

**Manchester City Council  
Report for Resolution**

**Report To:** Executive – 10 March 2010  
**Subject:** Dedicated Schools Grant 2010/11  
**Report of:** Director of Children's Services

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**Summary**

To inform Executive of:

1. The anticipated level of Dedicated Schools Grant (DSG) for Manchester in 2010/11.
2. The anticipated allocation of the DSG between the funding delegated to schools, known as the Individual Schools Budget (ISB), and the centrally retained schools budget (RSB).

**Recommendations**

The Executive is asked to:

1. Note the anticipated level of Dedicated Schools Grant (DSG) funding in 2010/11,
  2. Note the requirement of the Local Authority to distribute school budgets by 31 March 2010,
  3. Note that DSG will not be finalised until confirmation is received from the Department for Children, Schools and Families (DCSF) in June 2010. Any under or over provision will be a call on or addition to the DSG in the following year.
  4. Note that consultation and approval of elements of the DSG allocation, including changes to the Central Expenditure Limit (CEL), is required by Schools Forum,
  5. Delegate the decision on the final allocation of the DSG to the Director of Children's Services and the City Treasurer in consultation with the Executive Member for Children's Services and the Executive Member for Finance and Human Resources,
  6. Note the advice of the City Treasurer and City Solicitor that these decisions are urgent in order to meet the requirement to distribute school budgets by the due date of 31 March 2010.
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**Wards Affected: All**

<b>Community Strategy Spine</b>	<b>Summary of the contribution to the strategy</b>
Performance of the economy of the region and sub region	Funding for pupil related services is essential to support maintained schools, independent education settings and other education related services to maximise the potential and life chances of the children in Manchester and so contribute to all the elements of the community strategy spine.
Reaching full potential in education and employment	See above
Individual and collective self esteem – mutual respect	See above
Neighbourhoods of Choice	See above

**Full details are in the body of the report, along with any implications for:**

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

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#### **Financial Consequences – Revenue**

The Dedicated Schools Grant (DSG) is a ring-fenced specific grant. There are no direct consequences for the Local Authority Mainstream Revenue Budget.

#### **Financial Consequences – Capital**

None

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#### **Contact Officers:**

Name: Pauline Newman

Position: Director of Children's Services

Telephone: 0161 234 3804

E-mail: p.newman@manchester.gov.uk

Name: Rachel Rosewell

Position: Head of Finance (Children's)

Telephone: 0161 234 1324

E-mail: r.rosewell@manchester.gov.uk

#### **Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to four years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

- School Finance (England) (Amendment) Regulations 2009
- Schools Forum (England) (Amendment) Regulations 2008

## 1. Introductions and Background

1.1 Funding for schools and other pupil related services (the Schools Budget) is paid to the Local Authority through a ring fenced grant known as the Dedicated Schools Grant (DSG).

### 1.2 The DSG funds:

**Individual Schools Budget (ISB)** - the resources distributed to maintained schools<sup>1</sup> - This is carried out using the funding formulae established by the Authority in consultation with schools. The sums distributed in this way are known as the 'schools' delegated budget share'

**Retained Schools Budget (RSB)** - the Authority is empowered to retain settings funding centrally to meet its estimate of the cost of delivering education in other than its own maintained schools as well as provide relevant pupil related support services.

1.3 Annual funding for the DSG is based on the preceding January pupil count for each Local Authority and includes pupils in mainstream schools, pupil referral units, external non-maintained schools funded by the local authority (for example independent special schools) and private, voluntary or independent nurseries. In 2010/11 each relevant Manchester pupil will attract a per pupil funding value of £4,919. This is an increase of 4% on the per pupil funding value in 2009/10. The per pupil unit value varies for individual Authorities and takes in to account funding levels prior to the commencement of the DSG.

1.4 Each year the Authority has a statutory requirement to meet the Minimum Funding Guarantee (MFG) for schools. This states the minimum percentage by which individual schools budgets must increase from the previous year, subject to pupil number changes. In 2010/11 the MFG is 2.1%.

