

Meeting: Schools Forum
Date: 18 September 2017
Subject: Dedicated School Grant (DSG)
Report of: Director of Children's Services
Summary: This paper provides an update on the 2017/18 DSG and funding arrangements for 2018/19.

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 2017/18 DSG and funding arrangements for 2018/19.**
- 2. To note the reviewing and consulting arrangements for 2018/19**

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 2017/18

- 8 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.
- 9 The schools block baseline for 2017/18 includes funding for the previous Education Services Grant (ESG) retained duties.
- 10 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

- 11 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.
- 12 The previous funding for statutory induction of Non Qualified Teachers has now been incorporated into each local authority's SBUF.
- 13 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

- 14 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

15 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.

16 The table below illustrates both the indicative and updated DSG revenue allocation for 2017/18. The Early Years Block has been updated based on January 17 census data and has reduced by £473k.

Block		Initial Allocation (M)	Updated Allocation (M)
Schools	Schools Block	161.751	161.751
Early Years	3&4 year olds universal funding	10.708	10.598
	3&4 year olds additional 15hrs	2.024	2.024
	Final 16/17 allocation (Jan17)		(0.169)
	EYPP	0.139	0.091
	Two Year Olds funding	1.775	1.629
	MNS Supplementary funding	0.151	0.151
	DAF funding	0.062	0.062
High Needs	2016/17 HN base line	25.886	25.886
	Post-16 transfer	0.678	0.678
	Additional uplift	0.851	0.851
Total Indicative Allocation DSG		204.025	203.552

- 17 The following table represents the distribution of the 2017/18 DSG and latest recoupment costs based on the Academy conversions as at July 2017 (54 including the Free School and UTC).

	DSG	ISB Academies	Revised DSG	ISB Schools	Central Spend	
					LA	Academies
	£'000	£'000	£'000	£'000	£'000	£'000
Schools	161,751	(97,182)	64,569	61,388	3,181	0
EY	14,386	0	14,386	9,898	3,139	1,349
High Needs	27,415	(4,907)	22,508	8,701	9,689	4,119
Total	203,552	(102,089)	101,463	79,987	16,009	5,468

- 18 The High Needs Block recoupment has been updated for September places. This has increased from £4.446M 16/17 academic year to £5.116M 17/18 academic year. The impact on the 17/18 financial year is an increase of £406k. Manshead Upper converted to Academy status 1st May 2017 and although the Department have adjusted recoupment for 6 places (£55k) this will not be an additional pressure as this has already been allowed for within the schools ISB. The increased place recoupment for the ACB of 72 places has been reduced to 66 a reduction of £35k, although this may be at risk of deduction following further updates.

- 19 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

DSG Funding Arrangements 2018/19

- 20 On 17 July 2017, the Secretary of State for Education announced schools funding arrangements for 2018 to 2019 in a speech to parliament. 2018 to 2019 is significant because of the introduction of national funding formulae for schools, high needs and central school services.
- 21 The announcement set out that the schools national funding formula will provide a cash increase of 0.5% (a year) per pupil for every school in 2018-19 (and 2019-20). It also announced that where schools have been underfunded, and are due to gain significantly from the formula, gains of up to 3% per pupil in both years. The additional investment will also allow providing up to 3% gains in high needs funding allocations for under-funded local authorities in each of the next two years, as well as replicating the 0.5% a year increase in high needs funding through the formula for every local authority.

