



Walsall Council

Walsall Children's Services

Report to: Schools Forum

Date: 11th June 2013

Subject: 2012/13 DSG Surplus

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Purpose of the report: To present options to Schools Forum on how the DSG surplus could be allocated and arrange mechanisms to develop further options if required. In simple terms there is money to potentially allocate.

Recommendation: See final section of report

1. Introduction

1.1 The Dedicated Schools Grant (DSG) is allocated to Walsall every year to support education and schools.

1.2 The DSG divides into 2 segments:

- Individual Schools Budget (ISB). This is by far the majority of the funding with over 90% of the funding going to state funded schools in Walsall. The funding is divided amongst schools based on the schools funding formula developed and recommended by Schools Forum.
- The Central Expenditure Limit (CEL). This is where funding to fund items that benefit all schools or to manage in year pressures is held. The rules around CEL have changed significantly in recent years and Schools Forum has had reports about de-delegation of funding and also other items held in CEL in recent months.

1.3 At the end of each financial year any monies not spent by a school in year remain with the school as their balance.

1.4 At the end of the financial year any monies not spent on CEL are ring fenced to DSG and remain as a 'surplus'. These funds can then be allocated out. For both 2012/13 and 2013/14 Schools Forum has allocated surplus to support the overall schools budget.

1.5 In recent years Walsall Council has become more and more efficient and therefore often the amount of CEL for items has not been spent. Particularly since the termination of the Serco contract the actual spend has been lower than budget and therefore a surplus has built up.

2. The size of the surplus as at 31 March 2013

2.1 The surplus at the end of the year is £3.6m.

2.2 Per the resolution of Schools Forum on 12 February 2013, £1.1m has been used to support schools block funding formula.

2.3 This leaves a surplus of **£2.5m** to be allocated.

3. Use of a Surplus

3.1 The Schools Funding Regulations 2012 reduce some of the powers that Schools Forums used to have in terms of designing formula and retaining funds. To ensure that all options around surplus could be considered discussions have taken place with the Education Funding Agency (EFA.)

3.2 The conversations with the EFA have been very useful. It is clear that any option that Schools Forum want to be considered for use of surplus needs to be carefully assessed. It is also clear that use of a surplus rather than establishing new budget items is probably easier and therefore may give Schools Forum some options.

4. Options Development

4.1 It would probably be quite difficult to list all the options that a surplus could be used for. Therefore, the next few paragraphs list some potential options. The strengths and weaknesses of these options are then explained.

5. Options - Budget 2014/15

5.1 The surplus could be retained and used to support the 2014/15 budget.

5.2 This is a simple solution and distribution would be handled through the pre-agreed formula.

5.3 However this would slow down getting these funds to schools and they would be sat around doing nothing for nearly 12 months. Also once in the budget this would become part of the budget and subject to minimum funding guarantee (MFG). As this funding is a one off, then this could potentially see all schools on MFG in 2015/16 as funding would reduce.

6. Options - Windfall

6.1 The surplus could be used to give schools a one off windfall in year.

6.2 This would see monies get to schools quickly and allow them to be used to support children. Where schools maybe looking at redundancy or one off problems these funds could be used immediately. This would not impact MFG.

6.3 All schools would need to understand this would be a one off windfall and no further funding could be received. There are no defined rules about how a windfall would be divided and this would need to be worked through with an appropriate working group. While officers can make recommendations there would need to be a considered approach from Schools Forum. It would be strongly recommended that the schools funding formula is a basis for any allocation.

7. Options - To fund premature retirement in 2013/14

7.1 Funds retained centrally to fund any costs associated with premature retirement in 2013/14.

7.2 This has been extensively debated through Schools Forum in recent months. Creating a central fund to meet these costs would save pressure on schools.

7.3 The EFA have stated this is not technically possible. While further cases could be made, it would strongly look like this would not be allowable.

8. Options - A teachers centre

8.1 The surplus could be used to buy a teachers centre.

8.2 This funding could be used to establish a teacher's centre which could be something that schools require.

8.3 There could be a delay in using the funding as this would be a big project. A business case would need to be identified and approval from the EFA would need to be sought as this would be unusual. It is suspected that the EFA would approve this if justified. Issues would be the ongoing costs of a teachers centre once the funding allocated has run out. It would not be possible to establish a central budget for it and schools would have to contribute. Schools Forum would have a mandate to make this decision but the local authority would have a duty to ensure that such a radical suggestion was supported by schools.

9. Options – A Walsall Learning Consortium

9.1 The surplus could be used to support a Walsall Learning Consortium.

9.2 The feedback from Headteachers so far is that they would welcome such an initiative where Headteachers controlled a budget aimed at raising standards, supporting learners and education providers across the Borough and where this budget was supported by investment from the council.

9.3 A Walsall Learning Consortium would need to be defined by Headteachers and others in terms of what they want. As this funding is a one off the vehicle would need to be designed to avoid ongoing costs and would need to plan future funding arrangements. Schools Forum have the mandate to decide but the local authority would need to ensure this was supported by schools. Funding is one off but could be used over multiple financial years. A Business Case and plan would need to be developed.

9.4 The EFA rules would allow a Walsall Learning Consortium.

10. Options - Retain the Surplus

10.1 The surplus would be retained for future use and management of future risk and uncertainty.

- 10.2 With the stated intention of a national funding formula in 2015/16 and the uncertainty around that, this would allow a fund to potentially ensure that the impact of a new formula would be smoothed. It would ensure that if other opportunities or risks arise then Schools Forum would have funding which could be utilised. Schools Forum has already used £1.1m to support the formula in 2013/14 and if further funds are not identified then there could be a pressure on the schools budget.
- 10.3 This would mean that £2.5m of funding which could be aiding schools is not being used.

11. Draft Proposal

- 11.1 Clearly there are numerous potential proposals and splits of funding. To give Schools Forum a potential starting point for discussion a draft proposal has been worked up after analysing the various options.
- 11.2 What is required from an officer point of view is:
- 11.2.1 There will be no ongoing commitment once the one off funds have been spent.
 - 11.2.2 That the proposal is EFA compliant or agreed by the EFA.
- 11.3 At the time of writing, the options that meet these criteria are:
- 11.3.1 Windfall to schools
 - 11.3.2 The development of a Walsall Learning Consortium
 - 11.3.3 Retain surplus

12. Recommendations

- 12.1 Schools Forum need to design the process that will be used to allocate this and potentially further mid year surpluses. A draft suggestion would be to have a meeting of the funding formula sub group or ask the group to review proposals.
- 12.2 Schools Forum to meet on 9 July 2013 to finalise a proposal.
- 12.3 Schools Forum to note the options that would be appropriate from a professional point of view