

Schools Forum 11 July 2006

Report of the Director of Children's Services

Dedicated Schools Grant 2006/07 Financial Year

Purpose of Report

1. To advise Schools Forum of the actual Dedicated Schools Grant (DSG) for the financial year 2006/07, as announced by the DfES on 2 June 2006.

Budget Working Group Discussed

2. Yes - 21 June 2006

Action for Schools Forum

3. To note that the DSG for 2006/07 has been confirmed by the DfES at £489k lower than anticipated. As a result Schools Forum need to decide what actions should be taken. The outcomes of these decisions must then be relayed to the DfES in accordance with the statement attached as Appendix A.

Attachments to Report

4. Appendix Ai and Aii.

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Purpose of Report

1. To advise Schools Forum of the actual Dedicated Schools Grant (DSG) for the financial year 2006/07, as announced by the DfES on 2 June 2006.

Background

2. The Schools Forum is responsible for the allocation of the Dedicated Schools Grant (DSG) for 2006/07.
3. At the previous Schools Forum meetings in December 2005 and February 2006, members were advised on the new schools funding arrangements from 2006/07. It was highlighted that under the new funding arrangements – 'the DSG' would provide uncertainty around the precise level of grant funding for the forthcoming financial year until the 2006 pupil count data was verified by the DfES; this was expected to be in May 2006, some two months after the start of the new financial year. As it is a statutory requirement to issue school budgets by 31 March 2006 then all local authorities would be in the same position in having to estimate their DSG based on the most reliable pupil number data available in early March 2006.
4. In previous years, the schools budgets issued at 31 March were the final budgets for the forthcoming financial year. However, due to the DfES regulations regarding the DSG and the pupil count, the budgets now issued to schools at 31 March could in fact be amended in year if the subsequent DfES pupil data validation in May is different to Dudley's submission. Schools Forum agreed at its meeting in December 2005 that schools budgets would not be adjusted in year but any surplus or deficit of the DSG would be carried over to the next financial year. Therefore schools received their second indicative and final budgets before the 31 March 2006.
5. At the Schools Forum meeting in March 2006, the estimated DSG for 2006/07 was indicating a surplus of £250k over the funds already allocated to schools and central budgets. Schools Forum approved in principle, subject to pupil number verification by the DfES, the allocation of this estimated surplus to assist those Full Service Extended Schools (FSES) who were experiencing financial difficulties as a result of the central budget reduction. The following is an extract from the Budget Fact Sheet No. 3 "*The second indicative budgets for 2006/07 will be the final budgets issued for*

2006/07. At 16 March 2006, it was estimated that a sum of £0.25m will be available in excess of the second indicative (final) budgets distributed to schools. Schools Forum agreed at the meeting on 16 March 2006, that the £0.25m can be allocated, as a one off budget, to assist those schools experiencing financial pressures as a result of the reduction in the full service extended schools funding for 2006/07. The value of the allocation to schools will be subject to approval by HTCF – Budget Working Group once the final DSG and pupil numbers have been confirmed by the DfES”. On the grounds of prudence, schools have not yet been notified of the FSES allocations agreed at Schools Forum in May.

6. The DfES announced all local authorities actual DSG for the 2006/07 financial year on 2 June 2006; for Dudley this has been confirmed at £173.955m, some £489k lower than expected. This represents ¼ of a percentage of the DSG.
7. The DSG funds the Schools Budget. The Schools Budget is a combination of centrally retained budgets together with the ISB (Individual Schools Budget).
8. The reason for the reduction in DSG is mainly attributable to early years pupil numbers as detailed in the table below.

Table 1: Pupil Number Count Comparisons 2005 to 2006

Sector	January 2005 Count Dudley – DfES adjusted for LSC 16+ pupils	Estimated January 2006 Count Dudley – DfES adjusted	Actual January 2006 Count Dudley – DfES adjusted	Variance (b) – (c)	Variance (a) – (c)
	(a)	(b)	(c)	(d)	(e)
Nursery	1,325	1298.5	1,297	-1.5	-28
Primary	26,187	25,785	25,773	-12	-414
Secondary	20,423	20,283	20,282	-1	-141
Special	604	589	586	-3	-18
SLASC	100	91	91	0	-9
Form 8B	161	126	126	0	-35
Early Years	929	979.5	859	-120.5	-70
Total	49,729	49152	49,014	-138	-715

9. Column (b) represents the data Dudley used to estimate the DSG with column (c) being the final verified DfES data. Column (d) shows the variance in pupil numbers to the estimate used by Dudley, clearly early years is the biggest reason for the discrepancy with some small variance around PLASC pupil numbers. Column (e) is

the actual variance in pupils recorded by the DfES between 2005 and 2006.

10. Dudley is not alone in the variation of its 2006/07 DSG settlement being attributable to early years pupil number forecasts many local authorities are experiencing similar issues and the LGA are currently collecting data from local authorities who are in this position to take the issue up with the DfES at a national level. For Dudley, further detailed work is underway with the DfES, Accountancy and Early Years officers to identify the exact issue in order that this will not be replicated in future years.
11. A number of options are now available to Schools Forum.
 - a. Carry forward the deficit of £489k into 2007/08 and top slice this from 2007/08 DSG – worth $\frac{1}{4}$ of a percentage of the estimated DSG for 2007/08. That is unless the central Schools Budget areas underspend in 2006/07 which will provide a surplus to offset this deficit.
 - b. Re-run school and central budgets for 2006/07 to recover the £489k; however Schools Forum have previously agreed not to take this action.
 - c. The Director of Children's Services is prepared to relinquish £200k of the early years growth which was approved to appoint SEN mentors and early years advisors that has not yet been fully utilised and has suggested that the balance, £289k could be carried forward into 2007/08 unless, as in 11a, the Schools Budget areas underspend in 2006/07 which will provide a surplus to offset this deficit. This would mean that the FSES allocation of £250k could still go ahead as planned.
12. A further point for Schools Forum members to note is that the 2007/08 DSG assumptions will also be over stated due to the early year's pupil count now being lower than anticipated.

Finance

13. The funding of schools is prescribed by the DfES through the School Finance (England) Regulations 2006.
14. From 1st April 2006, the Schools Budget will be funded by a direct DfES grant: Dedicated School Grant (DSG).
15. The Director of Finance is required to submit by the 7 July 2006 a statement to the DfES confirming the budgeted allocation of the Dedicated Schools Grant in support of the Schools Budget (grant condition B) 2006/07. As the statement has to confirm that the final budget allocation of DSG was discussed with the Schools Forum, Dudley have permission to submit this statement on 12 July 2006 after the Schools Forum meeting on the 11 July 2006. A copy is attached at Appendix Ai and Aii.

Law

16. 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.

Equality Impact

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

Recommendation

18. Schools Forum to note the contents of the report and advise the Director of Children's Services of the final budget allocation in respect of the DSG for 2006/07, the options as outlined in paragraph 11; noting that this decision will then be relayed to the DfES in accordance with the statement shown in Appendix A.



John Freeman

Director of Children's Services

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