

DEDICATED SCHOOLS GRANT: TECHNICAL NOTE FOR 2013-2014 (Updated May 2013)

Introduction

1. This note sets out how allocations of the Dedicated Schools Grant (DSG) for 2013-2014 have been calculated.
2. The main arrangements for 2013-2014 are:
 - a. separate Schools Block, Early Years Block and High Needs Block;
 - b. cash flat per pupil funding for the Schools Block and the Early Years Block;
 - c. High Needs Block adjusted for the ending of inter-authority recoupment, the inclusion of post-16 funding and for growth in places;
 - d. Minimum Funding Guarantee (MFG) of minus 1.5%; and
 - e. transitional protection for local authorities in receipt of the three year old 90% funding floor.
3. A table setting out the 2013-2014 DSG allocations for each local authority is available on the Department's website at:
<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsreview/funding/a00218077/funding-settlement-2013-14>

Background

4. The *School funding reform: next steps towards a fairer system* published in June 2012 announced that 2013-14 would see the first steps towards reforming the funding system. The Government's intention is to introduce a national funding formula during the next spending review period to reduce the funding differences between similar schools in different areas.

Coverage and conditions of grant

5. The DSG can only be used for the purposes of the Schools Budget as defined in the School and Early Years Finance Regulations. The Schools Budget consists of delegated budgets allocated to individual schools, Pupil Referral Units (PRUs) and Early Years Provision in Private, Voluntary and Independent (PVIs) providers, and a budget for other provision for pupils which local authorities fund centrally, which now includes the bulk of high needs provision, including post-school provision up to age 25.
6. The DSG will be paid as a ring-fenced grant and will be subject to formal grant conditions. The conditions include a requirement to use the grant in support of the Schools Budget and a provision for the Secretary of State to recover grant. A number of new conditions have been added relating to the funding reforms in 2013-14 (at Annex 1).

Minimum Funding Guarantee (MFG)

7. The MFG will continue at minus 1.5% per pupil. The School and Early Years Finance Regulations set out the formula factors which are automatically excluded from the calculation. Other specific exemptions may also have been agreed by the Secretary of State.

Payment, accounting and reporting

8. The Department will pay DSG to authorities in 25 equal instalments each year. The payment dates will be notified to authorities in due course. Following notification of the final DSG allocations for 2013-2014, each authority is required to submit a statement certified by its Chief Finance Officer that the DSG is being deployed in support of the Schools Budget. At outturn stage, the local authority is required to append an additional note to the Statement of Accounts confirming the deployment of the DSG in support of the Schools Budget. The Chief Finance Officer is also required to confirm final deployment of the DSG in support of the Schools Budget in connection with the Section 251 outturn form.

Funding for academies

9. We will continue recoupment for adjusting DSG allocations for academies with maintained predecessor schools. Recoupment will apply to all academies with maintained predecessors that have opened/converted since 2008-2009.

Arrangements for academies recoupment 2013-14

10. For 2013-14, in line with School Funding reforms, we are simplifying the recoupment arrangements to make them more transparent.

11. We will calculate amounts for recoupment using data provided on the LA pro-formas submitted in January 2013 as part of the School Funding reforms, removing the need for LAs to complete separate recoupment returns. The January tables are being designed specifically to avoid the need for extra data collections.

12. The basic method for calculating recoupment will be to take the individual schools budget share from the LA pro-forma, taking account of the 80% rate relief applied to Academies.

13. Transitional adjustments will be made in relation to the following:

- Early years single funding formula for academies open prior to September 2010
- Individually assigned resources for the period April 2013 – August 2013. An explanation of this issue is included in the supplementary FAQs on the school funding reform page of the DfE website.

14. We will provide details of the proposed recoupment amount, including relevant calculations, to LAs. This will allow them to raise any concerns.

15. Detailed guidance on the new recoupment process can be found at: <http://www.education.gov.uk/schools/leadership/typesofschools/academies/primary/steps/b00204848/academy-funding/acadrecoupment201314>

Funding for the Isles of Scilly

16. The Isles of Scilly will continue to be funded through a single funding stream, since its low pupil population makes it impracticable to fund through a pupil led formula. In addition, the Isles of Scilly will receive the Pupil Premium Grant.

