
Dedicated Schools Grant - Overview of Changes for 2017/18

Report being considered by: Schools Forum

On: 10/10/2016

Report Author: Claire White

Item for: Discussion **By:** All Forum Members

1. Purpose of the Report

- 1.1 To set out the changes known so far to the Dedicated Schools Grant (DSG) in 2017/18.

2. Recommendation(s)

- 2.1 To note the possible implications on the school budget in 2017/18.

Will the recommendation require the matter to be referred to the Council or the Executive for final determination?	Yes: <input type="checkbox"/>	No: <input checked="" type="checkbox"/>
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3. Introduction

- 3.1 The Dedicated Schools Grant (DSG) consists of three funding blocks, Schools, Early Years, and High Needs, each calculated in a different way. A first stage consultation took place in the spring on both Schools and High Needs funding, which included proposed changes for the way funding for these blocks is allocated to local authorities.
- 3.2 The proposal for changes to schools funding are now not going ahead in 2017/18, although there are changes to the funding of this block. A second stage consultation is expected in the autumn with proposals for 2018/19.
- 3.3 A consultation on changes to early years funding from 2017/18 closed on 22nd September. Significant changes were proposed.
- 3.4 A second stage consultation on high needs funding is due by the end of the year; the timetable has been delayed and the funding reforms will not be going ahead in 2017/18.
- 3.5 The Department for Education (DfE) carried out an exercise in the spring to re-base the funding blocks. Changes have been made to the base line funding for each block in line with how the 2016/17 DSG allocation was being spent. This has implications in the schools and high needs blocks.

4. Changes to the Schools Block

- 4.1 Schools block funding is simply calculated as the number of primary and secondary pupils (counted in the October census) multiplied by the funding rate. The funding

rate is different for every Local Authority (LA) (historical calculation) and for West Berkshire has not changed for several years.

- 4.2 The base lining exercise has moved funding from the Schools Block to the High Needs Block due to the Schools' Forum decision to fund high needs pressures in 2016/17 from schools.
- 4.3 The Schools Block per pupil rate for 2017/18 has been confirmed as £4,348.43 compared to £4,368.03 in 2016/17. Assuming the same number of pupils in 2017/18, this is a reduction of £434k. The High Needs block has received an additional £1.021m, so in effect West Berkshire has overall gained funding from this exercise.
- 4.4 The surprise change is the moving of the Education Services Grant (ESG) into the DSG from 2017/18. This proposal was in the first stage consultation and linked into the other proposals which are not yet going ahead. The responses to the relevant questions in the consultation have not yet been published.
- 4.5 The ESG that LAs receive is made up of two elements:
 - **General Funding Rate.** This is to cover the statutory duties that are carried out for maintained schools. Examples include school improvement, finance, HR, health & safety. Academies receive the funding for these duties on top of their main formula funding allocation. It is calculated according to the number of pupils in maintained schools. In 2016/17 the LA funding rate is £77 for mainstream pupils (£327.25 for special schools, £288.75 for PRUs) and West Berkshire's grant totals £1,472,345. Adjustments are made during the year as and when schools convert to Academies.
 - **Retained Duties.** This is to cover statutory duties that are carried out for all schools including academies (mainly education welfare and asset management), and is calculated according to the number of pupils in all schools. In 2016/17 the funding rate is £15 per pupil and West Berkshire's grant totals £382,115
- 4.6 From September 2017 the local authority will no longer receive the general funding rate; it will be a cut to their budget allocation (it is not clear yet whether there will be any transitional protection other than the five months funding from April to August 2017). Academies will also have their equivalent grant removed from this date, but will receive protection until 2020.
- 4.7 School funding regulations will be amended to allow LAs to meet the cost of these duties from the schools block DSG (although there will be no additional funding for the general funding duties). This will be a top slice from maintained school's individual school budgets at a single rate per pupil, and will put maintained schools onto an equivalent arrangement as academies. The top slice will need to be agreed by the maintained schools members of the Schools' Forum.
- 4.8 From April 2017 the retained duties element will be added to the DSG (at £15 per pupil), and the cost of the eligible services will be met from the schools block DSG.