- 22 The DfE will respond in full to the consultations in September and publish indicative allocations for schools under the final national funding formula. These will be aggregated to calculate an allocation for each local authority. Allocations for high needs will also be announced.
- 23 Local authorities will continue to set a local formula to distribute the funding allocated to them through the national funding formula to the schools in their area in 2018-19 and 2019-20. Updated supporting operational guidance has been provided. The guidance is to enable LAs to start to plan the local implementation of the funding system for the 2018 to 2019 financial year. The high needs funding operational guide will be published in September.
- 24 There are a number of significant changes to the funding system:
- (i) **The central school services block (CSSB) has been created.** Local authorities will be allocated funding for central school services through the new CSSB. This will comprise funding for ongoing responsibilities and a cash sum for historic commitments. **The DSG therefore now comprises four blocks: schools, high needs, early years and the new central school services block.**
 - (ii) **Each of the four blocks of the DSG will be determined by a separate national funding formula.** National funding formulae will determine local authorities' schools, high needs and central school services¹ blocks for the first time in 2018 to 2019. Funding for early years has been allocated through a national funding formula since 2017 to 2018.
 - (iii) **Baselines have been adjusted to take account of local authorities' most recent spending patterns.** The Department have undertaken an exercise with local authorities to 're-baseline' the blocks of the DSG for each local authority. This enables the Department to ensure that the national spend on each block in 2018 to 2019 (the totals distributed through the schools, high needs and central school services formulae) reflects the pattern of 2017 to 2018 planned spending by local authorities within their overall DSG allocation, and that local authorities are protected against what they planned to spend in 2017 to 2018 on each block.
 - (iv) **Within the schools block, the Government will provide for at least a 0.5% per pupil increase for each school in 2018 to 2019 through the national funding formula.** Local authorities' schools block allocations will be calculated by aggregating schools' notional allocations under the national funding formula, and these notional allocations will reflect these increases. Schools block allocations will be expressed as separate per pupil primary and secondary rates for each local authority. They will also include funding at local authority level for premises, mobility and growth, based on historic spend.
 - (v) **The formula will provide local authorities with per pupil funding of at least £4,800 for all secondary schools that have pupils in years 10 and 11 by 2019-20.** A new factor will be allowed in local authority formulae so they can set a transitional amount of per pupil funding in 2018 to 2019, as a step towards £4,800 in 2019 to 2020.

¹ For the ongoing responsibilities element of the block only.

(vi) Within the high needs block, the Government will provide for at least a 0.5% overall increase in 2018 to 2019 through the high needs national funding formula. The high needs block will be protected against 2017 to 2018, subject to the following adjustments:

- a baseline adjustment has been made to reflect a change in the funding of special units and resourced provision in mainstream schools from April 2018. The adjustment is cost-neutral in terms of the DSG allocation to each local authority, but involves transferring some funding from the high needs block to the schools block, around £90M nationally.
- an adjustment will be made to reflect changes between the 2016 to 2017 and 2017 to 2018 academic years in the number of pupils and students in maintained special schools, special academies, non-maintained special schools (NMSSs) and special post-16 institutions (SPIs) – a basic entitlement factor in the HN NFF that would generate £4k in respect of each pupil/student in these types of specialist provisions.
- similarly, a change in the placement of pupils and students in schools and colleges located in other local authority areas would affect the amount of high needs funding the local authority receives, an import/export adjustment of £6k per pupil/student

(vii) The minimum funding guarantee (MFG) for schools will continue, but local authorities will have the flexibility to set a local MFG between 0% and minus 1.5% per pupil. In past years, the MFG has been set at minus 1.5% per pupil. In 2018 to 2019, the Department are introducing flexibility for local authorities to set a local MFG between 0% and minus 1.5% per pupil. Local authorities can use the flexibility to offer higher levels of protection locally.

(viii) The schools block will be ring-fenced from 2018 to 2019, but local authorities will be able to transfer up to 0.5% of their schools block funding out with the agreement of their schools forum. Local authorities will be expected to demonstrate to their schools forum that they have consulted locally with all maintained schools and academies when seeking agreement to transfer any funding out of the schools block. There will be an exceptions process, which will require Secretary of State approval, for considering transfers above the 0.5% limit and/or where the schools forum is opposed to the transfer. Whilst the other blocks are not subject to limits on transfers, local authorities will be strongly encouraged to consult their schools and agree with their schools forum any other proposal to move funding between blocks.