Calculating 2013-2014 DSG

17. The starting point for calculating the 2013-2014 DSG are the notional spending block baselines agreed with local authorities. For 2013-2014 each local authority's allocation will be based on:

- Schools Block - cash flat per pupil;
- Early Years Block - cash flat per pupil; and
- High Needs Block - baseline.

plus

- Funding for the costs of monitoring and quality assuring NQT induction;
- Transitional protection funding as a result of ending the 90% funding floor for 3 year olds;
- Funding for early education places for 2-year-olds from lower income households;
- Post-16 funding for High Needs;
- Local authority's share of the £7million grant previously paid direct to non-maintained special schools which has been allocated in line with the number of places as set out in our letter of 19th February;
- High needs growth confirmed by each local authority.

minus

- Adjustments for high needs places in academies and Non-maintained special schools.

Schools Block

18. Each local authority's per pupil amount for the Schools Block is the same as set out in the baselines agreed with local authorities. This amount has been multiplied by the pupil numbers from the October 2012 school census, as set out in the Pupil Number

tool at:

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsreview/funding/a00218077/funding-settlement-2013-14>.

19. For these purposes Reception Year pupils are counted as one FTE irrespective of the hours they attend. In order to ensure that no LA loses out in respect of deferred entry to Reception arising from the use of the October census count, the final pupil numbers will be uplifted by any increase in the count of Reception pupils between October and January, of the previous academic year. This uplift is set out in the Pupil Number tool. For 2013-14 allocations, the increase between October 2011 and January 2012 censuses will be applied. The change (calculated in terms of the *number* of pupils, not a percentage change) will be calculated for each school individually in the LA, and then all increases will be totalled across the whole authority area. For the purposes of calculating this uplift, any school with *fewer* Reception pupils counted in the January 2012 census than in the October 2011 census will be treated as having zero change, rather than a decrease.

Early Years Block

20. The per pupil amount for the Early Years Block is the same as set out in the agreed baselines. Initially this has been multiplied by pupil numbers from the January 2012 Early Years Census. This includes 3 and 4 years olds in non-recoupment academies. This will be updated for the January 2013 census in June 2013 and in April 2014 for 7/12ths of the January 2014 pupil numbers (to cover the September 2013 to March 2014 period).

High Needs Block

21. The High Needs Block is a single block for local authorities high needs pupils/students aged 0-24. For 2013-14, the Block has been calculated in two parts, pre-16 and 16-24 (those aged 19-24 are the responsibility, for funding, of the home local authority where the student has a Learning Difficulty Assessment, or an Education and Healthcare Plan).

Pre-16 High Needs Provision

22. The pre-16 calculation is based on the amounts agreed in the 2012-13 baseline exercise and reflects the cross-border changes made in order to end inter-authority recoupment. It also includes the funding identified as hospital education. We have added the amount for growth in High Needs places in 2013-14 as certified by each local authority.

23. For pre-16 provision, the DSG allocations include all place based funding for maintained schools, academies and NMSS. Place funding for special academies, new mainstream academies (those opening from April 2013) and NMSS will be paid direct to the institutions by the EFA from April 2013. Existing mainstream academies will not start on the new place based system until September 2013. Adjustments have been made to DSG for the places to be funded direct by the EFA as follows:

- £3,333 per place in special academies and resourced provision/ special units in academies for April 2013-July 2013;
- £6,667 per non-post 16 place in special academies and resourced provision/ special units in academies for August 2013-March 2014;
- £8,000 per place in PRU and AP academies; and
- Hospital place budget for hospital places in academies.

16-24 High Needs Provision

24. From 2013-14, funding for 16-24 high needs students will be through the DSG. To enable this, three post-16 budgets have been combined: the SEN Block Grant, Specialist placements funding and the cost of high needs student in Further Education. From this budget the EFA will pay all place led funding, with the remaining funding transferred into the DSG. The new system for funding high needs pupils will not be introduced for post-16 students until August 2013. As such, the funding has been added in two parts:

a SEN Block Grant for the period April - July 2013. This reflects 1/3rd of the 2012/13 academic year funding for post-16 high needs in schools, currently paid via the SEN Block grant to local authorities. This will enable local authorities to continue funding for these students for the remainder of the academic year.

b Funding for the period August 2013 - March 2014. The place led funding (calculated using the post-16 national funding formula plus £6,000) for all institutions will be paid direct by the EFA as part of the post-16 formula. For maintained schools it will form part of the post-16 allocations made to local authorities for their schools. Therefore, this element of the DSG is intended to cover top up funding for ALL 16-24 high needs student placements commissioned by local authorities in maintained schools, academies, NMSS, Colleges of Further Education and Independent Specialist Providers (ISPs). The local authority will also need to fund the full costs of any places it commissions from independent schools or any other provider not directly funded by the EFA.

