

Dedicated Schools Budget 2012/13

Purpose of report

1. To consider the initial estimate of Dedicated Schools Grant (DSG) for 2012/13 and the implications for the Schools Budget.
2. To update Schools Forum on national developments and initial proposals and options for a national funding formula.

Background

3. The government only issued a one year financial settlement for the schools budget in 2011/12 confirming that the current methodology for allocation of DSG would be continued. In the consultation documents issued in summer 2011 it was further confirmed that the schools funding system would remain unchanged for 2012/13. The DfE have confirmed via e-mail that the current recoupment methodology for the calculation of DSG and Academy budgets will remain for 2012/13. This means that pupil numbers for academies will be counted in the overall pupil count for Wiltshire and then academy budgets recouped from the final DSG settlement.
4. DSG is allocated on the basis of a guaranteed unit of funding (GUF) multiplied by the numbers of pupils as calculated by the January schools and Early Years census, and the Alternative Provision census. As in previous years we need to estimate the expected level of DSG for 2012/13 based on the October 2011 pupil count adjusted for any expected movement between October and January, the final grant will then be confirmed after the start of the financial year (usually June/July).
5. Because no specific announcements have been made regarding schools funding for 2012/13 the assumption is being made that, as for 2011/12, there will be no cash inflation to the GUF and that there will be a negative Minimum Funding Guarantee (MFG) of -1.5%. It is therefore assumed that the GUF for 2012/13 is £4,592.87 per pupil. These assumptions will need to be confirmed before the final budget is agreed.

Main considerations for Schools Forum

Estimate of DSG 2012/13

6. Pupil numbers from the October pupil count in Wiltshire's maintained schools and academies have been used to estimate DSG for next year. Adjustments have been made to reflect likely movements between October and January and any additional pupils that will need to be funded, for example the new primary school that opened in September 2011.
7. So far in the calculation the January 2011 numbers for the Alternative Census (non-academy) and for 3 and 4 year olds in PVI settings have

been used and these will need updating based on more current projections. The numbers of 3 and 4 year olds, in particular, could impact on the level of DSG.

8. Appendix 1 shows the initial estimate of DSG. At this stage the calculation includes pupils within academies and therefore shows the overall level of DSG for all schools in Wiltshire. The recoupment of school budget shares for academies will be revenue neutral as it will be based on the 2012/13 Wiltshire formula. The impact of the recoupment of Local Authority Central Spend Equivalent Grant (LACSEG) is discussed further within this report.
9. The initial estimate of DSG for 2012/13 indicates that overall pupil numbers will reduce by 123, giving a total DSG of £292.690 million, a reduction £0.565 million compared with the current year.

Demography and Cost Pressures

10. Appendix 2 to this report shows the main cost pressures, potential options for savings, and the overall budget gap at this stage. Prior to any savings proposals being included the overall budget gap for 2012/13 is estimated to be £4.163 million.
11. Despite the number of pupils being funded through DSG being lower in 2012/13, it is still estimated that we will need to fund additional pupils within the delegated budget. Comparing the calculation with last year it can be seen that the overall pupil count shows fewer pupils in the Pupil Referral Unit and a reduction in the number of pupils on roll in special schools. Whilst this generates less DSG coming in, special schools are funded on places and therefore this reduction is not reflected in the budget. The additional pupil numbers to be funded in 2012/13 results in a cost pressure of £63,504.
12. Following the mainstreaming of grants in 2011/12 an additional AWPU factor was generated for post 16 pupils as the predecessor grants had funded pupils in all years. There is an increase in the number of pupils to be funded in years 12 and 13 however this increase is not reflected in the level of DSG which only funds pupils up to the age of 16. This creates an additional cost pressure of £93,080.
13. In previous years Schools Forum has agreed that increases arising from the annual banding moderation for provision for pupils with special needs should be treated in the same way as costs associated with increases in pupil numbers. The outcome of the banding moderation process across all specialist provision is outlined in a separate paper on this agenda and the overall cost pressure is £121,943. The report notes that this can be largely offset by the reduction in transitional protection for Downlands School.
14. No pay or contract inflation has been assumed for central DSG funded services although work is ongoing with Independent Special School providers to agree fees for next year.
15. The additional cost pressures identified in Appendix 2 are the £100,000 increase in contribution to the PFI Affordability Gap, agreed at the October meeting, and the impact of the LACSEG recoupment.