5. Changes to the Early Years Block

- 5.1 The funding for three and four year olds is currently based on a historical rate per child (counted in the January census), and is different for every LA. The current consultation proposes a new formula recalculating the rate for every LA.
- 5.2 A reasonable expectation would be that West Berkshire would benefit from this recalculation, currently being funded below average but located in a high cost region. However, the revised calculation still leaves West Berkshire's rate below the average when it should be well above.
- 5.3 Although the rate of funding for West Berkshire is proposed to be £4.70 compared to the current rate of £4.13, up to now unspent two year old funding has been used to maintain current funding rates for providers, and this additional funding simply helps plug the current funding gap. At the proposed single rate, many providers will see a cut to their funding.
- 5.4 More details on the implications of the early year's funding consultation are in another report on this agenda.

6. Changes to the High Needs Block

- 6.1 Funding for this block is received as a lump sum. There have been minimal increases to this block of funding over the past few years. The base lining exercise has added funding in accordance to how we proposed to use the 2016/17 in year allocation of DSG, but not what we actually propose to spend (planned overspend this year).
- 6.2 The funding arrangements for 2017/18 state that there will be no reduction to the 2017/18 allocation. No decision has been made on how any additional funding will be allocated to local authorities. This allocation will be notified in December.
- 6.3 A second stage consultation on a revised methodology of allocating high needs funding to local authorities (now planned for 2018/19) is due by the end of the year, which will largely be based on a formula using proxy indicators. The original proposal suggested a five year lead in to the new formula, during which the current allocation would gradually reduce, and funding calculated through the new formula increase.
- 6.4 It is not known whether West Berkshire would gain or lose from the new formula, but either way it is an advantage that the base line has increased.
- 6.5 When doing a year on year comparison, it should be noted that other adjustments have been made to the allocation, removing funding that the LA will no longer be responsible for, and adding funding that will become part of the LA allocation (but recouped); these adjustments should not have any financial impact.

7. Implications for Each Block

- 7.1 Appendix A models a year on year comparison using the current information about the DSG allocation for next year.
- 7.2 The schools block is modelled on October 2015 pupil numbers, and on this basis there is enough funding to maintain current formula funding rates and the current

centrally retained budget. However, this assumes that the additional funding for (ESG) retained duties will cover the actual cost and that the formula funding for the new primary school proposed to open in September 2017 can be met largely from the balance held in the growth fund.

- 7.3 The cost of the (ESG) general funding rate services will be passed on to maintained schools. This is currently at £77 per pupil but it is likely there will be savings in these service areas and the per pupil charge is likely to be less. Ideally, schools budgets should be increased to cover this cost, but it is unlikely that this will be affordable in 2017/18, and will thus represent a cut to school budget allocations.
- 7.4 The early years block has been modelled with the proposed rates and single formula as detailed in the consultation. Although this is shown to break even in year, it assumes pupil numbers/hours of provision don't vary and that there is no mismatch between funding received and payments made to providers. Any over spend would impact on the funding rate. The current year is currently forecasting an over spend (due to lower January 2016 census numbers which had an impact on the grant received) and this will need to be met from the 2017/18 grant.
- 7.5 Although the high needs block grant has been uplifted following the transfer of funding from the schools block, it is not enough to balance this block based on current budgeted spend. Unless West Berkshire receives an uplift in funding, further savings will need to be found in this block. A working group has been set up to determine options for reducing the cost of specialist placements.

8. Conclusion

- 8.1 Final grant allocations are subject to the October 2016/January 2017 census data and following the results of the early years funding consultation. Although this report provides an indication of the impact of the changes, it is too early to determine whether funding in 2017/18 will be sufficient, or whether significant savings will need to be found.

