

**Meeting:** Schools Forum  
**Date:** 19 September 2016  
**Subject:** Dedicated School Grant (DSG) Update and LA proposed amendments to Central Bedfordshire's Scheme for Financing Schools

**Report of:** Director of Children's Services

**Summary:** This paper provides an update on the DSG and Growth Fund allocation for 2016/17 and funding arrangements for 2017/18. It asks Schools Forum to agree a DSG transfer from the Early Years block to the Schools block and to approve the LA proposed amendments to Central Bedfordshire's Scheme for Financing Schools.

Contact Officer: Dawn Hill, Priory House, Shefford

Public/Exempt: Public

Wards Affected: All

Function of: Council

#### **RECOMMENDATIONS:**

- 1. To note and comment on the update to 2016/17 DSG allocations.**
- 2. To agree the transfer of £226,821 for 2016/17 from the Early Years Block to the Schools Block (increasing to £237,044 2017/18).**
- 3. To note and comment on the update to 2016/17 Growth Fund.**
- 4. To note and comment on the 2017/18 funding announcement.**
- 5. To approve the LA proposed amendments to Central Bedfordshire's Scheme for Financing Schools.**

#### **Background**

1. Since the beginning of the financial year 2006/07 local authorities have received allocations of DSG to finance the Schools Budget in each authority. The full DSG received must be applied to the Schools Budget in each authority; although authorities may provide additional resources in support of the Schools Budget should they decide to do so. The Dedicated School Grant is split into three notional blocks; Early Years, High Needs and Schools.
2. The School and Early Years Finance (England) Regulations 2015 define the local authority education budgets (the non-schools education budget, the schools budget, the central expenditure and the Individual Schools Budget (ISB)). The regulations set out how local authorities are to allocate funding from ISB to maintained schools and private, voluntary and independent providers of free early years provision (relevant early years providers) through a locally determined formula.

3. The Regulations give effect to the decisions made to reform the school funding system through simplified local formulae, greater delegation to schools and new arrangements for funding pupils with high needs.
4. The Minimum Funding Guarantee (MFG) for schools has been set at negative 1.5% per pupil. The calculation has been simplified compared with previous years and the Regulations set out the factors which are excluded from the calculation.

### **Local Authority Assurance Statement**

5. LAs are required to submit an annual outturn statement, confirming that the DSG received by the authority was fully deployed in support of the schools budgets in accordance with the conditions of the grant and The School and Early Years Finance (England) Regulations 2015. The statement also includes a Non Maintained Special School (NMSS) statement and Fraud cases reported in schools statement. Submission of the statement usually takes place in October each year.
6. The NMSS statement requires confirmation that based on the LAs work in reviewing Individual Placement Agreements for high needs pupils/students within NMSS, nothing has come to their attention that causes them to believe that the learners reviewed were not correctly defined as high needs students.
7. The Fraud cases statement requires the confirmation of the number and value of fraud cases reported in schools and the number of those that have been investigated and where appropriate action taken

### **DSG Budget Allocation 2016/17**

8. On 21 July 2016 the DfE announced details of the DSG for 2016 to 2017. The DSG remains split into three notional blocks; School, High Needs and Early Years.

#### **School Block**

9. The Schools Block is calculated based on school block unit of funding (SBUF) published in July 2015. For CBC the SBUF is £4,294.39 an increase of £5.30 from 2015/16 to take into account the non-recoupment academy now incorporated into the SBUF for 2016 to 2017. Central Bedfordshire's pupil numbers, based on October 2015 census data has increased by 777 pupils to 36,643.
10. To protect schools from significant budget reductions, the Minimum Funding Guarantee is continuing to ensure that no school sees more than a 1.5% per pupil reduction in 2016/17 (excluding sixth form funding) compared with 2015/16.

#### **High Needs Block**

11. The High Needs Block for 2015/16 has been carried forward plus:
  - Increase in places for academic year 2016 to 2017
  - Additional top-up of £47m distributed based on the 2-19 aged population in each LA.

