

EXECUTIVE SUMMARY

The DCSF are undertaking a review of the DSG formula , any changes will be subject to national consultation in 2010 and will be implemented from the next 3 year funding period 2011-14.

1.0 Background

DSG was introduced in 2006-07 as a ring fenced grant, funding all maintained schools and centrally managed schools expenditure, such as SEN and Early Years. The grant guaranteed a set level of spending on schools in a way that schools could plan ahead with 3 year budgets.

The formula behind DSG is based on "Spend plus". This takes the spend by local authorities on schools in 2005-06 and adds an uplift each year per pupil to reflect increased cost pressures. Additions are made to the formula for DCSF priorities such as personalised learning, and deprivation funding.

The total of these amounts give a Guaranteed Unit of Funding per pupil. The final DSG takes this amount and multiplies it by January Pupil numbers (finalised in May / June).

This total is distributed to all schools using the Local Funding formula , drawn up in consultation with the Schools Forum.

2.0 Review Aims

The aim of the review is to develop a " single, transparent formula for the distribution of DSG which distributes resources in line with relative need". (DCSF). The DCSF intend that the formula should help raise educational achievement, narrow attainment gaps, recognise costs of different groups and areas. It should be transparent, simple and stable.

3.0 Issues for the Review

3.1 Activity Led Funding (ALF)

The DCSF Working Group are looking at how the basic unit of funding within DSG should be calculated. Activity Led Funding is a bottom up measure and looks at how much a school should need to spend in order to meet its core objectives.

Initial work suggests a high level of agreement that there is a real difference in costs between pupils of different ages and key stages, but that the balance between primary and secondary remains controversial.

ALF shows clearly the costs that are and are not funded, it is seen as a fair and a flexible measure. However the formula needed to distribute funding under ALF is complex and needs regularly updating. Importantly there are affordability issues if the model is higher than current funding levels.

3.2 Additional Education Need (AEN)

The areas being considered as part of AEN include:

- What is the best measure to identify pupils who underachieve?
- Measuring types of deprivation and English as an additional language
- Measuring low levels of AEN and unmet need.

3.3 High cost pupils

This will consider costs of high cost pupils and whether the current elements in the formula are appropriate, how much should be included in Basic Entitlement and the incentives needed for preventative action.

3.4 Incentives

The national funding formula must help to narrow the attainment gap. The DCSF Working group are looking at what incentives can be introduced to improve pupil progression and to raise attainment, for example to encourage schools to take and retain challenging pupils, rewards for passing exams and for school achievement. It is likely that these areas will need to be dealt with through changes in school financing regulations.

3.5 Area Cost Adjustment (ACA)

The ACA takes account of the different cost of resources needed to provide a common level of service. Typically this has been to reflect London Weighting – additional pay costs reflecting higher cost of living. The review will look at not only regional pay costs, but also whether there are additional costs of recruitment and retention based on the location of schools and the impact this may have. Schools in areas of good amenities and low cost of living attract better staff that stay longer, whereas, where the reverse is true teaching and other staff costs are higher.

3.6 Sparsity

This is an adjustment to reflect small schools costs in rural areas.

3.7 Pupil Count

There has been continuing discussion about the date of the pupil count. Should this remain in January or should it move back to the autumn term? The advantage of a move is that this will enable budgets to be finalised earlier. However there is no strong consensus for the change. January is seen as being a more accurate count date and although it causes some difficulties authorities are working with the current system.

3.8 21st Century School

The DCSF are considering how the formula can fit in with the needs for personalisation, early intervention, and partnerships with other service providers and the local community. Funding should make it easier for schools and services to work together with the flexibility needed to support Every Child Matters. The current regulations make some provision for this, the DCSF are considering if changes are needed.

3.9 Academies

Academies are funded separately from other maintained schools; their funding is routed through the DCSF Academies Unit. How these should be funded in the future will be reviewed as the number of academies increase.

3.10 Grants

Consideration is being given to routing School Standards Grant and School Development Grant through DSG. The consensus view is that this is desirable, but that any redistribution may impact on affordability and stability, for example SSG and SDG funding includes 6th Forms, unlike DSG. Similarly changes in Early Years provision are currently being partly funded through a separate grant. This may have implications for DSG if this were to be consolidated.

3.11 Transition

A new national formula will redistribute grant, partly because of the new measures used and partly because the formula will use more current data. As a result some authorities will be gainers, others will not. Transition (floors and ceilings) will be needed to maintain stability. Since it is anticipated that future grant settlements will be much tighter, this is likely to lengthen the transition period before a new formula will be fully effective.

4.0 Review Timetable

The development phase led by the DCSF Working Group should be completed later this year. Authorities and schools will be consulted in early 2010. The review will conclude in summer 2010 and will be implemented in Autumn 2010 as part of the 2011-14 schools settlement.

Recommendations

- i) That the Forum note the report
- ii) Further information is available on the Teachernet Website
<http://www.teachernet.gov.uk/management/schoolfunding/DSGformulareview/>

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