25 There are a number of other smaller changes to the calculation of the schools and high needs blocks in 2018 to 2019:

- (i)** local authorities can now use both current free school meals and “ever 6” free school meals measures within their deprivation factors (previously they have been able to use one of these measures, but not both);
- (ii)** Increasing the Pupil Premium Plus rates for 2018 to 2019 rather than including a looked-after children factor in the national funding formula. Local authorities will want to consider whether they reflect this in their local formulae;

- (iii) local authorities will no longer need to request a disapplication to increase pupil numbers where there is an increase in a school's admission limit or a local reorganisation;
- (iv) included an explanation of adjustments to school budgets relating to excluded pupils;
- (v) no deduction to schools block pupil numbers for high needs places in mainstream schools. Instead, the school's budget share (or the equivalent academy funding) will be determined on the basis of the total number of pupils on the roll of the school, including those in the special unit or resourced provision.
- (vi) clarification of the approach taken where an academy that is funded on estimates is expanding to meet basic need growth within the local authority

26 The 2017 to 2018 baselines and 2018 to 2019 minimum funding amounts table:

	Schools	Central school services	High Needs
Baseline	£160.581M	£1.179M	£27.406M
Transfer of funding:			
Pupils in SEN units or resourced provisions	£0.353M		£(0.353)M
Adjusted baseline	£160.934M	£1.179M	£27.053M
School block pupil count 17/18	37,541		
School block guaranteed minimum amount per pupil 18/19	£4,286.88		

- 27 The schools block in 2018-19 is a £ per pupil figure. This is the guaranteed minimum LAs will receive per pupil in 2018-19. For each LA it is calculated by dividing the schools block adjusted baseline total by the LA's 2017-18 schools block pupil count (without deductions for pupils in high needs places).
- 28 In the autumn, the Department will provide schools block allocations for LAs under the NFF, expressed as separate per pupil primary and secondary rates based on the formula and 2018-19 funding levels, plus LA funding totals for premises, mobility and growth, based on historic spend.
- 29 The Department have confirmed that in 2018-19, all LAs will receive some increase over the amount they plan to spend on schools and high needs in 2017-18, as indicated by their adjusted baselines and when calculating LA allocations based on the NFF, that the formula provides a 0.5% a year per pupil cash increase for every school.
- 30 Final 2018-19 allocations for LAs will then be confirmed as usual in December, taking into account pupil numbers recorded in the October census. Two calculations will be made. First, the guaranteed minimum amount: the pupil numbers will be multiplied by the overall per-pupil guaranteed minimum given here. Second, the pupil numbers will be multiplied by the primary/secondary NFF rates and added to the historic factors cash amount. LAs will receive the higher of the two.

- 31 The High Needs baseline is the minimum the LA will receive in 2018/19, subject to later adjustments – for example relating to changes in pupil numbers.
- 32 The Early Years block 2018/19 allocations will be announced in the autumn.

Reviewing and consulting on the pre-16 funding formula 2018/19

- 33 The local authority must engage in open and transparent consultation with all maintained schools and academies in the area, as well as with its school forum, about any proposed changes to the local funding formula including the method, principles and rules adopted
- 34 Any consultation should include a demonstration of the effect of modelling such changes on individual maintained schools and academies. The local authority is responsible for making the final decisions on the formula and must ensure there is time to gain political approval before the due deadlines. Political ratification means approval in line with the authority's local scheme of delegation. The schools forum doesn't decide on the formula.
- 35 Local authorities are able to fund services previously funded from the general funding rate of the Education Services Grant (for maintained schools only) from maintained school budget shares with the agreement of maintained school members of the school forum. If the LA and schools forum are unable to reach a consensus on the amount to be retained by the LA, the matter can be referred to the Secretary of State.
- 36 Central services that may be funded with agreement of schools forum include;
Statutory and regulatory duties (Budgeting and accounting functions, monitoring compliance with requirements in relation to the scheme for financing schools, internal audit, etc)
Education Welfare (Inspection of attendance)
Asset management (general landlord duties, health and safety, management risk from asbestos)
Central support services (clothing grants, provision of tuition music etc)
Premature retirement and redundancy
Monitoring national curriculum assessment
- School improvement is not included in the arrangements as the LA receive a separate grant covering their statutory intervention functions and monitoring and commissioning of school support.
- 37 The LA will be consulting with all stakeholders in the Autumn term. The deadline for submitting requests for MFG exclusions, exceptional premises factors, sparsity factors, lump sum variations for amalgamating schools, pupil number reductions and movement of funding out of the schools block above the limit of 0.5% is the 30 November 2017. Political approval is required for final 2018 to 2019 funding formula by mid-January 2018 and submission of the final APT to ESFA 19 January 2018.