### Early Year Block

12. The Early Years Block includes:

- The 3 and 4 year old entitlement – set at the same per pupil rate as in 2015/16 of £3,979.80. This has been multiplied by pupil numbers from January 2015 early years census to give a provisional allocation. This has been updated in July 2016 based on the January 2016 pupil numbers and will be further updated in July 2017 based on 5/12ths of the January 2016 pupil numbers (to cover the April 2016 to August 2016 period) and 7/12ths of January 2017 pupil numbers (to cover the September 2016 to March 2017 period).
- Participation funding for disadvantaged two year olds – set at the same hourly rate as in 2015/16 of £5.03. The final allocation will be based on 5/12ths of January participation numbers plus 7/12ths of January 2017 participation numbers.
- The early years pupil premium will pay early year providers an addition £300 per year for each eligible child. The final allocation will be based on 5/12ths of January eligible pupil numbers plus 7/12ths of January 2017 eligible pupil numbers.

13. The table below illustrates the indicative DSG revenue allocation for 2016/17.

Block		2016/17 Allocation (M)
Schools	Schools Block	157.359
Early Years	3&4 year olds funding	10.431
	3&4 year olds adjustment (Jan Census)	(0.062)
	Indicative EYPP	0.139
	Indicative Two Year Olds Funding	1.658
High Needs	2015/16 HN base line	25.354
	Additional top-up	0.441
NQT		0.053
<b>Total Indicative Allocation DSG</b>		<b>195.373</b>

14. As in 2015/16 the DSG includes funding for the cost of monitoring and quality assurance of NQT induction (£53k).

15. To protect LAs with falling pupil numbers, a cash floor of minus 2% has been applied to the DSG allocations. This will ensure that no authority will lose more than 2% of its budget in cash terms.

16. The Department has agreed with the following agencies to purchase a single national licence managed by the Department for all state-funded schools in England:

- Christian Copyright Licensing International (CCLI);
- Copyright Licensing Agency (CLA);
- Education Recording Agency (ERA);
- Filmbank Distributors Ltd. (for the PVSL);
- Mechanical Copyright Protection Society (MCPS);
- Motion Picture Licensing Company (MPLC);

- Newspaper Licensing Authority (NLA);
- Performing Rights Society (PRS);
- Phonographic Performance Limited (PPL); and
- Schools Printed Music Licenses (SPML)

The CLA deduction for 2016/17 will be £245k, an increase of £3k from 2015/16.

17. The following table represent the distribution of the 2016/17 DSG based on the Academy conversion as at August 2016 (51 including the Free School and UTC)

	DSG £'000	ISB Academies £'000	Revised DSG £'000	ISB Schools £'000	Central Spend	
					LA £'000	Academies £'000
<b>Schools</b>	157,412	(88,789)	68,623	66,105	2,518	0
<b>EY</b>	12,166	0	12,166	8,873	1,815	1,479
<b>High Needs</b>	25,795	(3,718)	22,077	8,687	9,682	3,707
<b>Total</b>	<b>195,373</b>	<b>(92,507)</b>	<b>102,866</b>	<b>83,665</b>	<b>14,015</b>	<b>5,186</b>

18. The centrally retained DSG of £19.2M is further analysed in the table below;

Services	DSG £'000
Special Education Needs (Inc Post 16)	8,927
Academies Statements/Early Years	5,186
Two Year old Funding	1,658
EY Pupil Premium	139
Growth Fund	2,018
DSG Contribution to Central Overheads	719
School Admissions	260
School Contingency	4
DSG central adjustment (CLA)	245
Teachers Unions & Professional Associations	42
Early Years Contingency	0
School Forum	3
<b>Total CE</b>	<b>19,201</b>

