

NORTHUMBERLAND

COUNTY COUNCIL

Wellbeing and Community Health

Agenda Item 6

SCHOOLS FORUM

17 January 2018

Setting the Dedicated Schools Grant (DSG) 2018/19

1. Purpose of the Report

To inform Schools Forum of the estimated overall DSG for 2018/19 and to consult with the School Forum on the way in which it is to be spent.

2. Recommendations

That the Schools Forum notes the report and agrees, where appropriate, all of the specific recommendations set out below.

3. Background

Schools Forum has previously received reports outlining developments in relation to the National Funding Formula (NFF). Information from the Department for Education (DfE) has confirmed their intention to move to a National Funding Formula (or "Hard" Formula) with effect from 2020/21, though this is subject to agreement in the next Comprehensive Spending Review. This means that local authorities (LA) will have no discretion in the values of the individual factors used to distribute funding to schools.

For the financial years 2018/19 & 2019/20 local authorities retain some discretion in setting the funding formula, thereby giving the opportunity to implement the national formula gradually. This allows local authorities to mitigate the impact of significant changes in the respective formula funding factors, as authorities move from local to nationally determined formula values.

The DSG remains as a ring-fenced grant subject to formal grant conditions. From April 2018 there are a number of significant changes to the funding system. The DSG is split into four blocks and each block will be determined by a separate national funding formula:

- **The Schools Block** which is based on pupil numbers taken from the October 2017 census with funding calculated by separate Primary and Secondary units of funding plus an amount, based on historical information, for growth, premises and mobility.

From 2018/19 the Schools Block will be ring fenced but the LA will be able to transfer up to 0.5% of their Schools Block funding out with the agreement of their Schools Forum. 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.

The Government has provided at least 0.5% per pupil increase for each school in 2018/19 within the NFF.

The minimum funding guarantee (MFG) for schools will continue but LA's will have discretion to set a local MFG between 0.5% and minus 1.5% per pupil.

- **The High Needs Block** which is calculated by:
 - i) A basic entitlement per pupil, using pupils who attend special schools and academies in the LA,
 - ii) A historic spend factor, providing 50% of the LA baseline. This will be maintained a cash flat level.
 - iii) The remaining amount of overall funding is distributed to the LA using proxy indicators – 2-18 year old population, deprivation, health and disability and low attainment.
 - iv) Import/export adjustments are made to ensure LA's are fully funded for those pupils that they provide places for. Northumberland is a net exporter and therefore has a deduction made to its High Needs Block. This will be adjusted in January 2018

Within the High Needs block the Government will provide for at least a 0.5% overall increase in 2018/19 through the high needs NFF.

- **The Central Schools Service Block.** This is a newly created block for 2018/19. This will comprise of funding for ongoing statutory responsibilities of LA's and a cash sum for historic commitments.
- **The Early Years Block** has been based on a national funding formula since April 2017 will ultimately be based on the pupil numbers taken from the January 2018 and January 2019 censuses. The allocation is an estimate only.

The estimated DfE's allocation of the whole DSG for 2018/19 for Northumberland before any recoupment deductions for academies is £228,757,448. This has been calculated by the DfE as set out in **Annex 1**.

4. Early Years Block

Since April 2017 the Early Years Block has been subject to a National Funding Formula. The Early Years funding rates for 2018/19 will remain unchanged from 2017/18 at £4.30 per part time equivalent (pte).

To ensure that the maximum amount of funding allocated to Local Authorities (LA) by the Education Funding Agency (EFA) reaches providers there are new requirements regarding the amount of funding for three and four year olds the LA's must pass on to providers.

The pass through level of funding is 95% of 3 and 4 year old funding in 2018/19. This means that centrally retained funding combined with any funding movement out of the Early Years block will be constrained to a maximum of 5 % in 2018/19.

Historically Northumberland County Council (NCC) has and has retained less than 5% centrally.

The indicative budget for the Early Years Block for 2017/18 is £16,560,604, including the £161,214 indicative allocation for the 3 and 4 year old Pupil Premium and £70,110 for Disability Living Allowance. This is shown in **Annex 1**. It includes an initial allocation of £10,402,353 for 4244.13 pte 3 and 4 year olds and an allocation of £3,327,478 for 1357.10 pte 3 and 4 year olds of working parents eligible to access the additional 15 hours free childcare. In addition an initial allocation of £2,599,449 for 877.01 pte disadvantaged 2 year old children.