Details of how the 16-24 High Needs allocations have been calculated can be found at **Annex 2** below.

Induction for Newly Qualified Teachers (NQTs).

25. In September 2012, the induction regulations changed so that teaching schools can act as the appropriate body to monitor and quality assure NQT induction. In order to allow schools to pay for the services of their preferred appropriate body, the funding for NQT statutory induction of NQTs, currently included in local government revenue funding, will move into the DSG so that it can be delegated directly to all schools through local funding formulae. The total allocation of £10.2m has been based on average costs, and the number of NQTs entering the system each year. This has been allocated to each local authority on a per pupil basis (using the pupil numbers used for

the Schools Block).

Funding for early education places for 2-year-olds from lower income households (£m)

26. Allocations are those announced on 27 November 2012. Details of how they have been calculated can be found at <http://media.education.gov.uk/assets/files/pdf/t/2%20yo%20funding%20formula%20explanatory%20note%20for%20las.pdf>

Transition funding following ending of the 90% funding floor protection for 3 year olds

27. As previously announced, the 90% funding floor will be removed in 2014-15. Local authorities in receipt of this funding in 2012-13, will receive a transitional amount in 2013-14. The transition funding is 50% of the amount received by each authority in 2012-13.

Cash Floor

28. As in previous years a cash floor of minus 2% has been applied to the final DSG allocations, prior to academies recoupment, to protect local authorities with significant falling rolls. The baseline for the cash floor is the total of the 2012-13 notional Schools Block and Early Years Block. This is then compared to the total of the Schools Block and Early Years Block for 2013-14. For 2013-14, no local authority falls below the cash floor.

Rounding

29. The total pupil numbers in each LA are rounded to the nearest pupil. Each unit of funding is rounded to the nearest penny. Final DSG allocations will be rounded to the nearest £1,000.

Independent school transfers

30. Where independent schools transfer into the maintained sector, in or after April 2013, the actual pupil count used in the Schools Block allocations will be adjusted to add the relevant pupil numbers, depending on when the school transfers and the portion of the year for which it is a maintained school.

Copyright Licensing

31. The Department has agreed with the Copyright Licensing Agency (CLA), and the Music Publishers Association (MPA), to purchase a single national licence managed by the DfE for all state-funded schools in England. This means that local authorities and schools will no longer need to negotiate individual licences. There will be savings both in administration and in the overall cost of the licence. The Department will pay the cost, including VAT, to the CLA and will provide this as a service to local authorities at a charge. This means that local authorities can continue to reclaim VAT on the licences

as they do now. These arrangements will cover recoupment Academies as well as maintained schools, and we will allow local authorities to hold this money centrally rather than include it in school budgets. We are sending local authorities details of the charge separately (because the figures are Commercial in Confidence Authorities should take into account that schools will no longer have to pay for these licences when calculating school budgets). The charges have been revised since December to remove pupils in non-recoupment academies from the pupil count.

Home Educated Pupil attending Further Education Colleges

32. Local authorities have been able to record on the Alternative Provision (AP) Census home educated pupils for whom they paid substantial costs of attending FE colleges. This meant that each of the pupils recorded would attract a DSG Guaranteed Unit of Funding (GUF). For example, a pupil receiving such support in 2011/12 academic year could be recorded on the January 2012 AP census, and the local authority would receive a GUF for that pupil in 2012-13

33. As the January 2013 AP census does not separately record these pupils from other pupils, local authorities will need to inform the EFA how many such pupils they have recorded on the AP Census. The authority's 2013-14 DSG allocation can then be increased to reflect this. The Department has assessed a national average cost of £3,500 per pupil. As such, local authorities will receive an additional £3,500 DSG for each such pupil. A claim form for this purpose has been sent to all local authorities.

New Academy or Free Schools established to meet Basic Need – Growth Funding.