16. No assumption has been made regarding potential additional investment in the YPSS budget to be devolved to secondary schools in September 2012. The outcome of the current work on a needs led model will be reported to the January meeting.
17. Within the budget for 201/12 one off resources of £1.9 million from the 2010/11 underspend were utilised to fund priorities. This represents a cost pressure to the 2012/13 budget.

LACSEG Recoupment

18. As schools convert to academy status a reduction is applied to the Authority's DSG to reflect the cost of services that the LA provides to maintained schools free of charge. Unlike the recoupment applied to services funded through the LA funding settlement, the adjustment to DSG is applied in year upon the date of conversion.
19. Using the DfE calculator, based on the 2011/12 Section 251 return, the 2012/13 LACSEG deduction calculated for schools who have already converted to Academy status is £576,076. Initial assumptions regarding further conversions during 2012/13 indicate that a further reduction of up to £600,000 could be expected through the year giving a total estimated cost pressure for LACSEG of £1.2 million.
20. The LACSEG recoupment is based on a per pupil amount and does not reflect individual school's usage of each service.
21. Work is taking place to review services that are in scope for LACSEG and to look at the savings that might be achieved and the potential level of buy back for services being offered on a traded basis. Those savings have not yet been quantified in Appendix 2 and further work will be required before the January Schools Forum meeting.

Potential Savings

22. Potential savings or reductions to be implemented in the 2012/13 are included within the summary in Appendix 2.
23. As stated in paragraph 5 above it is assumed that the DfE will apply a negative MFG to schools budgets as in 2011/12. If this is the case it is possible to apply a negative level of inflation to the overall schools budget and a level of -0.5% has been applied in Appendix 2. The total saving to be achieved through a 0.5% reduction would be £1.448 million (including central budgets). This is consistent with the approach taken in a number of other LA areas in the current year.
24. A review of the current and expected placements within Independent Special Schools indicates that savings of £0.5 million could be released from the ISS budget.
25. Paragraph 12 above indicates that a cost pressure of £93,080 has arisen because of the creation of an AWPU element for post 16 pupils to reflect the mainstreaming of former standards funds. This cost pressure could be removed by containing the post 16 AWPU within the existing quantum and therefore reducing the per pupil amount. This would be consistent with the way in which some other formula elements are treated within a defined quantum.

26. As stated above, further work is required to identify savings that can be achieved to offset the LACSEG reduction. For some budgets, such as maternity costs and the PRC budget, reductions can be made in line with the DfE assumptions.
27. Following the inclusion of the savings described in this report and Appendix 2 it is estimated that there is still a budget gap of £1.973 million for 2012/13.

Update on the National Picture for 2013/14

28. At the National Fair Funding Conference in November 2011 representatives from the DfE gave initial feedback following the schools funding consultation issued in July 2011. A briefing note on the main headlines and the possible implications for Wiltshire is included at Appendix 3 to this report.
29. The DfE stated an intention to implement change within effect from 2013/14 and it is clear that this will require all LAs and Schools Forum's to fully review their local funding formula and consult on a new formula that complies with the new regulations in time for implementation in 2013/14. It is expected that a further consultation containing more detailed proposals will be issued in February or March 2012.
30. It is proposed that a Formula Review Task Group is established comprising officers and representatives from Schools Forum.

Proposal

31. It is proposed that
- a. Schools Forum note the estimate of DSG for 2012/13 and the potential budget gap.
 - b. Schools Forum considers the potential options for savings put forward in Appendix 2 and confirms which should be taken forward in to the detailed budget calculations.
 - c. Schools Forum indicates any further areas that should be considered for savings.
 - d. A Formula Review Task Group is established to lead the work on reviewing the Wiltshire Funding Formula in line with the proposals for a new funding system from April 2013. Schools Forum is asked to nominate representatives for that group.

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Background papers

The following unpublished documents have been relied on in the preparation of this report:

None

Appendices

Appendix 1 – Estimate of Dedicated Schools Grant for 2012-13

Appendix 2 – Summary of Cost Pressures and Potential Savings 2012/13

Appendix 3 – summary of headlines following the consultation on Schools Funding