1.5 The proposed DSG budget allocations will be presented to the Schools Forum<sup>2</sup> with certain areas of the budget subject to specific Schools Forum approval prior to its distribution.

1.6 Members are asked to note that it is a statutory requirement that the school budgets are distributed by 31st March 2010. The Executive is therefore asked to determine that its decision is urgent and should be exempted from call in on the grounds that any delay caused by the call in process would seriously prejudice the legal and financial position of the council.

1.7 The Local Authority will be notified of its final DSG settlement for 2010/11 including final pupil numbers by the Department for Children, Schools and Families (DCSF) around June 2010, once data cleansing has taken place

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<sup>1</sup> Note that, in this context, Academies are not maintained schools.

<sup>2</sup> See Schools Forum (England) (Amendment) Regulations 2008. Membership consists of school representatives such as Headteachers and School Governors and non-school representatives such as Trade Unions, Connexions and (non Executive) elected members.

nationally. Any variance between the final DSG notified by DSCF and the DSG anticipated by the Authority as at March 2010 must be adjusted for by the Authority, either in-year or in subsequent years.

- 1.8 Not all Education related spend is within the DSG, there is also a Local Authority budget supporting such areas as the youth service, strategic management, adult and community learning, asset management and home to school transport amongst others. The funds required to meet these costs are mainly delivered through traditional Local Government funding mechanisms.

## 2. School Funding Settlement 2008/09 - 2010/11

- 2.1. The Government has previously announced the school funding settlement for the three year spending period 2008/09 to 2010/11. For the final year of the settlement the average percentage increase in total schools funding nationally is 5.3% in 2010/11. This includes not only the DSG but also funding in relation to extending the Early Years entitlement from 12.5 hours to 15 hours per week and additional funding required for the growing number of Academies.

### The Dedicated Schools Grant (DSG)

- 2.2 The percentage increase in per pupil DSG funding and the cash figure per pupil is shown in the table below:

	<b>per pupil Funding 2010/11 £</b>	<b>Increase from 2009/10</b>
Manchester	4,919	4.0%
Met. Average	4,405	4.2%
England Average	4,398	4.3%

- 2.3 The funding is intended to support the Minimum Funding Guarantee (MFG), headroom and ministerial priorities such as Personalisation including Special Educational Needs (SEN).

#### **a. Minimum Funding Guarantee (MFG)**

The MFG for the period 2008/09 to 2010/11 is 2.1% per annum. The MFG is intended to fund the assessed cost pressures for schools, including pay and price inflation. The teachers' pay award for September 2010 is 2.3% and this is the final year of the current three year pay settlement. In assessing cost pressures, the MFG being set at 2.1% assumes schools achieve efficiency gains of 1%. The MFG is estimated to equate to increase in funding by £6.011m of which £5.238m will be added to the ISB and £0.773m will be added to the RSB to cover inflation pressures.

#### **b. Headroom**

Headroom represents "capacity" within the funding settlement which is not earmarked for any specific purpose. Headroom was 1% in 2008/09 and 0.8% in 2009/10 and 2010/11. It is for Authorities to agree with Schools Forum how the Headroom will be allocated. This is estimated to equate to £2.290m in 2010/11 and will all be added to the ISB.

### **c. Personalisation/SEN**

It is intended that this funding, included within the baseline DSG rate per pupil, will support universal roll out of the personalised offer to all. For Manchester based on DCSF indicative pupil numbers this will equate to around a further £3.062m in 2010/11 which will all be added to the ISB.

- 2.4 The final allocated of DSG for the Authority will directly relate to the number of pupils on role as at January 2010. In 2009/10 the authority received in £280,993m based on the number of eligible pupils totalling 61,100 as at January 2009 (after adjusting for the four schools closing and becoming Academies from September 2009).

