



|  |   |
|--|---|
| <b>Report To:</b>  | <b>SCHOOLS FORUM</b>  |
| <b>Date:</b>   | 17 January 2017   |
| <b>Reporting Officer:</b>  | Ian Duncan – Assistant Executive Director (Finance)<br>Bob Berry – Assistant Executive Director (Learning)  |
| <b>Subject:</b>  | <b>DEDICATED SCHOOLS GRANT NATIONAL FUNDING FORMULA CONSULTATION STAGE TWO</b>  |
| <b>Report Summary:</b>   | A report on the proposals contained with the second stage of the national funding formula for Schools consultation.   |
| <b>Recommendations:</b>  | Members of the Schools Forum are requested to note the contents of the report.  |
| <b>Links to Community Strategy:</b>  | Effectively calculated and targeted resources will improve access to a high quality education experience for all our children.  |
| <b>Policy Implications:</b>  | Expenditure in line with financial and policy framework.  |
| <b>Financial Implications:<br/>(Authorised by the Section 151 Officer)</b> | The Dedicated Schools Grant is a ring fenced grant solely for the purposes of schools and pupil related expenditure.<br><br>This report summarises the high level effects of the proposals for Tameside and the appendices contain the full consultation documents.<br><br>A query has been raised with the Department for Education about the treatment of Private Finance Initiative funding within the illustrative blocks of funding contained within the proposals for Tameside. |
| <b>Legal Implications:<br/>(Authorised by the Borough Solicitor)</b>       | There needs to be greater transparency and understanding of budget amongst schools in order to manage budgets effectively in the interest of improved performance and outcomes for pupils.  |
| <b>Risk Management:</b>  | 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.   |
| <b>Background Papers</b>   | The background papers relating to this report can be inspected by contacting Stephen Wilde – Head of Resource Management, Directorate of Finance by:<br><br> Telephone:0161 342 3726<br><br> e-mail: <a href="mailto:stephen.wilde@tameside.gov.uk">stephen.wilde@tameside.gov.uk</a>                           |

## 1. BACKGROUND AND INTRODUCTION

- 1.1 The Department for Education (DfE) carried out the first stage of a consultation during Easter 2016 in relation to arriving at a National Funding Formula to allocate the Dedicated Schools Grant. The DfE released the second stage of the consultation on 14 December 2016 and this report summarises the main proposals and how they would affect the funding of education in Tameside.
- 1.2 The grant value descriptions shown throughout the consultation documents and in this report refer to:
- The 2016/17 funding amounts as a Baseline of what each local authority area receives now;
  - The Illustrative National Funding Formula (NFF) amounts as the target figures the DfE believe that each local authority area should receive in future;
  - The Illustrative NFF funding for the First Year amounts as the estimated grant values for 2018/19.
- 1.3 The Dedicated Schools Grant (DSG) is the primary source of funding for Schools. The estimated total target funding to be allocated to Tameside at the end of the proposed changes is £172.242m. The estimated allocation of DSG funding for the first year of the National Funding Formula (NFF) of 2018/19 is £170.706m. The equivalent baseline value for the same elements of DSG funding in 2016/17 was £169.122m, which represents an estimated increase of £1.584m (0.94%) in the first year of the NFF and an increase of £3.120m (1.84%) being the ultimate target amount. The timescale for reaching the final target figure is still unclear at this stage.
- 1.4 The above figures do not include any of the Early Years funding provided through the DSG as the consultation on that element of funding was completed in September 2016. The majority of this potential increase in total funding relates to High Needs which is discussed further in Section 4. These figures are also subject to clarification of a query in relation to the top sliced Private Finance Initiative (PFI) contribution that is referenced in Section 2 below.
- 1.5 This report summarises the effect of the NFF on each block of funding within the elements of the DSG covered by this consultation. **Appendix A** contains details of the individual School level effects of the target funding and 2018/19 funding compared to the baseline funding in 2016/17.
- 1.6 The full consultation documents can be accessed via this link - <https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/> .

## 2. CENTRAL SERVICES SCHOOLS BLOCK

- 2.1 Central Services Schools Block is the terminology used by the DfE to refer to the element of the DSG that Councils are expected to access. The total value of the grant for this block of funding is £2.51m for 2018/19 under the new proposals, compared to the £2.574m baseline from 2016/17 which is a reduction of £0.064m. This funding was previously part of the Schools Block referenced in Section 3. The 2016/17 comparator figure being used as the baseline is derived from a combination of:
- £0.163m DSG funding retained in 2016/17 in relation to School Admissions and Schools Forum Support;
  - The Retained Duties element of the Education Services Grant (ESG) with a value of £0.520m in 2016/17; and

- Historical commitments against the DSG – the figure used by the DfE includes PFI top slicing in relation to mainstream (non-special) Schools in Tameside in 2016/17.

