

ITEM NO: 5

Report To:	SCHOOLS FORUM
Date:	2 March 2016
Reporting Officer:	Bob Berry – Assistant Executive Director - Learning. Peter Timmins – S151 Officer - Finance.
Subject:	DEDICATED SCHOOLS GRANT UPDATE INCLUDING 2016/17 DE-DELEGATION DECISION
Report Summary:	A report on the arrangements concerning the Dedicated Schools Grant for 2015/16, 2016/17 and future years.
Recommendations:	Members of the Schools Forum are requested to note the contents of the report. Members of the Primary and Secondary sectors are required to vote on the De-delegation of funding for each of the four services in Section 2.15 of the report.
Links to Community Strategy:	Effectively calculated and targeted resources will improve access to a high quality education experience for all our children.
Policy Implications:	Expenditure in line with financial and policy framework.
Financial Implications: (Authorised by the Borough Treasurer)	The Dedicated Schools Grant is a ring fenced grant solely for the purposes of schools and pupil related expenditure. As such it can only be used within the Schools Budget and is not available for use elsewhere in the Council. There has been no inflation applied to the Dedicated Schools Grant in Tameside by the Department for Education/Education Funding Agency since April 2010. The funding allocated to Tameside is based on the number of pupils on the preceding Autumn Term Pupil Census.
Legal Implications: (Authorised by the Borough Solicitor)	There is a statutory duty to use resources efficiently and effectively against priorities.
Risk Management:	The correct accounting treatment of the Dedicated Schools Grant is a condition of the grant and procedures exist in budget monitoring and the closure of accounts to ensure that this is achieved. These will be subject to regular review.


ACCESS TO INFORMATION

NON-CONFIDENTIAL

This report does not contain information which warrants its consideration in the absence of the Press or members of the public.

Background Papers

The background papers relating to this report can be inspected by contacting Stephen Wilde – Head of Resource Management, Directorate of Finance by:

 Telephone: 0161 342 3726

 e-mail: stephen.wilde@tameside.gov.uk

1. BACKGROUND AND INTRODUCTION

1.1 A report on the changes to the schools funding process was initially brought to the Schools Forum in May 2012 following consultation by the Department for Education (DFE) and the Education Funding Agency (EFA) which started in March 2012. The DFE/EFA have been clear that the new funding formula will:

- Be a precursor to a national funding formula, to be administered by the EFA in the next Comprehensive Spending Review period which is still expected to be from 2015/16;
- Ensure that 'funding follows the pupil' by restricting the ability to direct funding towards school organisation or premises issues;
- Reward schools that attract pupils;
- Ensure transparency, so schools in similar positions receive similar levels of funding;
- Be simpler than the current process; and
- Maximise delegation.

1.2 In this context, and as agreed with the Heads and Chairs of Governors, the priority for the 2013/14 local funding formula was to work within the parameters established by the DfE, whilst trying to secure financial stability for local schools as they moved from one funding regime to another. This approach was continued in 2014/15 and 2015/16 where only minor changes were made to funding unit rates in Tameside.

1.3 Based on summary data released by the DFE/EFA the most notable area in relation to the Tameside funding scheme was that 96.3% of DSG was delegated to Schools in Tameside in 2014/15, which is a high level compared to other authorities nationally.

1.4 Section 2 of the report provides a summary update on DSG funding in 2016/17 and future years.

1.5 Section 3 contains a summary of the DSG allocations from the DFE/EFA and how they have been used in Tameside in 2015/16 and the estimated use in 2016/17.

1.6 Section 4 is an update on the Pre and Post 16 High Needs funding issues considered at the last Forum meeting.

1.7 Section 5 contains a summary of the proposed use of unspent DSG from previous financial years.

1.8 Section 6 contains a request to vote on the annual de-delegation of 4 central services.

2. DEDICATED SCHOOLS GRANT UPDATE 2016/17 & 2017/18 – SCHOOLS BLOCK

2.1 The Schools Block is the largest element of DSG funding which provides the majority of funding for Mainstream Schools, with additional elements potentially being allocated to Mainstream Schools through the Early Years and High Needs blocks. The DFE carried out a "Fairer Schools Funding 2015/16" consultation in relation to proposed changes to the Schools Block element of the DSG earlier this year. As a result of the responses they received to the consultation the DFE agreed to some minor changes to their original proposals, but no significant changes were made to them.