34. Ministers have agreed that local authorities should make provision for funding not only all pre-opening but all post-opening start-up costs associated with establishing new provision on a sound financial footing. The principle should be that the local authority will use its Growth Fund to fund any new Academies or Free Schools and the associated start-up costs including diseconomy of scale costs, funding for which may be needed over a number of years. It is therefore essential that local authorities plan now for any new provision which they plan to establish to meet Basic Need. The Department will treat these Academies or Free Schools as recoupment Academies and the DSG will be adjusted accordingly over time to take account of the growth in pupil numbers. Further details about how this will work will be issued in January. These arrangements will apply only to those Academies and Free Schools established under the Academy presumption or Targeted Basic Needs programme.

35. Next Steps Timetable

Date	Action
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19 December 2012	2013-14 Schools Block confirmed 2013-14 Provisional Early Years Block 2013-14 Provisional High Needs Block
7 January	Responses to the EFA on 16-24 high needs student numbers.
22 January 2013	Local authorities submit final formula proformas
25 January 2013	Confirmation from Chief Finance Officers on High Needs growth and Hospital education funding.
7 February 2013	EFA issues summary of 16-24 participation numbers to be funded in 2013/14 academic year.
February 2013	DSG payment dates confirmed
March 2013	High Needs Block confirmed Confirmation of DSG to be paid to local authorities net of recoupment for existing academies.
May 2013	EFA issues summary of 16-24 allocations to all institutions.
June 2013	Early Years Block updated for Early Years pupils from January 2013 Census
April 2014	Early Years Block updated for Early Years pupils from January 2014 Census

Department for Education
May 2013

Annex 1

ADDITIONAL CONDITIONS OF GRANT

(a) the authority must maintain a single formula for funding both maintained schools and Academies in its area;

(b) in constructing the formula, the authority must take account of the circumstances of all academies and maintained schools in its area;

(c) in using funding held centrally within DSG, other than funding that has been delegated by maintained schools, the authority must treat maintained schools and academies to which recoupment applies on an equivalent basis;

(d) in making arrangements for funding young people with high needs, the authority must treat those placed in maintained provision, in academies and Free Schools, in the FE sector, and in non-maintained and independent provision on a fair and equivalent basis;

(e) in deciding on top-up funding rates for the pupils it will place in special schools maintained by the authority and special academies formerly maintained by the authority, the authority must ensure that the rates for each school are set no lower than at such a rate or rates that, if all the pupils in the school or academy were placed by the authority, and the total number and type of places remained the same in the two financial years, the school or academy's budget would reduce by no more than 1.5% in cash between 2012-13 and 2013-14;

(f) when a pupil who would require top-up funding has already been placed in an institution by the authority at the time the new funding system for high needs pupils has introduced, the authority must enter into an agreement with the institution to make such top-up payments until such time as the pupil has left the institution, or the contract is replaced by another. When such a pupil is placed by the authority in an institution at a later date, the authority must likewise enter into such an agreement;

(g) when making top-up payments to institutions for high needs pupils, the authority must make the payments in a timely fashion on a basis agreed with the institution, which should be monthly unless otherwise agreed.

Annex 2 – Background to 16-24 High Needs Block Calculation

Introduction

The principles inherent in the high need reforms apply to all pupils/students age 0-24. This means that the existing methodology for funding those students aged 16-18 and 19-24 with a Learning Difficulty Assessment (LDA) or Education and Healthcare Plan (EHCP) needs to change significantly. These notes describe the spread sheet and process for bringing three totally different funding streams and data sets together to create budgets in line with the new system.

The process described brings together the post-16 SEN Block Grant, Funding for LLDD specialist placements and the costs of high cost students in FE. In outline the methodology is in three stages calculating the value of current (2011/12) provision and support for High Needs Students (HNS); calculating the budgets using the new system; and comparing the two to ensure Local Authorities do not have less funding for the young people resident in their area compared to 2011/12¹.

Overall spend has increased between 2011/12 (£585m) and 2013-14 (£639m) this is a 9% increase in total funding over the three years. 124 out of 152 local authorities will see an increase in funding for young people resident in their area compared with 2011/12, and no authority will see a reduction over 2011/12.

Stage 1 - Calculating the Value of 2011/12 Provision

The three main budgets have been calculated separately. These are described below with reference to the spread sheet provided. Each budget line has been calculated to ensure full programme costs (which in future will be Element 1) and all support costs (which in future will be Elements 2 and 3) have been included in the baseline.

Column C – 2011-12 Financial Year Post-16 SEN Block Grant

The SEN block grant is included as paid to LAs in 2011-12 FY. The Programme costs and the cost of additional support required for all students in Special Schools/Academies are included within this block.

