

Meeting: Schools Forum

Date: 12 June 2017

Subject: Dedicated School Grant (DSG)

Report of: Director of Children's Services

Summary: This paper provides an update on the DSG and Growth Fund for the financial year 2016/17 and funding arrangements for 2017/18.

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 the 2016/17 DSG and Growth Fund.**
- 2. To note and comment on the update to the 2017/18 DSG funding arrangements.**

Background

1. Local authorities receive allocations of Dedicated Schools Grant (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 2017 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 the 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 2017. The statement also includes a Non Maintained Special School (NMSS) statement and Fraud cases reported in schools statement.

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 and Out turn 2016/17

8. The table below illustrates the final 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 |
| Total Allocation DSG | | 195.373 |

9. The Authority is required to provide a note to the council's accounts detailing the 2016/17 spend and carry forward to 2017/18.

| | Central Expenditure | ISB | Total |
|---|---------------------|--------------|---------------------|
| | £ | £ | £ |
| Final DSG for 2016/17 before academy recoupment * | | | 195,435,241 |
| Academy figure recouped for 2016/17 | | | (92,506,241) |
| Total DSG after academy recoupment for 2016/17 | | | 102,929,000 |
| Plus: Brought Forward from 2015/16 | | | 3,108,607 |
| Less: Carry-forward to 2017/18 agreed in advance | | | 0 |
| Agreed initial budgeted distribution in 2016/17 | 22,324,215 | 83,713,392 | 106,037,607 |
| In-year adjustments | (1,720,510) | 649,249 | (1,071,261) |
| Final budget distribution for 2016/17 | 20,603,705 | 84,362,641 | 104,966,346 |
| Less: Actual central expenditure | (19,161,657) | | (19,161,657) |
| Less: Actual ISB deployed to schools | | (84,362,641) | 84,362,641 |
| Plus Local authority contribution for 2016/17 | 0 | 0 | 0 |
| Carry forward to 2017/18 | 1,442,048 | 0 | 1,442,048 |

Note * Total 2016/17 DSG gross of previous years Early Years adjustment of £62k

10. The table below details the DSG carried forward to 2017/18:

| Reserve | £ |
|------------------------------|------------------|
| Schools Specific Contingency | 149,629 |
| Early Years Contingency | 139,234 |
| School Forum | 5,522 |
| Facilities Time | 36,651 |
| Growth Fund | 645,934 |
| Two Year Old Funding | 465,078 |
| Total | 1,442,048 |

Growth Fund Out turn 2016/17

11. 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 centrally held budgets. 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.
12. The School and Early Years Finance Regulations 2017 allows LAs to carry over any unspent money growth and infant class size funds to be used for the same purpose in the following year. The closing balance for 2016/17 of £645,934 will be added to the agreed 2017/18 Growth Fund allocation of £2M.

DSG Funding Arrangements 2017/18

13. On 20 December 2016, the DfE announced details of the DSG for 2017/18, based on pupil numbers recorded on the October 2016 census. The DSG remains split into three blocks: Schools, High Needs and Early Years.
14. The schools block baseline for 2017/18 includes funding for the previous Education Services Grant (ESG) retained duties.
15. The current minimum funding guarantee (MFG) for schools is 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.

Schools Block

16. This is based on the schools block units of funding (SBUF) as published in July 2016. For CBC the SBUF is £4,314.16, this is multiplied by the pupil numbers from October 2016 school census. Central Bedfordshire's pupil numbers based on October 2016 census data have increased by 850 pupils to 37,493. For CBC the total school block allocation is £161.751M of which £612,216 is ESG retained duties.
17. The previous funding for statutory induction of Non Qualified Teachers has now been incorporated into each local authority's SBUF.

18. Previously a cash floor of minus 2% has been applied across the schools block and the allocation for three and four-year-olds, to protect LAs with significant falling rolls. Due to the baselining exercise and the changes to the early years block this cash floor cannot be applied in 2017/18. To continue to protect LAs with significant falling rolls the DfE have replaced the cash floor with a pupil number floor, applied to the schools block only. This means that if any LAs schools block pupil numbers fell by more than 2% between October 2015 and October 2016, they will be funded at 98% of their October 2015 pupil numbers.