2.2 Over the last three years the DFE have consistently stated that School funding is unfairly allocated. They believe that Schools with similar characteristics in different Local Authority areas are allocated substantially different levels of funding as a result of historic funding allocations. The DFE have used data provided by each Local Authority in relation to the

unit rates used in 2013/14 in their respective local funding formulae to arrive at minimum levels of funding for each Local Authority. These Minimum Funding Levels (MFL) per pupil also include a hybrid area cost adjustment which is intended to reflect prevailing market rates.

2.3 The DFE have then taken the Local Authority specific MFL and multiplied it by the number of Schools Block eligible pupils used to calculate funding in 2014/15 (i.e. October 2013 Census data on children in the age groups from Reception to Year 11) to arrive at an estimated Local Authority level MFL for 2015/16 and compared it to the actual Schools Block funding allocated to each Local Authority in 2014/15. This analysis is summarised in the table within section 2.4 below. The 62 Local Authorities who would receive additional DSG Schools Block funding through the MFL calculation than they did through the previous calculation method were allocated a share of £350m additional funding in 2015/16 and this did not include Tameside.

2.4 **Table 1**

Tameside Indicative MFL and DSG Schools Block Allocation for 2015/16		
1	Indicative MFL Schools Block Total Allocation 2015/16 Issued by DFE Summer 2014	£144.170m
2	Indicative MFL Number of Pupils 2014/15	31,677
3	Indicative MFL Schools Block Allocation 2015/16 Per Pupil	£4,551.34
4	Actual DSG Schools Block Allocation Per Pupil 2014/15	£4,717.42
5	Estimated DSG Schools Block Total Allocation 2015/16	£149.434m
6	Estimated DSG Schools Block Total Allocation 2015/16 in Excess of	£5.264m
7	MFL	3.52%

2.5 The table in section 2.4 above shows that Tameside will not receive any additional DSG Schools Block funding in 2015/16 or 2016/17 through the MFL. The DFE have indicated that there will be no reduction in DSG funding rates for Local Authorities in 2016/17, but the use of the new MFL calculation suggests that there is potential for this position to change from 2017/18 onwards. The DFE has given no indication of whether the 2017/18 Schools Block allocation will be based on MFL rates, but if it was fully implemented by the DFE without any protection then there would be an estimated reduction of £5.264m which equates to 3.52% of the current allocation.

2.6 Due to the scale of the potential reduction in funding from 2017/18 onwards which is summarised above it is considered prudent to provide Schools/Academies with estimates of the worst case budgets that could arise from full implementation of the MFL. Therefore during March 2016 the Council will issue funding estimates for 2017/18 that are based on both the DFE's new MFL proposal and on the basis of the current local funding scheme. The DFE have given no clear indication of what level of Minimum Funding Guarantee will be provided to Schools in 2017/18 or the timescales for implementation and phasing of the MFL based allocations.

2.7 One option in relation to 2015/16 funding was to alter the local funding scheme so that the unit rates allocated were based on the MFL unit rates in table 2.4 above, which would have resulted in a large number of Schools being allocated substantial MFG balances in 2015/16. This was not the recommended proposal of the DFE or Tameside Council and was not implemented. There is no proposal to implement this change in 2016/17 either.

2.8 There is no inflation on the DSG in 2016/17 and this means that the only additional funding through DSG next year relates specifically to increased numbers of children. The DFE/EFA have indicated that they will be launching two consultations over the next few months in relation to further nationalisation of the funding formula for Schools, but they had not shared any details of this at the time of writing this report.