In addition the EFA has included the programme costs for those High Needs Students with a statement of SEN in learning in mainstream education. To calculate these programme costs - we have taken the number of students, in mainstream schools and academies, with a statement of SEN and assumed that 70%² of students are Higher Needs Students (number of students x 0.7) and multiplied this by the average programme costs for students in school sixth forms in the year (£4,239). The source is the summer 2011 school census collection (SO4/2011/1.2).

¹ The original intention was to compare to 2012-13 but bringing the budgets forward to December (rather than March) at the request of LAs means this is not possible.

² In 2009 PWC estimated that 66.35% of statemented pupils are high cost. Review of the distribution of DSG; Strand 2: High cost pupils: final report, September 2009, table 3.4).

HNS in enhanced resource units are included in the calculations.

Column D – 2011/12 Academic Year LLDD Specialist Placement Budget

The Specialist Placement Budget funds three different types of provision.

- The costs of placements in Independent Specialist Providers (ISPs) – these are included as actual costs.
- The costs of fully funded placements in FE Colleges - these are included as actual costs.
- The costs of students in FE Colleges with additional costs of over £19,000 – the additional support costs are included in full (including the first £5,500) plus the programme costs at the average for the year (£4,341).

Note – FE Costs in this section are as reported in the 2011/12 R14 Collection.

Column E – 2011/12 Academic Year Costs of Students in FE with additional support costs of between £5,500 to £19,000

The full additional support costs for these students aged 16-18 and 19-24 where they have an LDA or EHCP³, are included. In addition the programme costs at the average for the year are also included (£4,341).

Column F – Baseline spending power for the 2011/12 Academic Year

The sum of columns C, D and E, represents the full HNS funding for each Local Authority in 2011/12.

Column G – Baseline number of High Needs students

All High Needs Students recorded in 2011/12 are included in this column.

Stage 2 - Calculating the Budgets using the new system

The overall HNS budget for 2013-14 for each LA includes: the final 4 months of the SEN block grant for the period April to July 13 (the EFA will continue to pay for this provision in FE Colleges and ISPs during this period, through the current system); the value of Element 1, 2 and 3 and the value of any HNS that will be fully funded by the LA for the period August 13 to March 14 (e.g. those in Independent Schools or with new providers with less than 10 HNS⁴).

Column H – The SEN Block Grant for April 13 to July 13

The SEN block grant is updated every year in line with the latest population projections.

³ HNS age 19-24 with high cost needs over £5,500 are also included as the EFA currently funds them under an agreement with the Skills Funding Agency.

⁴ See Peter Mucklow's letter to LAs on 14 December 2012

For 2013-14 the budget has been updated using the projected percentage change in the 16-17 year old population between 2012 and 2013. The source is Office of National Statistics – Subnational population projections for England⁵. These population projections are taken at mid-year. Programme costs for all students in Special Schools/Academies are included within this block.

The figure in column H represents 4/12s of the full 2013-14 budget calculation. This amount will be **included in the transfer to the DSG**, to fund SEN provision from April to July 13; this includes any top up funding required for HNS in academies and Non-Maintained Special Schools during this period. From August 2013 the SEN block grant will no longer exist. It will be fully integrated within the new system.

Column I – Element 1 for the period August 13 to March 14

We have taken the total number of (age 16-24) HNS reported back from EFA to LAs on 14th December (after application of the 24% limit⁶) after any exclusions (HNS numbers excluded here are included at column K).

We have multiplied this number by the average programme costs in all provision - £4,977 (source 2012/13 shadow allocations) using the national funding per student formula⁷ and scaled this for 8 months (8/12ths).

This gives an estimate of the Element 1 payments the EFA will pay directly to non-maintained institutions and passport through LAs to maintained institutions (as happens now for maintained school sixth forms) – this element is therefore included in the overall budget but **excluded from the transfer to the DSG**.

Column J – Element 2 for the period August 13 to March 14

We have taken the same total number of (age 16-24) HNS reported back to LAs on 14th December (after application of the 24% limit) after any exclusions (HNS numbers excluded here are included at column K).

We have multiplied this number by the standard national Element 2 payment of £6,000 and scaled this for 8 months (8/12ths).

This gives the Element 2 payments the EFA will pay directly to non-maintained institutions and passport through LAs to maintained institutions (as happens now for maintained school sixth forms) – this element is therefore included in the overall budget but **excluded from the transfer to the DSG**.