All these allocations are indicative and are based on the January 2016 census, but they will all be revised once the pupil numbers from the January 2017 census are known and will be further revised in the light of the January 2018 census. However, payments will have to be made to schools and PVI settings based on actual pupil numbers in each of the three terms, Summer 2018, Autumn 2018 and Spring 2019.

Final allocations were received in December 2017 and it has been agreed to set formula funding values at the same level as 2017/18.

Note 1: The Early Years Block budget to be set at the DfE allocation of £16,560,604 as detailed in Annex 1.

5. High Needs Block

The indicative High Needs Block allocation for 2018/19 is £31,924,134 before any deductions by the EFA for direct funding of places by the EFA of Pre and Post 16 in Academies, Post 16 in Maintained Special Schools and post 16 in Commercial and Charitable Providers (CCP) and Further Education (FE) establishments. The allocation after these deductions is £29,109,134 and there continues to be a high degree of uncertainty over the costs that will have to be incurred in this block, especially in respect of Top-Up funding.

Work is continuing on the detail of the total requirements within the High Needs Block, and it is recommended that the **total for the High Needs Block is set at this time, with the detailed breakdown of that funding into the various services being set at the Schools Forum meeting on 20 February 2018**. Setting the overall total for the High Needs Block is necessary at this time as final decisions in relation to the Schools Block must be made before the deadline of 19 January 2018 for submitting the final formula and final formula values for school budgets to the DfE.

The High Needs budget for 2017/18 does not meet the current level of demand. This will need to be taken into account when setting the 2018/19 High Needs Block and work is currently ongoing to ensure that the budget reflects the current situation and a detailed plan to bring the budget back into balance.

Note 2: The budget for the High Needs Block will be set at £29,109,134

Recommendation 1: To agree that the various budgets within the High Needs Block be set at the meeting on 20 February 2018.

6. Schools Block

The Primary per pupil funding unit is £4,069.91 and the Secondary per pupil funding unit is £5,101.63 in 2018/19, giving a per pupil allocation of £175,259,379. The addition of a fixed amount in respect of Growth, Premises and Mobility of £4,665,308 gives a total Schools Block of £179,924,687 as set out in **Annex 1**.

As agreed by Schools Forum at the meeting on 14 November 2017 and the consultation with schools, a request has been submitted to the Secretary of State to transfer 1% of the Schools Block to the HN block to increase capacity in Northumberland's Special schools, all of which are either good or outstanding, to reverse the current trend of increasing out of county placements which are much more expensive. If approved this would reduce the Schools Block to £178,125,440 as set out in **Annex 1**.

A phased implementation of the NFF IN 2018/19 was agreed at the Cabinet meeting on 9 January 2018, in line with the recommendation of the Schools Forum meeting on 14th November 2017 and the consultation exercise held with schools. The recommendation proposed the adoption of NFF formula funding values, subject to transitional protection of 50% of any fall in Age Weighted Pupil Unit (AWPU) values, and a positive MFG of 0.5%, subject to affordability when the DSG settlement was received in late December 2017. The settlement was received on 19 December 2017.

Implementation of the recommendations resulted in a residual amount of funding available for school budgets, due to increased pupil numbers. The Primary and Key Stage 4 AWPU 's have been maintained at 2017/18 levels and, to reduce the gap between the NCC and NFF current Free School Meals (FSM) funding value, an additional sum per pupil has been added to both the Primary and Secondary NFF formula funding values for current FSM as shown in **Table 1** below.

A 0.5% MFG has been set with no capping or scaling.

At the time of writing this report we have not had approval from the Secretary of State to transfer the 1% to the High Needs Block. This is not expected until 19 January 2018, the deadline day for submission of school budgets to the DfE.

Therefore we can only set a provisional Schools Block budget until we receive the necessary approval from the Secretary of State. Hopefully this will be received before close of play on 19 January 2018. If not we will need to make 2 submissions to the DfE, one with a 1% transfer to High Needs Block and another with a 0.5% transfer to the High Needs Block.

In the event we do not get approval for the 1% transfer to the High Needs Block, approval would be required from Cabinet on 13 February 2018, for the Executive Director of Children's Services to vary some of the Formula Factor values in order for the School Budgets to be set within the funding envelope once the Secretary of State's decision on the 1% transfer is received.

It is proposed that for any changes required, values will be adjusted in line with the previously agreed principles of moving towards NFF values in a phased approach, so proposed 2018/19 Formula Factor values that are lower than previous 2017/18 Northumberland County Council values would be increased in order to allocate any additional funding.