### **3. The Dedicated Schools Grant for Manchester 2010/11**

- 3.1 The indicative DSG for 2010/11 is based on a rate per pupil of £4,919 multiplied by the indicative January 2010 pupil census from maintained schools, pupil referral units, early years settings, special needs provision etc.
- 3.2 The Authority will finalise locally the January 2010 pupil census during February in order to issue school budgets by 31 March 2010. However the Authority will not be notified of the final DSG settlement for 2010/11 by the Department for Children, Schools and Families (DCSF) until around June 2010, once data cleansing has taken place nationally. Any variance between the final DSG notified by DSCF and the DSG anticipated by the Authority as at March 2010 must be adjusted for by the Authority, either in-year or in subsequent years.
- 3.3 The DSG is anticipated at £297.606m based on 60,500 FTE pupils at a rate of £4,919.11 per pupil. In addition to this there is estimated funding for post 16 learners of £7.032m from the Young People's Learning Agency (YPLA)<sup>3</sup>.
- 3.4 For Academies the Authority calculates each individual school's budget using the local funding formula. Then the DSG is reduced by the value of the individual Academy budgets, plus a small amount relating to Academies from the RSB (known as the Local Authority Central Spend Equivalent Grant (LACSEG)). It is estimated that £16.535m will be deducted from the DSG for pupils due to be in Academies in 2010/11, which will be directly funded by the DCSF. The residual DSG after the Academy reduction is estimated to be £281.071m.

### **4. Individual Schools Budget (ISB)**

- 4.1 Individual school budgets are calculated using the Authority's approved schools' funding formula. Incorporated into this is the statutory requirement to meet the Minimum Funding Guarantee (MFG) for schools. This states the minimum percentage by which individual schools budgets must increase from

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<sup>3</sup> The Young People's Learning Agency (YPLA) will come into existence on 1 April 2010 and will fund Local Authorities for post-16 provision. Post 16 provision will no longer be funded by Learning and Skills Council as this will cease to exist from 31 March 2010.

the previous year, subject to pupil number changes. As mentioned above, in 2010/11 the MFG is 2.1%.

- 4.2 The ISB also includes the budget for private, voluntary and independent (PVI) settings for the three and four year old free entitlement to early years provision.
- 4.3 The total estimated ISB for 2010/11 is £250.760m, which is made up of £247.359 for maintained schools and £3.401m for PVI settings. The table below sets out the movement on the ISB from the 2009/10 ISB to the indicative 2010/11 ISB.

## **5. Centrally Retained Schools Budget (RSB)**

- 5.1 The total funding requirement for the RSB is anticipated as £37.343m. The table below also sets out the movement on the RSB from the 2009/10 budget to the indicative budget for 2010/11.
- 5.2 In 2009/10 the non-delegated element of the DSG is forecasting a surplus of £0.900m. This is largely due to an underspend for the Sensory Support Service due to vacancies in the service and the grant for the free entitlement for Early Years provision for three and four year olds. Expenditure on Early Years is largely dependent on the population of three and four year olds throughout the financial year as in most cases families can only access the entitlement to free provision after the child has had their 3<sup>rd</sup> and 4<sup>th</sup> birthdays. This can vary considerably between years. It is not planned to reduce these budgets on a permanent basis, however the underspend for 2009/10 will be carried forward to 2010/11 following which consultation will take place with the Schools Forum on an appropriate use of the carry forward.
- 5.3 In total reductions from the RSB for LACSEG in respect of the new Academy Schools in Manchester with a September 2009 and 2010 opening date are estimated at £0.246m.
- 5.4 In general the amount of funding retained centrally (RSB) is determined by the Local Authority within the agreed limit known as the Central Expenditure Limit (CEL). Regulations regarding the CEL require that the total funding retained centrally by the Authority within the Schools Budget (i.e. the RSB) does not grow faster than that delegated to schools (the ISB). The Schools Forum must agree any increase in the CEL above the accepted rate of growth. If the Local Authority and Schools Forum cannot agree it may be referred to the Secretary of State for a decision.
- 5.4 Due to technicalities brought about by the DSG reductions for the Academies, the Local Authority will breach the CEL in 2010/11. This issue will be discussed with Schools Forum and approval sought from the Secretary of State to breach the CEL for technical reasons. The DCSF has indicated that provided the Authority can demonstrate that the RSB is not increasing above the level of the MFG, then support for this will be given.