⁵ Office of National Statistics – “Subnational population projections for England” – Interim 2011 based – published 28 September 2012.

⁶ See Peter Mucklow’s letter to LAs on 14 December 2012 – proforma cell E2

⁷ <http://www.education.gov.uk/aboutdfe/executiveagencies/efa/fundingallocations/a00210682/funding-formula-review>

Column K – The value of Provision for HNS Fully funded by the LA for the period August 13 to March 14

We have taken those students excluded from EFA allocations⁸ reported back to LAs on 14th December (also excluded from the application of the 24% limit).

We have multiplied this number by the value of both element 1 and 2 (£10,977) and scaled this for 8 months (8/12ths).

This gives the LA the funds to meet the costs of both Element 1 (£4,977) and Element 2 (£6,000) and make payments direct to those institutions the EFA has not given an allocation to– this element is therefore **included in the transfer to the DSG**.

Column L – The value of Element 3 for the period August 13 to March 14

We have taken the LAs spending power in the 2011/12 academic year (column F), reduced it 8/12ths (to estimate the cost between August and March) and reduced it by columns I and J and allocated the remainder as Element 3.

We have then calculated an Element 3 per HNS ratio (using ALL HNS for the LA) and applied a minimum Element 3 per HNS of £2,800, increasing the budget available to those LAs with the lowest funding per HNS.

This gives the LA the funds to fund Element 3 for HNS in ALL types of institution for the period August 13 to March 14 and make payments direct to those institutions – this element is therefore **included in the transfer to the DSG**.

Column M – The Total HNS budget for the LA for FY 2013-14

This is the sum of Columns H,I,J,K, and L, before the funds to be paid by the EFA are taken out. It is not the value of the transfer to DSG.

Column N – Number of High Needs students to be funded in 2013/14 AY

This is the number of HNS reported back to the LA in the proforma with Peter Mucklow's letter (total of column K). It is used to calculate the Element 3 per HNS.

Column O – The value of the post 16 contribution to the LAs High Needs Block

This is the sum of Columns H,K and L and is the amount of the contribution to the High Needs Block from post 16 budgets. The funds are not ring fenced to post 16. Cross subsidies between pre and post 16 have been regular practice with many LAs and will need to continue. The new system cannot resolve all historical differences as there is a finite budget and a requirement to protect the spending power of LAs.

⁸ See Peter Mucklow's letter to LAs on 14 December 2012 – proforma total of column K for providers shaded grey

Stage 3 – Comparing spending in 2011/12 with the 2013-14 budget

Overall spend has increased between 2011/12 (£585m) and 2013-14 (£639m) overall this is a 9% increase in total funding over the three years. No LA will receive less than was spent on HNS in their area in 2011/12.

Because 2013-14 is a hybrid year (ie the first 4 months funding for FE Colleges and ISPs being funded by the EFA and the SEN block grant being paid by LAs and then the new system taking over from August 13) it is not possible to provide a direct comparison, the comparison used is;

- 8/12ths of the overall spend on HNS provision in 2011/12 to represent funding for the period August 11 to March 12 (8 month period)
- Compared to the total funding LAs will receive for the period August 13 to March 14 (8 month period)

Column P – The value of 8 months HNS provision in 2011/12

Column P – This is column F scaled for the 8 month period August 11 to March 12.

Column Q – The value of 8 months HNS provision in 2013/14

Column P – This is the sum of column I, J, K, and L which represents the full funding to be paid for provision in the LA area the period August 12 to March 13.

Column R – Comparison between column P and Q

Column R – This is at least £0 which represents the same funding as in 2011/12 or a positive number which represents an increase in total funding for that LA over the 8 months period. 124 out of 152 local authorities will see an increase in funding for young people resident in their area compared with 2011/12, and no authority will see a reduction over 2011/12.

Note – the totals at the top of each column include students from Wales which are not attributed to a local authority.

Stage 4 – March 2013 Adjustments

There is a continued commitment that no local authority will receive less high needs funding in 2013/14 than they were funded for in 2011/12. However, the Department for Education has consistently made it clear to local authorities that, to meet the costs of post-16 high needs students incurred in the next financial year, they will be able to draw upon their total high needs block. The pre and post 16 elements of the High Needs Budget are funded by the Dedicated Schools Grant (DSG) and which covers children and young people with high needs from 0 to 25 years.

