

## SCHOOLS FORUM

18 January 2017

### Setting the Dedicated Schools Grant (DSG) 2017/18

#### 1. Purpose of the Report

To inform Schools Forum of the anticipated overall DSG for 2017/18 and to agree the way in which it is to be spent.

#### 2. Recommendations

It is recommended that the Schools Forum agree all of the specific recommendations set out in the paragraphs below.

#### 3. Background

The Department for Education (DfE) is currently consulting on proposals for a National Funding Formula (NFF) for both the Schools Block and the High Needs Block. The second stage of the consultation was launched on 14 December 2016 and closes on 22 March 2017. This will be the subject of a separate report.

The DSG remains as a ring-fenced grant and is subject to formal grant conditions. It is notionally divided into three Blocks; the Schools Block, the Early Years Block and the High Needs Block. Virement is possible in 2017/18 between the three blocks with the approval of the Schools Forum but may cease to be available once the outcomes of the consultation are known.

The Schools Block is based on pupil numbers taken from the October 2016 census. The Early Years Block will ultimately be based on the pupil numbers taken from the January 2017 and January 2018 censuses. The High Needs Block is based on historical 2012/13 information modified for the full year effect of changes since that date. This contains funding for all the education provision for High Needs pupils from birth to 25, including the budgets for Special Schools and Units.

For 2017/18, the per pupil funding for the Schools Block is £4,547.62, which includes the retained element of the Education Services Grant (ESG). The part time equivalent (pte) pupil funding for the Early Years Block is £4.30 per hour for 3 and 4 year olds and £5.20 for 2 year olds.

The estimated DfE's allocation of the whole DSG for 2017/18 for Northumberland before any recoupment deductions for academies is £224,852,242. This has been calculated by the DfE as set out in **Annex 1**.

#### 4. Early Years Block

From April 2017 the Early Years Block is subject to a National Funding Formula. Schools and Early Years providers will need to be consulted early in the New Year on the proposed funding rates for 2017/18.

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 93% in 2017/18 and this increases to 95% 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 7% in 2017/18 and 5 % in 2018/19.

The indicative budget for the Early Years Block for 2017/18 is £15,465,736, including the £152,548 indicative allocation for the 3 and 4 year old Pupil Premium. This is shown in **Annex 1**. It includes an initial allocation of £10,886,052 for 4441.5 pte 3 and 4 year olds as well as an initial allocation of £2,494,523 for 841.9 pte disadvantaged 2 year old children. It also includes an allocation of £1,870,113 for 763 pte 3 and 4 year olds of working parents eligible to access the additional 15 hours free childcare from September 2017.

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 2017, Autumn 2017 and Spring 2018.

The Formula Funding Committee of the Schools Forum discussed the possible formula funding rates in November 2016. At that time final allocations were not known.

Final allocations were received in December 2016 and it has been possible to set proposed formula funding values that are significantly higher than 2016/17.

A consultation is required with Schools and Early Year's providers regarding the funding values for 2, 3 and 4 year olds.

Two formula funding proposals for consideration by Forum members is attached as **Annex 2**.

**Recommendation 1: The Early Years Block budget to be set at £15,465,736 as detailed in Annex 1.**

**Recommendation 2: The funding rates for the Early Years formula to be considered and approval given for consultation with Schools and Early Years Providers.**

#### 5. High Needs Block

The indicative High Needs Block allocation for 2017/18 is £32,229,468 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 £28,993,468 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, as much of the expenditure is essentially led by the changing needs of the students living within the County.

The DfE continue to require that expenditure in respect of SEN Home to School Transport within the DSG has to be accounted for within the Schools Block, yet the funding is within the High Needs Block Allocation. As in the two previous financial years, it is proposed to vire the budget of £1,174,920 for this purpose into the Schools Block and to reduce the High Needs Block accordingly. Leaving a residual allocation of £27,818,548.

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 16 February 2017**. 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 2017 for submitting the final formula and final formula values for school budgets to the DfE.

The High Needs budget for 2016/17 is currently overspending. This overspend will need to be taken into account when setting the 2017/18 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.