19. In 2016 two Nursery Schools have merged with academies, Arlesey Nursery merged with Gothic Mede academy from 1 April 2016 and The Lawns Nursery merged with Biggleswade academy from 1 May 2016. The EY funding allocation for these academies will no longer include factors for Lump sum and Rates, these factors will be included within the School block. The LA is proposing that Schools Forum agrees to make a DSG transfer from EY Block to Schools block for the equivalent amount.
20. The Lump sum for a Nursery school is £100k. The amount to be transferred in 2016/17 is £191,667 (11/12ths for The Lawns). The total rates for both Nurseries amount to £37,044 (£14,364 for Arlesey and £22,680 for The Lawns). The amount required to be transferred in 2016/17 is £35,154. The total amount to be transferred in 2016/17 is £226,821 and £237,044 thereafter.

## Growth Fund 2016/17

21. The School and Early Years Finance (England) Regulations, Schedule 2, prescribes expenditure that may be deducted from the Schools budget before determining the Individual Schools Budget and held centrally. Growth Funding falls into this category and is for the purpose of expenditure due to significant growth in pupil numbers as a result of the LA's duty under section 13(1) of the 1996 Act to secure that efficient primary and secondary education are available to meet the needs of the population and in order to make provision for extra classes in order to comply with the School Admissions (Infant Class Sizes) Regulations 2012.
22. Local Authorities are required to produce criteria on which any growth funding is to be allocated, and set out the circumstances in which a payment could be made and a basis for calculating the sum. The School Forum regulations requires the agreement of the School Forum for both the central spend on and the criteria for allocating funds.
23. The following table sets out the expenditure to 31 August 2016.

	<b>Budget £</b>	<b>Spent £</b>	<b>Balance £</b>
2016/17 Allocation	2,018,000		
2015/16 B/F balance	241,830		
<b>Growth Fund</b>			
Alameda Academy		(32,146)	
Bigglewade Academy		(85,600)	
Church End Lower		(45,150)	
Clipstone Brook Lower		(52,570)	
Cranfield Academy		(207,241)	
Etonbury Middle		(321,726)	
Fairfield Park Lower		(75,260)	
Greenleas Lower		(45,876)	
Holywell Academy		(25,422)	
Leedon Lower		(45,150)	
Leighton Middle		(55,814)	
Redborne Academy		(45,396)	
Roecroft Lower		(45,150)	
Russell Lower		(45,150)	
Silsoe Lower		(100,468)	
St Marys Stotfold Academy		(19,275)	
<b>Total Growth Fund</b>	<b>2,259,830</b>	<b>(1,247,394)</b>	<b>1,012,436</b>

24. The revised School and Early Years Finance Regulations 2015 allows LAs to carry over any unspent money from the 2016/17 growth and infant class size funds to be used for the same purpose in 2017/18.

## Funding announcement for 2017/18

25. On 21 July 2016 the DfE announced funding arrangements for 2017/18. For 2017 to 2018, the government has confirmed that no local authority will see a reduction from their 2016 to 2017 funding on the schools block of the DSG (per pupil funding) or the high needs block (cash amount). Final allocations for schools and high needs blocks will follow in December 2016 on the basis of pupil numbers recorded in the October 2016 census.
26. The current minimum funding guarantee (MFG) for schools will be retained so that no school can face a funding reduction of more than 1.5% per pupil in what it receives through the local authority funding formula, providing continued protection from excessive year-on-year changes.
27. Early this year the DfE carried out an exercise with local authorities to ‘**re-baseline**’ the DSG blocks for each local authority. The DfE have used these new 2016 to 2017 baselines in calculating allocations for the schools block and high needs block in 2017 to 2018.
28. The schools block baseline will also include funding for the previous Education Services Grant (ESG) retained duties (£15 per pupil) which will be transferred into the schools block for 2017/18 (£618k for CBC). LAs will be able to retain funding from the DSG from maintained schools, including special schools and pupil referral units (PRUs), for statutory duties previously covered by the ESG.
29. The DfE have recalculated the schools block per pupil unit. For CBC this will be £4,314.16 an increase of £19.77; due to the transfer of the ESG retained duties and the one off DSG funding of £105k added to schools in 16/17. The recalculation of baselines has resulted in CBC improving their ranking in the per pupil funding table (33<sup>rd</sup> less funded compare to 19<sup>th</sup> in 16/17).
30. The HN block for 2017/18 will include £125M in total from the department’s post-16 budget. This is a transfer of place funding for high needs places in further education (FE) colleges and post-16 charitable and commercial providers. These institutions currently receive £6k per place from the EFA as part of their post-16 allocations. This place funding has been paid out of a separate departmental budget and from 2017/18 all of these places will be funded from the initial high needs block allocations to LAs. Deductions will then be made to fund institutions directly, as a result of information collected from LAs, before the high needs block allocations are finalised in March 2017. The EFA will continue to pay this place funding directly to institutions. For CBC this transfer is £678k

