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# Dedicated Schools Grant (DSG) Budget 2018/19 - Overview

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**Report being considered by:** Schools Forum  
**On:** 30/10/2017  
**Report Author:** Claire White  
**Item for:** Discussion      **By:** All Forum Members

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## 1. Purpose of the Report

- 1.1 To set out the changes to the calculation of the Dedicated Schools Grant (DSG) in 2018/19, and the implications of these changes on the Schools Budget.

## 2. Recommendation

- 2.1 To note the changes, the timetable, and decisions that will be required in the setting of the 2018/19 Schools Budget.

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

## 3. Introduction

- 3.1 Over the last two years, the Government has carried out two consultations on their proposed changes to School and High Needs funding. The second stage consultations closed on 22 March 2017, and the results of these were published in September 2017.
- 3.2 The Government has now announced the funding arrangements for 2018/19. Following on from the consultations, there are a number of significant changes to the way the Dedicated Schools Grant (DSG) will be calculated for 2018/19.
- 3.3 There will be an additional funding block – Central Schools Services Block – which will sit alongside the existing three funding blocks of Schools, Early Years, and High Needs.
- 3.4 There is a new formula used to calculate the funding allocation for the Schools Block, Central School Services Block, and High Needs Block. A new formula for calculating Early Years was introduced from April 2017.
- 3.5 The rules around moving funding between blocks have changed.
- 3.6 This report summarises how each block will be calculated in 2018/19, and the likely impact of the estimated funding allocations on the 2018/19 budget. The actual allocations for 2018/19 will be announced by the Government mid December – though for Early Years and High Needs, these will be provisional, and the budgets for these blocks will need to be set using estimates.

## 4. Schools Block

- 4.1 The biggest change is the Schools Block – with the introduction of the National Funding Formula (NFF) from April 2018. For at least the next two financial years, it will be operated as a “soft” formula. This means that the local authority will still receive Schools Block DSG and will determine locally how this is then allocated to schools.
- 4.2 The schools block funding for 2018/19 is calculated as follows:
- The national funding formula at the national rates is run for each school. This is based on October 2016 census data and pupil numbers.
  - An area cost adjustment (ACA) is added to the total sum for each school (1.0341 for West Berkshire).
  - Each school is allocated as a minimum a 0.5% per pupil increase against their baseline or a 3% per pupil funding cap against their baseline (the baseline is the 2017/18 formula allocation plus formula funding for the pupil numbers in resource units added back in).
  - For primary schools, the minimum per pupil funding level in 2018/19 is set at £3,300, and for secondary £4,600 (all West Berkshire schools will be above this level). It is therefore possible that in the lowest funded local authorities the gains will be more than 3%.
  - The allocations for every school in the local authority are added up and divided by the October 2016 pupil numbers. This produces a Primary Unit of Funding (£3,875 PUF) and a Secondary Unit of Funding (£4,925 SUF). These units are now set for 2018/19.
  - In December 2017, the PUF and SUF will be multiplied by the October 2017 primary and secondary pupil numbers to produce the schools block DSG allocation.
  - A sum for growth funding is added (equal to the 2017/18 local authority budget plus or minus carry forward from 2016/17), to give the final DSG total.
- 4.3 The local authority in consultation with the Schools’ Forum will set aside funding required for the growth fund in 2018/19. The balance is then distributed to schools through the formula, by setting the formula funding rates and a minimum funding guarantee and funding cap on gains. The method of distributing the funding will need to go out to consultation with all schools and be agreed by Schools’ Forum in December, before being approved by the Council’s Executive in January.
- 4.4 With the agreement of Schools’ Forum, and subject to consulting with all schools, up to 0.5% of the total schools block funding can be transferred to the high needs budget or other funding blocks. Secretary of State approval is required for transfers above this limit or where the Schools’ Forum has opposed the transfer.
- 4.5 Overall, West Berkshire gains from the NFF by 1.3% or £1.3m, but the final allocation will be determined by the October 2017 census.

- 4.6 It will be impossible for the local authority to replicate exactly the national funding formula rates to schools for the following reasons:
- The funding rates (PUF and SUF) have been determined using October 2016 census data, whereas actual allocations to schools use October 2017 census data. If pupil characteristics (such as deprivation levels) have changed between the two census dates, this will create a surplus or shortfall to be adjusted for.
  - The amount of funding being received for the business rates element of the formula is based on historical amounts, whereas the funding allocated to schools will need to be the actual 2018/19 amounts – this is likely to be significantly more.
  - The amount of funding being received for growth and falling rolls funding is based on historical amounts. If the estimated requirement for 2018/19 is greater, this will need to be funded.
  - If there is a significant shortfall in high needs funding, up to 0.5% could be transferred from the schools block allocation.
- 4.7 Another report on this agenda gives further details of the proposals for the school formula.

