



Education  
Funding  
Agency

# **Dedicated schools grant**

**Departmental guide for local authorities  
on the operation of the grant 2014-2015**

**December 2013 (Updated February 2014)**

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## Summary

### About this departmental guide

This information has been prepared by the Department for Education (DfE) to assist local authorities in the operation of Dedicated Schools Grant (DSG) payable to local authorities in support of Schools Budgets under section 14 of the Education Act 2002. Additional conditions of grant were introduced for 2013 to 2014 and have been updated for 2014-15. They are listed at paragraph 11 below.

### Expiry or review date

This advice will next be reviewed in December 2014.

### Who is this guide for?

This advice is for:

- Local authorities

### Key points

Additional conditions of grant were introduced for 2013 to 2014 and have been updated for 2014-15. They are listed at paragraph 11 below.

## Terms on which grant is paid

1. The formal terms of grant given by the Secretary of State under section 16 of the Education Act 2002 state that:
  - a. Grant will be paid as a ring-fenced specific grant and must be used in support of the Schools Budget as defined in the School and Early Years Finance (England) Regulations 2013. It can be used for no other purpose;
  - b. Following annual notification of the final allocations of DSG the authority is required to submit a statement certified by the 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, as required by the Accounts and Audit (Amendment) (England) Regulations 2006. 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 statement; and
  - c. Where there is evidence that a local authority has used the grant for any purpose other than to support the Schools Budget or has failed to comply with any other condition of grant, the Secretary of State reserves the right to recover the grant.

## Grant allocation and payment

### Purpose of the grant

2. The grant is paid in support of the local authority's Schools Budget. It is the main source of income for the Schools Budget.
3. Local authorities are responsible for determining the split of the grant between central expenditure and the Individual Schools Budget (ISB) in conjunction with local Schools Forums. Local authorities are responsible for allocating the ISB to individual schools in accordance with the local schools' funding formula.
4. Local authorities can add to the Schools Budget from local sources of income.

### Allocation of grant to local authorities

5. The methodology underlying the allocation of DSG to individual local authorities can be found in the DSG Technical Note 2013-2014.

### Payment arrangements

6. The grant will be paid to local authorities in 25 instalments during the financial year. The schedule of payment dates is set out at **Annex A**. Initial payments will be based on the total DSG allocation notified in December 2013 minus the total share of the ISB calculated for recoupment academies as submitted by each local authority on their final Authority Proforma Tool in January 2014 and adjustments for high needs places .
7. The basic method for calculating recoupment will be to take the individual schools budget share calculated by the local authority from the Authority Proforma Tool in January 2014.
8. Recoupment adjustments will be made throughout 2014 to 2015 as further schools convert to academies. These adjustments will be based on the converted school's share of ISB taking into account of the 80% rates relief applied to academies and will be proportional to the period of the financial year for which the school is an academy.

### Allocation of grant to schools by local authorities

9. Local authorities retain responsibility for setting the overall level of their Individual Schools Budget and for determining schools' budget shares, subject to the School and Early Years Finance (England) Regulations 2013.

10. Each local authority's scheme for financing schools must contain a provision which sets out the frequency with which the budget share will be made available to governing bodies of maintained schools.

## **Determination of the local funding formula and funding for high needs pupils**

11. The following conditions apply in relation to the determination of the local funding formula and the funding for high needs pupils:

- 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. the formula must allocate at least 80% of funding through pupil-led factors (single per pupil amount, social deprivation, prior attainment, English as an additional language, pupil mobility, looked after children, differential salaries of teachers near London);
- d. any limiting or scaling back of the funding of schools and Academies that gain from the formula must not exceed in total the cost of funding the minimum funding guarantee for schools and Academies entitled to the MFG;
- e. in using funding held centrally within DSG, other than funding that has been de-delegated by maintained schools, the authority must treat maintained schools and Academies to which recoupment applies on an equivalent basis;
- f. 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;
- g. 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 2013 to 2014 and 2014-15;

- h. when a pupil who requires top-up funding has already been placed in an institution and is in receipt of top-up funding from the authority at 31 March 2014, the authority must continue the 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;
- i. 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 must be monthly unless otherwise agreed; and
- j. the Department reserves the right to impose more specific conditions of grant on individual local authorities in relation to the use of DSG for top-up funding for pupils and students with high needs, where it believes that the actions of the local authority are unreasonable. This is likely to relate in particular to failure to agree and pay top-up in a timely manner where a pupil or student has already been placed by the authority in an institution

## **Allocations to Academies**

12. In some circumstances authorities need to make direct payments to Academies. In 2014-15 these will include top-ups for High Needs pupils, the early years single funding formula, excluded pupils and any allocations from the authority's growth fund or falling rolls fund.

## Use of grant monies

13. Local authorities have continuing responsibility for financial regularity in maintained schools. Section 151 of the Local Government Act 1972 requires the local authority to appoint an officer responsible for making the necessary arrangements for local financial and management controls: this person is usually known as the Chief Finance Officer (CFO). Under these arrangements the CFO will need to ensure that the grant monies are expended for the purpose for which they are intended.

14. In particular, the CFO will need to ensure that expenditure charged to the Schools Budget falls within the definition of such expenditure as defined in regulations 6 and 7 of the School and Early Years Finance (England) Regulations 2013. Following notification of the actual allocations of DSG for each year, the CFO will be required to sign off a statement confirming the proposed deployment of DSG in the authority's budget. At outturn stage, the CFO will also be required to certify actual deployment of the DSG. The DfE will provide LAs with a Budget and an Outturn DSG CFO statement for signature.