Note 3: The budget for the Schools Block to be set provisionally at £178,125,440, including a proposed amount of £915,690 in respect of de-delegation.

Note 4: School budget shares be provisionally constructed based on the formula values shown the final column of Table 1, subject to any adjustments required once the Secretary of State's decision is known.

7. De-Delegation

There are five services, the funding for which is included within the formula:

- Determination of FSM Eligibility
- Core Behaviour Support Services
- EAL
- Trades Union Facility Time
- Contingency Fund for School Restructure and Re-organisation costs

The Regulations permit that these services be centrally retained by the de-delegation of the funding from maintained schools (but not from academies) with the specific approval of the relevant members of the Schools Forum. Academies however, are free to purchase these services, either through a SLA or on a Pay As You Go basis. Special Schools and the PRU are not affected by the de-delegation, but can also participate through the SLA or on a Pay As You Go basis.

De-delegation is an integral part of the way in which these services are funded and any changes would require a significant change of the way of working with schools. Schools Forum agreed to de-delegate from all phases during all years since 2013/14 when the de-delegation regime was first introduced, and it recommended that these are agreed again for 2018/19 using the cash values set out in **in Table 1 above**. Cash Values are at the same level as 2017/18 for all de-delegated budgets, with the exception of the Trade Union Facility Time figure, for which a 5% increase from £3.00 to £3.15 is requested, the first increase in this figure since 2013/14.

Recommendation 2: Schools Members of the Schools Forum representing maintained mainstream schools agree on a phase by phase basis to the de-delegation in respect of the five services listed above for 2018/19 using the funding values as set out in the final column of Table 1.

8. Central Schools Services Block

This is a newly created block for 2018/19. This will comprise of funding for ongoing statutory responsibilities of the LA and a cash sum for historic commitments. The allocation for this block is £3,163,024

Note 5: The budget for the Central Schools Services Block will be set at £3,163,024 as set out in Annex 2

DSG ALLOCATION 2018/19										
		Pupils	Unit Value			Funded				
						Hourly Rate				
Schools Block	Main Primary	23,460	4,069.91	95,480,089				Contingency	473,930	
	Main Secondary	15,638	5,101.63	79,779,290				Trade Union Facility time	74,645	
	Growth, Premises and Mobility			4,665,308				EAL	52,575	
					179,924,687				FSM Eligibility	18,325
	1% to High Needs Block			-1,799,247				Behaviour Support	296,215	
					178,125,440					915,690
	Proposed De-delegation			-915,690						
				177,209,750						
Central School Services Block	Pupil nos	39,098	34.12	1,334,024						
	Historic Commitments			1,829,000						
				3,163,024						
Early Years Block	3/4 Year Olds	4,244.1	2451.00	10,402,353		4.30				
	3/4 Year Olds - Additional 15 hours	1,357.6	2451.00	3,327,478		4.30				
	2 Year Olds	877.01	2964.00	2,599,449		5.20				
	DLA			70,110						
				16,399,390						
	3/4 'Pupil Premium	533.64	302.1	161,214		0.53				
			16,560,604							
High Needs Block	2018-19 allocation			31,925,134						
	HN deductions									
	Academy Pre 16	93	6000	-558,000						
	Academy Post 16	50	6000	-300,000						
	Special Schools Post 16	131	10000	-1,310,000						
	Mainstream Post 16	21	6000	-126,000						
	CCP and FE	87	6000	-522,000						
				29,109,134						
DSG			228,757,448							

Annex 2

CENTRAL SCHOOLS SERVICES BLOCK (CSSB)

Expenditure	Budget Set 2017/18	Proposed Budget 2018/19		
		Cash Limited	Non Cash Limited	Total
Admissions and Supply of School places	208,430		246,830	246,830
Schools Forum	9,430		8,430	8,430
Capital Financing Costs	755,000	755,000		755,000
Historic Enhanced Pension Costs	550,000	550,000		550,000
Contribution to Residential School Placements	504,830	504,830		504,830
Administration costs of Academy conversions	69,000	69,000		69,000
Longridge Towers	149,760		113,400	113,400
Copyright Licensing Agency	241,660		247,100	247,100
ESG Statutory Retained Duties	636,105		668,434	668,434
TOTAL CSSB	3,124,215	1,878,830	615,760	3,163,024