## **5. Central Schools Services Block**

- 5.1 The Central Schools Services Block is derived from the centrally retained services that were previously funded from the Schools Block, e.g. admissions, licences, servicing of Schools' Forum, Education Welfare.
- 5.2 A new formula is in place to determine funding allocations to local authorities. This is a per pupil amount, 10% of which is allocated according to relative deprivation levels.
- 5.3 The baseline for this block has been determined as follows:
- Total budget for these services in 2017/18
  - Less use of DSG funds in the schools block carried forward from 2016/17.
- 5.4 If the formula funding is less than the baseline, the minimum amount to be received will be the baseline less 2.5%.
- 5.5 The formula funding for West Berkshire is less than the baseline. Therefore the funding in 2018/19 will be less. However, the final allocation will depend on October 2017 pupil numbers, but at a rate of £44.22 per pupil the actual funding will not differ significantly from the current estimate.
- 5.6 The following table illustrates the impact:

|  |            |
|--|------------|
| 2018/19 Baseline less 2.5%                       | £987,675   |
| Less: 2017/18 Budget for central school services | £1,288,690 |
| Possible shortfall                               | £301,015   |

- 5.7 Decisions will need to be taken in the Spring, on how this block can be balanced. One option will be to transfer DSG funding from the Early Years and High Needs block, on the basis that schools/pupils in these blocks benefit from the services in the Central Block. Transfers between these blocks are unlimited (subject to the Early Years pass through rate), but are subject to consultation with the Schools' Forum.

## 6. Early Years Block

- 6.1 The new Early Years formula was introduced in 2017/18. Arrangements have not yet been published regarding 2018/19. It is therefore assumed that the funding rates will remain the same, despite our continued concern that the area cost adjustment for West Berkshire used for the three and four year old formula is too low. The factors used in the formula to determine the funding rates are due to be updated on a regular basis, but no indication has been given on how frequent this will be or when this will next take place.
- 6.2 The funding will, as always, be based on two consecutive years of January census data, and be finalised three months after the close of the financial year. The requirement to manage shortfalls or surpluses on an annual basis due to the mismatch between funding received based on the January census, and allocations to providers based on actual provision of nursery hours during the year, continues to be a challenge.
- 6.3 The impact of funding allocated for the additional 15 hours against actual take up will also need to be managed, as will allocations for pupil premium grant and the Disability Access Fund.
- 6.4 The fixed sum allocation for maintained nursery schools has been guaranteed until 2019/20, but there is no news yet on what will happen beyond this date.
- 6.5 The deficit in the early years block carried forward to 2017/18 is due to be repaid over three years (i.e. in 2019/20). It is hoped that the indicative funding rates given to providers earlier this year for 2018/19 can be honoured, but this will need to be reviewed in the light of current year expenditure compared to forecast funding, in order to keep the deficit under control. All providers will need to be on a single rate for 2019/20.
- 6.6 In 2018/19, 5% of funding can be set aside for centrally retained services, which can include services to support early year's children with high needs, and transfers to other funding blocks.
- 6.7 The following table provides a summary of the original assumption for 2018/19 when the budget for 2017/18 was set:

|   |              |
|---|--------------|
| 2018/19 estimated DSG   | £10,244,930  |
| Less deficit carried forward  | -£260,190    |
| Less expenditure based on 2016/17 hours of provision (plus additional 15 hours) | -£10,057,280 |
| Planned Deficit   | £72,540      |

This assumes there are no transfers of funding to the Central Schools Block.

## 7. High Needs Block

- 7.1 A new formula has been introduced for allocating High Needs funding to local authorities in 2018/19.
- 7.2 The new formula uses a number of proxy factors (population, deprivation, low prior attainment, disability living allowance and children in bad health), but with 50% allocated on the basis of historical spend, and a basic entitlement for the number of places in special schools. Under this formula West Berkshire receive less than the current High Needs Block allocation. However, all local authorities will gain a minimum of 0.5% over their baseline.
- 7.3 Place numbers at special schools, and import/export adjustments will be excluded from the baseline, and will be an additional allocation, so that any year on year changes can be taken into account in the annual allocation.
- 7.4 The baseline for this block has been determined as follows:
  - Total high needs block allocation in 2017/18
  - Less the first £4,000 of resource unit place funding transferred to the Schools Block.
- 7.5 As West Berkshire is on the baseline, funding is calculated as follows:
  - Baseline +0.5%
  - Add pupil numbers (422 pupils x £4,209)
  - Add import/export adjustment (143 x £6,000)

This adjustment is to reflect that the DSG funding is based on resident population rather than where pupils go to school/college. If a local authority is receiving more pupils from other local authority areas than are being sent to other local authority areas, (and vice versa) a funding adjustment is made.
- 7.6 The pupil number element will be based on the October 2017 census, whereas the import/export adjustment will use the January 2018 census and February 2018 ILR

data – the final allocation being provided *after* the budget for 2018/19 is required to be set. An estimate will therefore need to be made.