- 2.9 Section 3 of this report summarises the high level use of the DSG in 2015/16 and 2016/17 and a separate report to this meeting provides details of the centrally managed DSG in 2015/16. Based on this information and the lack of clarity from the DFE/EFA about their future proposals the proposal to establish a School Funding Formula Review group to consider options for formula review in 2017/18 and beyond has been put on hold until the DFE/EFA consultation details are released.
- 2.10 There is a significant increase in the projected numbers of children attending Secondary Schools over the next four years, which is expected to be anywhere between 350 and 450 children. In the Tameside 2016/17 Mainstream funding formula the average funding allocated per pupil is £4,088 in the Primary School sector and £5,225 in the Secondary School sector, meaning a difference in funding per pupil between the two sectors of £1,137.
- 2.11 Therefore if the number of children in the Primary sector were to decrease by a similar amount as the increase in the Secondary sector then the increase in funding that would have to be allocated to Schools would be approximately £113,700 for every 100 children and there would be no DSG to support this cost.
- 2.12 Alternatively if the number of children in the Primary sector remained static, but there was an increase in the Secondary sector of 100 children then the increase in funding that would have to be allocated to Schools would be approximately £51,509 for every 100 children and as in the example in 2.11 above, there would be no DSG to support this cost. (The DFE/EFA allocate £4,709.91 per Tameside child in DSG funding regardless of age so in this example the calculation is 100 multiplied by the difference between the funding rate per child of £4,709.91 and the average funding per pupil of £5,225).
- 2.13 The Gains Cap is the DFE/EFA method of funding the Minimum Funding Guarantee (MFG) for Schools. In summary the MFG is a mandatory protection applied by the DFE/EFA which protects School budgets from significant annual variations in their per pupil funding and results in £1.946m of funding being allocated to just under half the Schools in Tameside in 2016/17. The DFE/EFA does not allocate any DSG to fund the MFG and their solution to funding the cost of the MFG is to allow a cap on per pupil gains for Schools who would otherwise have gained from the changes to the funding that started in April 2013.
- 2.14 The Gains Cap has been set at 100% for 2016/17 in order to ensure that the School Funding scheme can be fully funded, which amounts to £1.538m in reduced funding affecting just under half the Schools in Tameside. The level of Gains Cap will be reviewed for 2017/18 once more information about the DFE/EFA proposals described above is available.
- 2.15 De-delegation is the terminology employed by the DFE in relation to Schools Forum representatives of Council Maintained Schools voting on whether to support mandatory charging to all other Council Maintained Schools of certain Council services. The Primary and Secondary sector vote separately in relation to each of the services. The De-delegation rates in 2016/17 are proposed to be the same for 2016/17 as in 2015/16. Members of the Primary and Secondary Maintained sectors respectively are asked to indicate for each sector whether they support the de-delegation of the services listed immediately below.
- Behaviour for Learning and Inclusion Service (BLIS)
 - Equality, Multiculturalism and Access Team (EMAT)
 - Staff Cover for Trade Union Support
 - Schools Contingency

3. DEDICATED SCHOOLS GRANT SUMMARY 2015/16 & 2016/17

3.1 The table below summarises the gross allocations of DSG to Tameside from the current financial year 2015/16 by DFE/EFA funding block.

Table 2

2015/16 DSG Allocations from DFE/EFA	£'000
Schools Block	150,892
Early Years Block	7,401
Pre 16 High Needs Block	13,263
Post 16 High Needs Block	1,469
2 Year Old Block	2,469
NQT Block	48
Early Years Pupil Premium	265
2015/16 Gross DSG Allocation Before DFE/EFA Recoupment	175,807

3.2 The table below summarises the deductions made to the gross DSG allocation in 2015/16 by the DFE/EFA in relation to Mainstream Academies and both Academy and Non Maintained Special School places. It also shows the net allocation of DSG after those deductions.

Table 3

	£'000
2015/16 Gross DSG Allocation Before DFE/EFA Recoupment	175,807
DFE/EFA Recoupment Deduction for Academy Mainstream Schools	-40,223
DFE/EFA Recoupment Deduction for Non Maintained Special School High Needs Places	-227
DFE/EFA Recoupment Deduction for Academy Special School High Needs Places	-660
2015/16 Total DFE Recoupment Deduction	-41,110
2015/16 Net DSG Allocation to Tameside	134,697

3.3 The table below summarises how the current net DSG allocation has been used in Tameside and the estimated shortfall in the 2015/16 grant compared to how it has been used.