9. Appendices

Appendix A – Model of Effect on Changes to School Funding in 2017/18

Appendix A

Model of Effect on Changes to School Funding (DSG) in 2017/18 (Position assumes same pupil numbers for 2017/18)							
	2016/17 (Current Position)			2017/18 (Model Only)			CHANGE
Schools Block							
DSG Funding:	Rate £	Pupil Nos	Funding £	Rate £	Pupil Nos	Funding £	
Per Pupil Rate	£4,368.03	22,135	£96,686,344	£4,348.43	22,135	£96,252,498	-£433,846
Additional sum for NQT			£32,000				
ESG				£15.00	25,474	£382,110	
In year allocation			£96,718,344			£96,634,608	-£83,736
Brought Forward			£372,990			£150,000	estimate of b/f growth fund for new school in 17/18
Transfers			-£848,000				
Total Funding			£96,243,334			£96,784,608	£541,274
Expenditure:							
School Formula - existing rates			£95,102,270			£94,887,211	17/18 MFG reduction
Centrally Retained - existing			£1,141,060			£768,070	16/17 includes c/f
Additional ESG services						£382,110	assume spend equals the additional funding - it won't!
Growth Fund - New School						£186,667	based on funding a school with 60 pupils (2 classes) from September 17
Total Expenditure			£96,243,330			£96,224,058	-£19,272
NET POSITION SCHOOLS BLOCK			£4			£560,550	£560,546
Early Years Block							
DSG Funding:	Rate £	Pupil Nos	Funding £	Rate £	Pupil Nos	Funding £	
2 year old funding	£5,092.00	120	£611,040	£5,453.00	120	£654,360	
3 & 4 year old funding	£3,911.25	1,515	£5,925,544	£4,465.00	1,515	£6,764,475	
PPG	£503.50	42	£21,147	£503.50	42	£21,147	
In year allocation			£6,557,731			£7,439,982	£882,251
Brought forward			£515,626			-£206,833	Changed due to incorrect Jan 16 census figures
Reduction in prior yr DSG			-£91,000				DFE final allocation (based on Jan 16 census) notified July 2016
Transfers			-£10,000				
Total Funding			£6,972,357			£7,233,149	£260,792
Expenditure:							
2 year old funding			£611,450	£5,453.00	120	£654,360	assume new hourly rate of £5.74
3 & 4 year old funding			£6,294,460	£4,275.00	1515	£6,476,625	assume new hourly rate of £4.50
PPG			£100,000	503.5	42	£21,147	
Centrally Retained			£173,100			£338,224	assume maximum 5% (to include SEN currently in high needs block)
Total Expenditure			£7,179,010			£7,490,356	£311,346
NET POSITION EARLY YEARS BLOCK			-£206,653			-£257,207	-£50,554
High Needs Block							
DSG Funding:							
Fixed sum			£20,079,154			£21,100,000	
Adjustments						-£1,390,000	NMSS removed, Post 16 added
In year allocation			£20,079,154			£19,710,000	-£369,154
Brought forward			-£635,800			-£793,266	adjusted for actual 15/16 c/f
Transfers			£858,000				
Total Funding			£20,301,354			£18,916,734	-£1,384,620
Expenditure:							
Place funding and top ups			£18,458,080			£16,498,080	NMSS removed
New responsibilities						£570,000	Post 16 added
Centrally retained			£2,636,540			£2,479,070	includes savings of £157k agreed in March 16
Total Expenditure			£21,094,620			£19,547,150	-£1,547,470
NET POSITION HIGH NEEDS BLOCK			-£793,266			-£630,416	£162,850
TOTAL ALL BLOCKS:							
In Year Allocation			£123,355,229			£123,784,590	£429,361
Total funding			£123,517,045			£122,934,491	-£582,554
Total Expenditure			£124,516,960			£123,261,563	-£1,255,397
NET POSITION ALL BLOCKS			-£999,915			-£327,072	£672,843