- 7.7 The High Needs Block was in deficit at the end of 2016/17. In setting the 2017/18 budget it was agreed to repay the deficit over a three year period. Assuming there are no significant increases to the overall cost base, the impact of the new funding will be as follows:

|   | <b>2018/19 budget assumed in March 2017</b> | <b>2018/19 budget taking into account the funding changes</b> |
|---|---|---|
| 2018/19 estimated DSG   | £20,060,000                                 | £19,635,300   |
| Less expected overspend in 2017/18  | -£583,980                                   | -£486,870   |
| Less 2018/19 budget (taking into account adjustment for resource unit budget) | -£19,551,920                                | -£19,017,240  |
| Deficit/Surplus   | £75,900 deficit                             | £131,190 surplus  |

This assumes there are no transfers of funding to the Central Schools Block.

- 7.8 As in previous years, a place funding review needs to take place, with a deadline of 17<sup>th</sup> November for submitting changes to ESFA .
- 7.9 If Autumn forecasts indicate a rise in costs (in both 17/18 and 18/19) that are over and above the current surplus being indicated, a savings strategy will be required. This will include any changes to the i-College PRU charging structure.

## 8. Timetable for Setting the Budget

- 8.1 The timetable for setting all the elements of the DSG budget is set out below:

|   |  |
|---|--|
| September to October 2017                     | Modelling of new primary & secondary school formula (once received national formula rates from ESFA) |
| 26/28 September 2017                          | Leadership Forum briefing  |
| October 2017                                  | Key Council Members briefing/input to proposals  |
| 11 October 2017 (reports due 4 October 2017)  | Heads Funding Group review school formula options and make recommendation to Schools' Forum.         |
| 17 October 2017                               | School Admin (finance staff) briefing  |
| 30 October 2017 (reports due 23 October 2017) | Schools' Forum to agree on formula to go out to consultation with schools.                           |
| 1 – 20 November 2017 (14 working days)        | Consultation with Schools  |
| November                                      | High needs initial budget proposals worked on by   |

|  |   |
|--|---|
|  | officers<br>Early years initial budget proposals worked on by officers  |
| 28 November 2017<br>(reports due 21 November 2017) | Heads Funding Group review consultation responses and make a recommendation.<br>Review high needs budget proposals.   |
| 5 December 2017<br>(reports due 28 November 2017)  | Corporate Board – draft formula proposal.<br>(Ahead of Schools' Forum and final funding allocation but next date of 19 December is too late for OB)   |
| 11 December 2017<br>(reports due 4 December 2017)  | Schools Forum consulted on school formula final proposals in principle (as prior to final funding).<br>To agree de-delegations and funding/criteria for additional funds. Need to consult and agree to any funding block transfers.<br>Review central schools, high needs, and early years budget proposals |
| Mid December 2017                                  | DSG funding allocations and APT containing census data for final formula due from DfE (last year DSG was received 20th December and APT was received 15th December).  |
| Mid December 2017                                  | Finalisation by officers of formula and the funding rates in light of actual DSG funding  |
| 21 December 2017<br>(reports due 14 December 2017) | Operations Board – Final formula proposal based on final funding allocation   |
| 18 January 2018 (reports due 9 January 2018)       | Executive – Approval of School Formula  |
| 19 January 2018                                    | Deadline for submission of final School Formula APT to ESFA   |
| 10 January 2018 (reports due 3 January 2018)       | Heads Funding Group review budget proposals for central schools, high needs, and early years in light of funding announcement.  |
| 22 January 2018 (reports due 15 January 2018)      | Schools' Forum review funding calculation and budget proposals for central schools, high needs, and early years. Agree budget strategy and determine any further work.  |
| 23 January to 20 February                          | Finalisation by officers of central schools, high needs, and early year's budget proposals.   |
| 27 February 2018<br>(reports due 20 February 2018) | Heads Funding Group review final proposals and make recommendation to Schools' Forum.   |
| 28 February 2018                                   | Statutory deadline for providing primary and secondary maintained schools with their funding allocation (in practice this is late January).   |
| 12 March 2018 (reports due 5 March 2018)           | Schools' Forum to agree final budgets.  |