Table 4

	£'000
2015/16 Net DSG Allocation to Tameside	134,697
2015/16 Net DSG Allocation in Tameside	
Schools Block	108,133
Early Years Block	7,677
Pre 16 High Needs Block	14,473
Post 16 High Needs Block	2,354
2 Year Old Block	3,008
NQT Block	48
Early Years Pupil Premium	265
2015/16 Total Net DSG Allocations in Tameside	135,958
2015/16 Allocations in Excess of Current 2015/16 DSG Allocation from DFE/EFA	1,261

- 3.4 The table below shows how this shortfall in 2015/16 will be funded from a combination of retrospective allocations of DSG combined with the use of previous years unspent DSG.

Table 5

2015/16 Allocations in Excess of Current 2015/16 DSG Allocation from DFE/EFA	1,261
2015/16 Excess Allocations to be funded from :	
Estimated DSG Grant Debtor	815
Estimated Shortfall in DSG Needed from DSG Carried Forward	446
	1,261

- 3.5 The table below summarises the estimated gross allocations of DSG to Tameside from the current financial year 2016/17 by DFE/EFA funding block. The only significant change in gross funding terms between 2015/16 and 2016/17 is in the Schools Block and directly relates to increased numbers of children from the Autumn Pupil Census 2015.

Table 6

2016/17 DSG Allocations from DFE/EFA	£'000
Schools Block	153,652
Early Years Block	7,401
Pre 16 High Needs Block	13,515
Post 16 High Needs Block	1,469
2 Year Old Block	2,469
NQT Block	47
Early Years Pupil Premium	265
2016/17 Gross DSG Allocation Before DFE/EFA Recoupment	178,818

- 3.6 The table below summarises the estimated deductions made to the gross DSG allocation in 2016/17 by the DFE/EFA in relation to Mainstream Academies and both Academy and Non Maintained Special School places. It also shows the estimated net allocation of DSG after those deductions.

Table 7

	£'000
2016/17 Estimated Gross DSG Allocation Before DFE/EFA Recoupment	178,818
DFE/EFA Recoupment Deduction for Academy Mainstream Schools	-39,533
DFE/EFA Recoupment Deduction for Non Maintained Special School High Needs Places	-12
DFE/EFA Recoupment Deduction for Academy Special School High Needs Places	-740
2016/17 Total DFE Recoupment Deduction	-40,285
2016/17 Net DSG Allocation to Tameside	138,533

- 3.7 The table below summarises how the estimated net DSG allocation has been used in Tameside and the estimated shortfall in the 2016/17 grant compared to how it is expected to be used.

Table 8

	£'000
2016/17 Net DSG Allocation to Tameside	138,533
2016/17 Estimated Net DSG Allocation in Tameside	
Schools Block	111,310

Early Years Block	7,578
Pre 16 High Needs Block	14,541
Post 16 High Needs Block	2,500
2 Year Old Block	3,008
NQT Block	47
Early Years Pupil Premium	265
Total 2016/17 Estimated Net DSG Allocations in Tameside	139,249
Allocations in Excess of Current 2016/17 Estimated DSG Allocation from DFE/EFA	716

3.8 The estimated shortfall in 2016/17 in 3.7 above is all expected to be funded from retrospective allocations of DSG which relate to 2, 3 and 4 year old Nursery funding.

4. DEDICATED SCHOOLS GRANT UPDATE 2015/16 & 2016/17 – HIGH NEEDS PRE 16 AND POST 16 BLOCKS

4.1 A separate report being considered at this meeting describes the projected increased costs in the Post 16 High Needs placements area of £124,143 in 2015/16, which is a reduction of £428,239 in the projection from the previous meeting's report. The difficulty in funding this area of costs is due to a combination of the volume of students accessing the provision and the DFE funding regulations making it easier for providers in this sector to dictate the cost of placements. The funding allocated to Tameside through the DSG for Post 16 High Needs students is approximately £1.469m compared to the current projected costs of £2.354m.

