

# CIRCULATED AT THE MEETING

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**Meeting:** Schools Forum  
**Place:** Committee Room III - County Hall, Trowbridge  
**Date:** Thursday 1 December 2011  
**Time:** 1.30 pm

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The Agenda for the above meeting was published on 24 November and indicated that the report detailed below would be to follow. These are now available and are attached to this Agenda Supplement.

Please direct any enquiries on this Agenda to Liam Paul, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718376 or email [liam.paul@wiltshire.gov.uk](mailto:liam.paul@wiltshire.gov.uk)

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11. **DSG Estimate 2012/13 & Schools Budget Proposals** (Pages 1 - 12)
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DATE OF PUBLICATION: 08 December 2011



## Wiltshire Council

Schools Forum  
1<sup>st</sup> December 2011

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### 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.

**Carolyn Godfrey**  
**Director, Children & Education**

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30<sup>th</sup> November 2011

## **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

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**Pupils to be used in the Dedicated Schools Grant 2012-13:** *Wiltshire*

A. Pupils from Schools Census, SLASC & PRUC Oct 2011 (FTE) (adjusted for expected January position)	45,846.3	
B. Pupils from Alternative Provision 2011 (FTE)	14,003.0	January 11 numbers used for Alternative Provision and
C. Pupils from Early Years Census 2011 (FTE)	3,820.0	January 2011 numbers used
D. Adjustment to fund at least 90% of projected 3 year old population (FTE)	57.4	
<b>E. Total pupils for the 2012-13 Dedicated Schools Grant (A + B + C + D)</b>	<b>63,727.0</b>	<b>-123.0</b> reduction in pupil numbers from January 2011

**Calculation of Final Dedicated Schools Grant 2012-13**

Adjusted 2011-12 DSG baseline (£m)	293.255	
2011-12 Guaranteed per pupil unit of funding (£)	4,592.87	
H. 2012-13 Final DSG Before Cash Floor (£m) (G * E)	292.690	
I. Extra cash floor payment to ensure allocation falls by no more than 2% (£m)	0.000	
J. 2012-13 cash amount to remove for Academies which opened in 2008-12 (£m) <sup>1</sup>	0.000	Note - estimate is gross of Academies at this stage
<b>L. Final 2012-13 DSG Allocation (£m) ( H + I - J - K )</b>	<b>292.690</b>	<b>-0.565</b> reduction in DSG from 2011/12

## DSG Summary 2012/13 (Version 1)

	£m	
<b>Provisional DSG - Total Pupil Numbers (Incl. Academies)</b>	<b>292,690,000</b>	From pupil number analysis (Estimated from <b>October</b> Counts)
Expected Recoupment for Academies	0	Shown GROSS of Academy Recoupment at this stage
<b>Adjusted Provisional DSG</b>	<b>292,690,000</b>	A
Baseline Budget 2011/12	295,304,571	Includes £1.9 million funded from 2010/11 underspend
<b>Revised Baseline 2011/12 After Academy Recoupment</b>	<b>295,304,571</b>	B
Inflation for Delegated Budget (proposed)	(1,283,225)	-0.5% no inflation increase to DSG settlement
Base Budget Pressures - central budgets	0	Schools Forum recommendation not to fund pay/contract growth
	(1,283,225)	C
<b>Demography</b>		
Adjust for changes in pupil numbers within delegated budget	63,504	
Banding and Planned Places	121,943	
Adjust for increase in Yr 12/13 nos for mainstreamed grant formula element	93,080	
	278,527	D
<b>Revised Schools Budget to meet MFG/Inflation and pupil number changes</b>	<b>294,299,873</b>	E = B + C + D
<b>Add Cost Pressures</b>		
PFI Affordability Gap	100,000	Already agreed by Schools Forum (October 2011)
LACSEG Central Services	576,076	Academy conversions to date
Further LACSEG - assumed 12/13 conversions	593,363	Assumptions to be finalised on expected conversion rate
	1,269,439	F
<b>Less Savings to be Achieved</b>		
Release of Downlands Transitional Protection	(97,538)	offset costs of banding moderation/planned places
-0.5% inflation EYSFF	(73,130)	as per delegated budget
-0.5% inflation on other central budgets	(92,457)	as per delegated budget
Independent Special Schools	(500,000)	Based on spend 2011/12 with provision for tribunals/additional placements
EOTAS Recoupment - impact of CAMHS contract	(50,000)	Reduce number of high cost placements
Reductions in Central Budgets for LACSEG	-	Still to be quantified - combination of reduction to budgets eg maternity and staffing reductions or traded income
Maintain mainstreamed grants for yrs 12/13 within 11/12 quantum	(93,080)	
	(906,206)	G
<b>Budget Requirement for 2012/13</b>	<b>294,663,107</b>	H
<b>Budget Gap 2012/13</b>	<b>(1,973,107)</b>	I = A - H
<b>Summary</b>		
Budget Gap including demography and all cost pressures	4,162,538	B - A + D + F
Savings Proposals	(2,189,431)	G + C
<b>Remaining Budget Gap 2012/13</b>	<b>1,973,107</b>	

## Briefing Note

### Schools Funding Formula Review – Initial Feedback from DfE

At the National Fair Funding Conference on 23<sup>rd</sup> November 2011 the DfE gave initial feedback from the Schools Funding Consultation issued in July of this year. 1,600 responses had been received although approx 800 of these were single issue responses.