15. Under the Accounts and Audit Regulations 2003 a local authority is required to undertake an annual review of its system of internal control. It is also required to report, with its annual accounts, on its arrangements in an Annual Governance Statement (AGS) which must be prepared in accordance with proper practices as published by CIPFA. In undertaking such reviews and preparing their AGSs, authorities should consider the arrangements for allocating DSG/budget shares to schools including procedures for ensuring the robustness of pupil data. Authorities should be able to provide evidence, if required to do so by their own internal auditors or by their external auditors, that demonstrates that they have effective procedures for forecasting pupil numbers at school level.

# Accounting

## Year end procedures

16. Local authorities are responsible for ensuring that the DSG is deployed in support of the Schools Budget. This includes both DSG funding allocated to central expenditure within the Schools Budget and funding for the Individual Schools Budget.

17. In principle, all DSG funding must be allocated to the Schools Budget in the year in which it is paid to the authority by DfE. However, where the final adjusted DSG payment for the year exceeds the authority's original budget provision, the authority, after consulting the Schools Forum, may carry the additional grant forward to the following financial year.

18. Grant allocated to schools' budget shares through the ISB will automatically count as expenditure in support of the Schools Budget. All such grant placed in the ISB will have to be allocated to budget shares in the year in question. Where actual schools' expenditure exceeds the ISB this will normally be financed by a net reduction in schools' reserves. Where actual schools' expenditure falls short of the ISB, this will be explained by a net increase in schools' reserves.

19. At the end of the financial year the central expenditure element of the Schools Budget may be under or overspent. If there is an underspend in respect of central expenditure at local authority level this should be separately identified within the associated notes to the accounts. The underspend must be carried forward to support the Schools Budget in future years.

20. If the local authority overspends on the central expenditure component of the Schools Budget there are three options:

- a. the authority may decide to fund all the overspend from its general resources in the year in question;
- b. the authority may decide to fund part of the overspend from its general resources in the year in question and to carry forward part to the Schools Budget in the next or subsequent year;
- c. the authority may decide not to fund any of the overspend from its general resources in the year in question and to carry forward all the overspend to the Schools Budget in the next or subsequent year.

21. Where an authority decides it wishes to carry all or some of the overspend forward it needs to obtain the consent of the Schools Forum, or failing that the Secretary of State, to fund this deficit from the Schools Budget.

22. The Accounts and Audit (England) Regulations 2003 were amended from 1 April 2006 to incorporate a requirement for an additional note to the Statement of Accounts, confirming actual deployment of the DSG.

## **Repayment of Dedicated Schools Grant**

23. Where there is evidence that a local authority has used the grant for any purpose other than to support the Schools Budget the Secretary of State reserves the right to recover the grant.

24. The Secretary of State may require the authority to repay as much of the DSG as he considers reasonable in the following circumstances:

- a. the authority fails to comply with any of the conditions of the grant;
- b. the authority fails to use the DSG for the purposes for which it is given;
- c. the external auditor indicates that he is not satisfied with the treatment of DSG in the authority's accounts.

## **Local authority reporting requirements**

25. There will be no requirement for local authorities to produce separate final accounts for schools' expenditure or for the use of the grant.

26. Local authorities will be required to submit their section 251 budget information for 2014 to 2015 by 31 March 2014.

27. The grant received from the DfE and its deployment between central expenditure and the ISB should be clearly identifiable within the additional note to the local authority's Statement of Accounts to demonstrate compliance with the limit on central items. Local authorities should refer to CIPFA's SORP guidance note for practitioners.

28. Following notification of the final allocation of DSG for each year the 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 Chief Finance Officer is required to confirm final deployment of the DSG in support of the Schools Budget.

## **External audit arrangements**

29. Appointed auditors are responsible for auditing the financial statements of each local authority and for reaching a conclusion on the authority's overall arrangements for securing economy, efficiency and effectiveness in the use of resources. The deployment of, and accounting for, DSG in support of the Schools Budget, and the arrangements for

securing economy, efficiency and effectiveness in DSG and schools' expenditure fall within the scope of the work that appointed auditors may plan to carry out, having regard to the risk of material error in the authority's accounts and significance to overall arrangements for securing value for money.

30. Authorities should maintain proper arrangements to ensure value for money and provide assurance to the Department when requested that the grant is being deployed in accordance with grant conditions, so that the Department can provide appropriate assurance to Parliament.

31. The Department is subject to external audit by the National Audit Office (NAO) to support Parliament's need for assurance about the Department's grant funding to schools. From time to time the NAO may need to undertake audit work, for example on local authorities' disbursement and monitoring of the grant and its deployment in maintained schools.

## Annex A: DSG Payment Dates Financial Year 2014 to15

2014 to 2015	Date payment arrives in local authority
1	03 April 2014
2	14 April 2014
3	30 April 2014
4	12 May 2014
5	22 May 2014
6	04 June 2014
7	20 June 2014
8	03 July 2014
9	22 July 2014
10	05 August 2014
11	22 August 2014
12	03 September 2014
13	22 September 2014
14	03 October 2014
15	22 October 2014
16	05 November 2014
17	21 November 2014
18	03 December 2014
19	22 December 2014
20	06 January 2015
21	22 January 2015
22	04 February 2015
23	20 February 2015
24	04 March 2015
25	20 March 2015



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