## INDICATIVE SCHOOLS' BUDGET 2010/11

	£m	£m
<b><u>Individual Schools Budget (ISB)</u></b>		
<b>School Budgets 2009/10</b>		249.150
<b>Plus</b>		
Minimum Funding Guarantee 2.1%	5.168	
SEN/Personalisation 1.1%	3.148	
Headroom 0.8%	2.290	10.606
<b>Less</b>		
Reduction in pupil numbers	-1.956	
One-off funding from 2007/08 c/f	-2.120	
Removal of funding for Academies*	-8.321	-12.397
<b>Indicative Delegated School Budget 2010/11</b>		<b>247.359</b>
<b>PVI** Budget 2009/10</b>		<b>3.331</b>
<b>Plus</b>		
Minimum Funding Guarantee		0.070
<b>Indicative Budget 2010/11</b>		<b>3.401</b>
<b>Total ISB</b>		<b>250.760</b>
<b><u>Retained Schools Budget</u></b>		
<b>RSB 2009/10</b>		36.696
<b>Plus</b>		
Minimum Funding Guarantee 2.1%		0.773
<b>Less</b>		
Removal of funding for Academies - LAGSEG*		-0.126
<b>Total RSB</b>		<b>37.343</b>
<b>TOTAL</b>		<b>288.103</b>
<b><u>Funded by:</u></b>		
<b>Estimated DSG - 60,500 pupils x £4,919.11</b>	297.606	
<b>Less Academy deduction*</b>	-16.535	281.071
<b>Estimated Young Peoples Learning Agency grant</b>		7.032
		<b>288.103</b>

\*Academy deduction - In 2009/10 £8.088m was removed from the DSG for the part year effect of the four academies that opened in September 2009. In 2010/11 it is estimated that a further £8.321 and £0.126m will be deducted. In total this means that it is estimated that £16.535m will be deducted from the 2010/11 DSG.

\*\* PVI - Private, Voluntary and Independent Early Years Providers

*The above figures do not include any anticipated carry forward of underspend against the DSG in either year. This can be used to support either greater delegation to schools and/or additional resources within the centrally retained RSB within CEL restrictions. Such funding will be nonrecurring.*

## **6. Recommendations**

### **6.1 Executive are asked to:**

- note the anticipated level of DSG funding in 2010/11.
- note the requirement of the Local Authority to distribute school budgets by 31 March 2010.
- note that total DSG funding will not be finalised until confirmation is received from the DCSF in June 2010. Any under or over provision will be a call on or addition to the DSG in the following year.
- delegate the decision on the final allocation of the DSG to the Director of Children's Services and the City Treasurer in consultation with the Executive Member for Children's Services and the Executive Member for Finance and Human Resources.
- note the advice of the City Treasurer and City Solicitor that these decisions are urgent in order to meet the requirement to distribute school budgets by the due date of 31 March 2010.
- note the exemption of the decisions from call in on the grounds that any delay caused by the call in process would seriously prejudice the legal and financial position of the Council.

## **7. Contributing to the Community Strategy**

- 7.1 Funding for pupil related services is essential to support maintained schools, independent education settings and other education related services to maximise the potential and life chances of the children in Manchester and so contribute to all the elements of the community strategy spine.

## **8. Key Policies and Considerations**

### **8.1 Equal Opportunities**

There are no specific key policies or considerations for equal opportunities.

### **8.2 Risk Management**

There are no specific key policies or considerations for risk management.

### **8.3 Legal Considerations**

#### **8.3.1 The following regulations apply:**

- School Finance (England) (Amendment) Regulations 2009
- Schools Forum (England) (Amendment) Regulations 2008

#### **8.3.2 Members are recommended to:**

- note the advice of the City Treasurer and City Solicitor that these decisions are urgent in order to meet the requirement to distribute school budgets by the due date of 31 March 2010.
- note the exemption of the decisions from call in on the grounds that any delay caused by the call in process would seriously prejudice the legal and financial position of the Council