The DfE proposed the attached funding system and associated budget setting process (no timetable included). The main headlines from the responses to date are summarised below:

<b>Issue from consultation</b>	<b>Notes/Implication for Wiltshire</b>
56% in favour of budgets being allocated on a schools basis rather than a local authority basis	<p>The Wiltshire allocation of DSG will be based on the consolidation of notional allocations for each school in the County. LAs will then establish a local formula to distribute funding to schools. There will be a requirement for a clear audit trail to explain any differences between the notional allocation for each school and the allocation resulting from the local formula.</p> <p>There are implications for what data set is used for the calculation of the notional allocations. Currently LAs set school budgets based on the January pupil numbers however the DfE is unable to verify these figures for the DSG allocation until June/July. The DfE acknowledged that they will either need to bring the pupil count forward and/or review which data is used for the grant allocation.</p> <p>LAs at the conference fed back that if the Education Funding Agency (EFA) is to check and approve the local formula for compliance then this needed to happen before the formula is consulted on and not after, as this could build delays in to the system. Some LAs fed back at the conference that it would be helpful to have the EFA represented on Schools Forum to enable them to confirm compliance as the formula was being developed!</p>
Most respondents fed back that the proposed elements of the national formula were the right ones	<p>The national formula will be based on the following elements:</p> <ul style="list-style-type: none"><li>• Basic amount per pupil</li><li>• Deprivation allocation</li><li>• Protection for Small Schools</li><li>• Area Cost Adjustment</li><li>• Plus a possibility of an element for English as an Additional Language (EAL)</li></ul>

Issue from consultation	Notes/Implication for Wiltshire
Opinion was divided on whether the protection for small schools should be on the basis of the lump sum of £95,000 or on a sparsity factor	<p>Wiltshire had responded that the lump sum would be the preferable methodology, it is more difficult to model the impact of a sparsity index without reviewing the data that would be used.</p> <p>Within the consultation it was proposed that the lump sum should only apply to primary schools. A number of responses suggested it should also apply to secondary schools and the DfE undertook to look at this again. Feedback from the Institute of Fiscal Studies in their review of potential options for a national formula indicates that only applying the flat rate to primary schools would result in a significant shift in resources from secondary to primary which may make the proposed ratios of secondary to primary funding unachievable.</p>
74% of respondents supported the use of EAL as a factor in the national formula	Wiltshire was not in favour of this proposal. We did feed back that if a factor was to be included then it should only be for the first few years when a pupil enters the system and this view was supported by the majority of respondents.
Deprivation – no strong view about whether FSM Ever 3 or 6 should be used although responses just tipped in favour of FSM 6	<p>In Wiltshire we had proposed FSM Ever 3 on the basis that the additional effort required to collate the data was not outweighed by significant increases in funding coming in to the County.</p> <p>The DfE acknowledged that the consultation had been predicated on the assumption that FSM would be the measure of deprivation although a number of respondents proposed that other measures should be used instead.</p> <p>The Institute of Fiscal Studies analysis indicates (perhaps not unsurprisingly) that the use of FSM Ever 6 has the effect of redistributing funding to secondary schools because there are fewer pupils who have been eligible for 6 years at primary level.</p>
47% of respondents agreed that LAs should calculate academy budgets	The DfE acknowledge that in effect LAs would be calculating academy budgets because Academies would be funded according to the local formula, however there is still an expectation that funding will go through the EFA and it isn't clear whether some degree of replication of local formulae will still take place or whether payments would be based on the LA calculation

Issue from consultation	Notes/Implication for Wiltshire
Only 27% of respondents agreed with the proposals in relation to Schools Forum	<p>Like Wiltshire the majority of respondents fed back that they were not in favour of each constituent group on Schools Forum having to separately approve the formula.</p> <p>Because of the negative response to these questions the DfE stated they will relook at the proposals in relation to Schools Forums. It is clear that they want a role for the EFA in checking compliance and want to put something in place that will future proof the changing nature of schools forums, for example, with the increasing number of academies in LA areas.</p>
Local Formula Factors	It was noted that pupil mobility, including military families, was a strong theme in responses to the consultation that should be included as permissible local formula factors. The DfE stated that they would look at this.

The DfE's stated intention at the conference is to implement change from the 2013/14 financial year. Further proposals on the detail arising from the July consultation will be issued for consultation in February or March 2012 – feedback from this is unlikely to be issued before the summer of 2012. If the change is to be implemented in April 2013 then LAs and Schools Forums will need to work together to develop the new local formula in time for the 2013/14 budget setting process which means consultation on the formula will need to take place in the Autumn of 2012. This does not give much time!

The initial work carried out by the Institute of Fiscal Studies indicated that the move to the national formula would introduce significant turbulence in to the system. There are no firm proposals around floors and ceilings at this stage but these will need to be introduced. The DfE clearly stated at the conference that there will be losers in the new formula and that if there aren't then they haven't got it right!

No feedback was given on the questions related to High Cost Pupils or Early Years and so there is no indication yet of the direction of travel for the funding of special schools or for the Early Years Single Funding Formula.

*Liz Williams*

*Head of Finance (Children's Services)*

*25 November 2011*

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