Early Years Block

19. The Early Years block was announced on 1 December 2016 and includes:
- Funding for the **universal 15-hour entitlement** for all 3&4 year olds. This is calculated based on the hourly rate which was announced on 1 December 2016, for CBC this is £4.30. The allocation will be updated in July 2018 based on 5/12ths of the January 2017 census numbers (to cover the April 2017 to August 2017 period) and 7/12ths of the January 2018 census numbers (to cover the September 2017 to March 2018 period).
 - Funding for the **additional 15 hours** for 3&4 year old children of eligible working parents. This is calculated based on an hourly rate, set at the same level as for the universal entitlement for 3&4. As the additional entitlement starts in September 2017, the allocations for these additional hours do not relate to a full twelve months but are pro-rated to cover the seven months of the year from September 2017 to March 2018.
 - Funding for the **15-hour entitlement for disadvantaged two-year olds**. The hourly rate has been set at £5.39 (36p more than in 2016/17).
 - Funding for the **early years pupil premium (EYPP)**, set at the 2016/17 per pupil rate, £300 per eligible pupil.
 - Funding for the new **disability access fund (DAF)**. The 3&4 years olds will be eligible for the DAF if they are in receipt of the child disability living allowances and received free early education. EY settings will be entitled to receive a one-off payment of £615 per year.
 - **Supplementary funding** for maintained nursery schools (MNS). The Government will provide supplement funding of £56.2M to LAs for maintained nursery schools, for CBC this is £151,270.

High Needs Block

20. The high needs block baseline is based on the local authority 2016/17 spend published in July 2016 plus:
- Post-16 budget transferred for high needs places in further education (FE) colleges and charitable and commercial providers.
 - An additional uplift of £130M, of which £95.3M is allocated on the basis of the estimated 2-18 aged population in each authority £34.7M is allocated on the basis of the estimated growth in the 2-18 aged population.

21. The table below illustrates the indicative DSG revenue allocation for 2017/18.

| Block | | 2017/18 Allocation (M) |
|--|----------------------------------|---------------------------------------|
| Schools | Schools Block | 161.751 |
| Early Years | 3&4 year olds universal funding | 10.708 |
| | 3&4 year olds additional 15hrs | 2.024 |
| | Indicative EYPP | 0.139 |
| | Indicative Two Year Olds funding | 1.775 |
| | MNS Supplementary funding | 0.151 |
| High Needs | DAF funding | 0.062 |
| | 2016/17 HN base line | 25.886 |
| | Post-16 transfer | 0.678 |
| | Additional uplift | 0.851 |
| Total Indicative Allocation DSG | | 204.025 |

22. The following table represents the distribution of the 2017/18 DSG.

| | DSG | ISB Academies | Revised DSG | ISB Schools | Central Spend | |
|-----------------------|----------------|------------------|----------------|----------------|---------------|--------------|
| | | | | | LA | Academies |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Schools | 161,751 | (91,593) | 70,158 | 67,001 | 2,782 | 0 |
| EY | 14,859 | 0 | 14,859 | 9,757 | 3,648 | 2,157 |
| High Needs | 27,415 | (4,446) | 22,969 | 10,473 | 10,641 | 2,334 |
| Total | 204,025 | (96,039) | 107,986 | 87,231 | 17,071 | 4,492 |

Growth Fund

23. 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 centrally held budgets. 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.
24. 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.
25. The allocation has been agreed with school forum and set at £2M for 2017/18. The criterion on which any growth funding is to be allocated for 2017/18 has yet to be agreed. One application relating to a resubmission of a 2016/17 application has been agreed with the panel and paid based on the 2016/17 criteria.

26. The following table sets out the expenditure to 31 May 2017.

| | Budget £ | Spent £ | Balance £ |
|--------------------------|---------------------|--------------------|----------------------|
| 2017/18 Allocation | 2,000,000 | | |
| Academy Recoupment * | 173,838 | | |
| 2016/17 B/F balance | 645,934 | | |
| Growth Fund | | | |
| Etonbury Middle | | (50,745) | |
| Total Growth Fund | 2,819,772 | (50,745) | 2,769,027 |

27. The School and Early Years Finance Regulations 2017 allows LAs to carry over any unspent money growth and infant class size funds to be used for the same purpose in the following year.
28. Where an LA makes a growth fund payment to an academy for the period April to August, the DfE will make an appropriate recoupment adjustment. Growth fund adjustments will not be made for “diseconomies of scale” or “start-up” funding. The final academy recoupment has been adjusted by £174k and added back to the Growth fund for 2017/18