It also recognised that there has always been cross subsidy between pre and post 16 Special Educational Needs budgets and this will need to continue, the High Needs

Block is a 0-25 block and there are no restrictions across age bands. The new funding system cannot resolve all historical differences as there is a finite budget and a requirement to protect the spending power of local authorities. Local authorities will need to manage any increases in numbers or spend across their whole DSG.

However it is recognised that the new funding reforms necessary to bring together three totally different funding streams and data sets to create budgets in line with the new system, may disproportionately affect some local authorities. Consequently we built in the opportunity for local authorities to submit requests for a review of their budgets.

Following the issue of the DSG in December 2012, the first of these review points took place in January 2013 and enabled local authorities another opportunity to inform us of changes to their forecast number of 16 to 24 high needs places that they expected to fund in 2013/14 with providers.

The second review point was effective as at 22 February 2013 when local authorities were given the opportunity to make requests for a review of their planned numbers and budgets if they felt that the new HNS funding methodology may have had a disproportionate effects on their original DSG allocation.

At this stage the EFA also applied four data updates using information not available in December 2012 when the DSG was originally calculated.

The outcomes of the review exercises have resulted in the original published DSG allocations being revised, as follows;

Column S – Original Dedicated Schools Grant transfer

This is a reiteration of the amount transferred into the High Needs Block from post 16 budgets circulated in December 2012.

Column T – Increase in funding due to full data updates

Before considering the local authorities submissions in detail we were able to apply updates to data which were not available when the DSG transfer was calculated in December 2012. The following updates have been applied to all local authorities (regardless of whether they submitted a case or not). We have:

- updated Element 1 and Element 2 from local authority data returns as at 22 February 2013;
- then recalculated the Element 3 funding per student and continued to support this element to a minimum of £2,800 per student;
- updated the 2011/12 Learners with Learning Difficulties and/or Disabilities placement budget costs as per latest data as at 14 January 2013; and
- then updated the 2011/12 FE High Cost ALS spend baseline using final full year data (RO15 ILR data collection point) to replace the original RO14 data collection point used in the December calculations.

As a result of the revisions to updated high needs student numbers as at 22 February 2013, we have recalculated the Element 3 funding per student and continued to support this element to a minimum of £2,800 per student. These updates provided adjustments (both up and down) to Element 1 (core education funding); Element 2 (additional education support funding) and correspondingly provided adjustments (both up and down) to Element 3 (local authority funding). These changes have resulted in the majority of LAs gaining an increase in their DSG allocation. It may also result in a lower increase than some LAs are expecting. This is because the increase has replaced the protection applied in December

To continue the commitment that no LA will receive less high needs funding in 2013/14 than they were funded for in 2011/12:

- where individual changes would have resulted in a higher or lower DSG allocation these have been totalled and compared to the December DSG transfer;
- where this has resulted in a net increase then this increase has been passed onto the local authority; and
- where the changes would have resulted in a lower DSG allocation, then the December 2012 DSG level has been maintained.

The final increase applied is shown in column T. Where a zero is shown this indicates that had we not applied this process the DSG would have been reduced.

For example

Local Authority reference		Element 1	Element 2	Element 3	LLDD budget	FE ALS Budget	Net Balance	Revised DSG allocation (Column T)
LA with fewer places in Element 1 and Element 2 than in Dec 12	LA998	Increase in DSG of say £10,000	Increase in DSG of say £20,000	LA may no longer require protection at £2,800 minimum	Decrease in LLDD spend of say £10,000	Increase of say £20,000	= plus £40,000	DSG Increased by +£40,000
LA with more places in Element 1 and Element 2 than in Dec 12	LA999	Decrease in DSG of say £10,000	Decrease in DSG of say £20,000	LA may now require protection at £2,800 minimum	Decrease in LLDD spend of say £10,000	Increase of say £20,000	= minus £20,000	£0 = No change

Column U – update due to LA Requests submitted February 2013

In fairness to all local authorities, all of the requests were reviewed against a nationally consistent set of criteria, where the request was successful and additional funds were allocated these are shown in column U.

Column V - Increase in DSG since December 2012

This is the sum of Columns T and U and reflects the total of the revisions made following the data updates and the local authority submissions.

Column W - Revised FINAL DSG transfer - as at March 31st 2013

This is the sum of Columns S and V and reflects the total of the sum of the original and the revised contribution to the High Needs Block from post 16 budgets.

Education Funding Agency
May 2013