**Recommendation 3: To vire £1,174,920 from the High Needs Block into the Schools Block, as in the last 3 years, and the budget for the High Needs Block to be set at £27,818,548.**

**Recommendation 4: To agree that the various budgets within the High Needs Block be set at the meeting on 16 February 2017.**

## **6. Schools Block**

The per pupil funding allocation is £4,547.62 in 2017/18. This includes the retained duties element of the Education Services Grant (ESG) which was £3.2m in 2016/17. The general duties element of the ESG (approximately £2.4m) is being removed from September 2017 but the retained duties element of £636,105 has been included for the first time within the DSG to allow LA's to charge certain statutory duties, previously funded by the LA to be funded by the DSG.

The total Schools Block for 2017/18 is £177,157,038, it includes £636,105 in respect of ESG which is required to fund central statutory duties and therefore must be excluded and as mentioned above the SEN Home to School Transport funding of £1,174,920 from the High Needs Block needs to be included.

After these adjustments the total Schools Block available is £177,695,853.

The Schools Block has to meet certain items of centrally retained expenditure, some of which are cash limited by The School and Early Years Finance (England) Regulations 2015 to the previous (2016/17) funding level. Details of the budgets set in 2016/17 and the proposed centrally retained budgets for 2017/18 are given in

**Annex 4.** Agreeing to all the centrally retained budgets and the above virements, would leave £174,012,635 available for school budgets.

The formula values used in 2016/17 have been used to calculate the 2017/18 budgets for schools with the exception of formula values for IDACI. Due to a change in methodology by the DfE to the IDACI data the 2016/17 funding values would not have been affordable.

The DfE considered the concerns raised by local authorities and views expressed through the first stage national funding formula consultation, and decided to update the IDACI banding methodology to return the IDACI bands to a roughly similar size (in terms of the proportion of pupils in each band) as in 2015 to 2016. The revised bands are named “A” to “G”; with the most deprived neighbourhoods being captured by band “A” (previously bands 6 and 5).

Approval was granted by Cabinet on 6 December 2016, for the Deputy Chief Executive and Director of Children’s, together with Schools Forum to vary the cash values for IDACI once the final data was received .

The cash values have been varied to reflect the percentage of pupils within each band, to minimise turbulence within school budgets, maintain the percentage of pupil led funding and the Primary / Secondary ratio prior to the implementation of the National Funding Formula.

<b>IDACI Band</b>	<b>Primary 2016/17</b>	<b>Secondary 2016/17</b>
0	0	0
1	150	250
2	175	275
3	400	500
4	575	675
5	900	1000
6	1100	1200

<b>IDACI Band</b>	<b>Primary 2017/18</b>	<b>Secondary 2017/18</b>
F	150	250
E	200	300
D	350	450
C	500	750
B	600	810
A	700	850

In 2017/18, there were 35 schools which need the protection of the MFG at a cost of £640k compared with 34 schools at a cost of £488k in 2016/17. This increase has been caused at least in part by the change to the IDACI factor outlined above. But also a number of schools have seen a significant reduction in number of pupils on roll. Similarly there are 35 schools that gain by more than 1.5% per pupil, and if the gains were capped at 1.5% this would make a contribution of £246k towards the cost of the MFG leaving a net cost of £394k.

We are awaiting some guidance in respect of one school from the EFA. Depending on the result of the guidance it may be necessary to further vary the cash values in respect of IDACI.

The formula funding values, together with the changes to the IDACI values, are included in the final column of **Annex 3**.

- Recommendation 5:** The Schools Block be set at £177,695,853. which includes the virement in of £1,174,920 from the High Needs Block in respect of SEN Home to School Transport - Annex 1
- Recommendation 6:** Centrally retained budgets within the schools block be set at the values shown in the table in Annex 3.
- Recommendation 7:** School budget shares be constructed based on the formula values shown the final column of Annex 4.
- Recommendation 8:** Schools gains be capped at 1.5% per pupil to contribute towards the costs of the MFG.

### De-Delegation

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

Determination of FSM Eligibility  
Behaviour Support Services  
EAL  
Trades Union Facility Time.

The Regulations permit that these services be centrally retained for maintained schools 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 are, however, 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. Anecdotal evidence suggests that schools are content with the de-delegation of the funding for three of these four services, Determination of FSM eligibility, EAL and Trade Union Facility Time. 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 2017/18 using the cash values set out in **Annex 3**.

Due to the overspend within the High Needs Block and the detailed plans currently being drawn up to move the Behaviour Support Services to 100% SLA a decision needs to be made to continue to de-delegate this service from April 2017. It is not possible to de-delegate for part of a financial year.

- Recommendation 9:** 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 four services listed above for 2017/18 using the funding values as set out in the final column of Annex 3 .