31. The table below illustrates the estimated DSG for 2017/18.

<b>Block</b>		<b>2017/18 Allocation (M)</b>
Schools	Schools Block baseline	157.466
	ESG Retained Duties transfer	0.618
Early Years	3&4 year olds baseline	10.409
	Indicative EYPP	0.139
	Indicative 2 Year Olds funding	1.658
High Needs	HN baseline	25.886
	Post-16 budget funding transfer	0.678
<b>Total Indicative Allocation DSG</b>		<b>196.854</b>

32. To ensure that LAs can start planning budgets for next year with certainty, proposals made in the first stage of the national funding formula consultation to create a new central schools block, allow local flexibility on the minimum funding guarantee and to ring-fence the schools block within the dedicated schools grant will not be implemented for 2017/18.
33. Authorities will continue to have flexibility to move funding between the blocks, provided that they comply with requirements on the minimum funding guarantee (MFG) and have the agreement of schools forum.
34. The DfE will launch the second stage of the national funding formula consultation for schools and high needs in the autumn, to apply from 2018/19. On the 11 August 2016 the DfE launched the consultation to set out plans for a national funding formula for early years, this consultation closes on 22 September 2016.

### **Amendments to CBC's Scheme for Financing Schools**

35. At the Schools Forum meeting on 13 June 2016, Schools Forum agreed to consult with all maintained schools on an amendment to the Scheme for Financing Schools to reinstate the balance control mechanism section:
- **4.2 – Controls on Surplus Balances**
36. The LA is also proposing to amend the following sections of the scheme:
- **2.14 – Capital Spending from Budget Share** to provide further clarity where the school budget share is used to meet the cost of capital expenditure on the school premises in accordance with Councils procedures and responsibilities for repairs and maintenance (paragraph 12 of the scheme).
  - **4.10 – Licensed Deficit** to add further reference to the Scheme which requires schools to apply for a provisional Licensed Deficit where financial forecast of future years are predicting a deficit.

- **6.2 – Circumstances in Which Charges May Be made** to add to conditions in which schools budget share is charged where a school has failed to provide evidence of the actual costs incurred for expenditure that the school has claimed on the provisional Growth Fund.
37. The consultation with maintained schools took place from 1 July 2016 to 29 July 2016. A letter and proposed amendments (Appendix A) were emailed to all maintained schools and also made available on the schools learning portal.
  38. The LA received 19 responses in total (22% of schools) – 1 nursery, 14 lower, 1 middle, 2 upper and 1 Special schools. Sixteen schools agreed in principle to the inclusion of the balance control mechanism.
  39. Option 3 implementing a 10% (secondary and special schools) and 15% (primary and nursery) of ISB allowable balance was the preferred option.
  40. The additional proposed changes detailed in paragraph 36 received three responses (1 school agreed, 2 schools disagreed).
  41. The LA proposes to implement the changes with School Forum's agreement, with immediate effect based on the attached scheme including Option 3.

**Appendices:**

Appendix A – Scheme for Financing Schools LA's proposed changes September 2016.