs Allocation</b>	<b>£13.510m</b>	<b>£13.446m</b>
<b>New 2 Year Old Allocation</b>	<b>N/A</b>	<b>£1.186m</b>
<b>NQT Induction Transfer</b>	<b>N/A</b>	<b>£0.032m</b>
<b>DSG Total for 2013/14</b>	<b>£107.604m</b>	<b>£109.558m</b>

### Balancing the Schools Budget

- 12 At the time of writing this report there is a potential shortfall in the overall Schools Budget of between £200k - £400k as a result of the change to post 16 SEN funding. Clearly further work may be required in conjunction with the YEP to produce a balanced Schools Budget for 2013/14 pending the outcome of discussions with the EFA on the level of resource to be transferred to the authority for post 16 SEN pupils.
- 13 This may result in a deficit Schools Budget having to be set for 2013/14 of up to £400k, and in this situation in year mitigating savings would be sought. Ultimately any remaining deficit would have to be carried forward to 2014/15 and dealt with as part of that year's budget setting process, most likely as a reduction in the amount of funding available for schools through the LMS Funding Formula.