4.2 For this financial year and the next the volume of young people accessing this provision is considerably greater than the number of students the DFE allocated the DSG based on. The DFE funding is also allocated at lower rates than those being charged by Post 16 High Needs providers, which is a position that is replicated across the North West of England. The number of Post 16 students accessing this provision is expected to reduce marginally within 2 years.

4.3 The DFE national funding regime for Pre 16 Special Schools allocates funding via two factors. The first element is £10,000 per place available in Special Schools. The equivalent Place funding value for Pupil Referral Units was previously £8,000 per place but was increased to £10,000 per place from September 2015. In addition to this Schools are allocated Top-up funding based on the needs of the children actually attending the School. The Top-up is calculated in different ways at different Councils, but generally follows one of two themes. The first is a standard Top-up rate per School which is often used for Schools whose children tend to have very similar needs. The second method which is used in Tameside involves placing each child in a Top-up banding based on their assessed needs, which means Schools have children in different Top-up bandings.

4.4 The Finance Officers of Councils across the North West meet several times a year and often discuss and compare publically available information concerning School funding in each of our areas. One of the main areas of comparison over the past 2 years has been the cost of both Pre and Post 16 High Needs placements and the latest set of comparative data on top-up rates has triggered the start of more detailed work with Tameside Special Schools.

4.5 The work that is due to take place will include reviewing how comparable the Top-up bandings are across the North West Councils and trying to ensure that any comparisons are as accurate as possible, as there will be variations in the criteria used for each Council's Top-up bandings. The increasing numbers of children in the Pre 16 Special School sector means that there is insufficient funding to support the Pre 16 places in 2016/17. This is primarily because the amount of DSG funding allocated by the DFE per

child above Nursery age in Tameside is £4,709.91. The average total placement cost (ie Place and Top-up funding) per child in Tameside is actually closer to £21,596 so every additional child with High Needs creates considerable additional funding challenges at an average underfunded cost of £16,886 per child.

5. USE OF UNSPENT DSG FROM PREVIOUS FINANCIAL YEARS

- 5.1 Section 3 of this report summarises a shortfall in DSG for 2015/16 and references using unspent DSG from prior years which is held in a School Funding Reserve to part fund that shortfall. The majority of this prior year surplus of DSG is unspent grant relating to nursery provision for 2 year olds. The DFE initially allocated DSG funding for 2 year olds based on their target for take up and did not claw back any unspent funding from this area. This section summarises how it is proposed that this funding is used.
- 5.2 The DFE/EFA expect newly opening Schools such as the Inspire and Discovery Academies to be financially supported during their first few years of operation, due to the diseconomies involved in funding a School which only has one or two year groups of children. The Council agreed a reasonable level of costs with the Academy chain for both Schools reflected a realistic expectation of costs and factored in the estimated funding they would ordinarily receive through the funding formula. This results in Inspire Academy needing an estimated £193,859 and Discovery Academy needing an estimated £609,000. These estimated allocations will be reviewed throughout the first few years of operation to reflect actual funding amounts.
- 5.3 The Pupil Referral Service (PRS) has seen increasing numbers of permanent exclusions over the last few years. Alongside this was the establishment of a High Needs unit for children with Behavioral, Emotional and Social Difficulties which operates alongside the excluded pupil provision. When combined with a significant number of staff being on long term absences this had resulted in escalating costs through a combination of the use of agency staff and external provision for students. A new Principal was appointed in April 2015 who has carried out a substantial review of the way that the service operates and is part way through a restructure of the workforce. Unfortunately the effect of these factors on the service budget has been significant with an annual deficit of £374,075 in 2014/15 and an additional projected deficit of £324,893 in 2015/16. The process of staff reorganisation is still taking place and it is proposed that these costs are funded from the unspent DSG from prior years.

6. RECOMMENDATIONS

- 6.1 Members of the Schools Forum are requested to note the contents of the report.
- 6.2 Members of the Primary and Secondary Maintained sectors respectively are recommended to approve in principle for each sector the de-delegation of service costs in relation to the following services that were referenced in section 2.15 of this report:
- a) Behaviour for Learning and Inclusion (BLIS)
 - b) Equality, Multiculturalism and Access (EMAT)
 - c) Staff Cover for Trade Union Support
 - d) Schools Contingency