- 2.2 The DfE have indicated that the target NFF calculation of this element of funding for Tameside should be £1.079m, which is based primarily on per pupil rates and a small element of historic commitments. This is compared to the baseline for 2016/17 and the 2018/19 figures of over £2.5m referred to above. Both the baseline and 2018/19 value for Tameside appear to be distorted by the inclusion of £1.537m top sliced DSG funding in relation to PFI affordability.
- 2.3 Councils will be required to delegate any previously top sliced PFI funding to Schools via the Schools Block of funding from 2017/18 onwards. Therefore the Council anticipates the value of the Central Services Schools Block funding to reduce by approximately £1.537m after the DfE responds to the query that has been raised with them. This should result in the same amount being moved to the School Blocks to delegate to Schools, but until the DfE confirm this there is a risk about the overall value of the grant.
- 2.4 If this assumption about the PFI top slice treatment is correct then the DfE target funding value of £1.079m through the Central Services Schools Block would actually be an increase in funding of approximately £0.396m, (i.e. £1.079m less £ 0.163m less £ 0.520m (section 2.1) when compared to the 2016/17 baseline level of retention of DSG and the retained duties element of the ESG referenced in 2.1 above.
- 2.5 The DfE have previously indicated that they expect Councils to reduce their role in relation to School Improvement from September 2017 onwards. The consultation documents also state that the DfE recognise that in addition to the responsibilities that will be funded through the central school services block above, local authorities have other responsibilities in respect of education, for which they use funding from other sources. These responsibilities include the provision of home to school transport, assessing pupils with Special Education Needs (SEN), and planning for and supply of sufficient school places. They state that the funding for these additional responsibilities is not within the scope of this consultation. This feels an inadequate stance as it masks the total funding position for education and ignores the fact these other funding sources have been continuously eroded over the past seven years and will continue to do so up to, and including, 2019/20.

### 3. SCHOOLS BLOCK

- 3.1 The Schools Block of the DSG is the area of funding that is intended to fund mainstream (non-special) Schools. The element of the total DSG figure that relates to the Schools Block is £149.472m for 2018/19 under the new proposals, compared to the £148.328m baseline for 2016/17, which is an increase of £1.144m or 0.77% (these totals include the two recently opened academy schools (Inspire and Discovery), however the totals are excluded from the details presented in **Appendix A**). This is a significant change from the Minimum Funding Levels exercise that the DfE conducted in 2014/15 that was reported to Schools Forum and suggested that Tameside Schools were overfunded by approximately 3.52%.
- 3.2 As mentioned, the Council needs confirmation from the DfE that this increase does not relate to any PFI funding having already being transferred into this block, because such a transfer would not constitute additional funding.
- 3.3 On the assumption that the increase in funding in the Schools Block proves to be accurate then the 2018/19 NFF funding for Schools across Tameside results in a net increase of £ 1.174m (per **Appendix A**):

- 43 Schools across Tameside will experience an estimated total reduction in funding of £0.658m per annum between them
- 46 Schools will share an estimated increase in funding of £1.832m between them

3.4 **Appendix A** shows the individual School level implications of the proposals including the 2016/17 baseline, the eventual target funding amount and the amount in the first year of the implementation in 2018/19.

3.5 The DfE have targeted a ratio of funding in the proposed national funding formula between Primary and Secondary Schools of 1:1.29 meaning that on average Secondary Schools should receive 29% more funding per pupil than a Primary School. This matches the national average and Tameside's 2016/17 baseline equivalent ratio was 1:1.30, so this is not a significant change from the average distribution of funding already in place.

3.6 The proposal indicates that the current protection provided to Schools of not losing more than 1.5% of their pupil led funding per pupil each year will continue under the NFF. An additional protection element has been added which means that the target total school funding per school cannot reduce by more than 3% as a result of the proposals.

3.7 The DfE have recognised that PFI contract cost inflation cannot be controlled by Councils or Schools and therefore the consultation proposes that the PFI element of funding would be annually inflated with reference to RPIX (Retail Price Index excluding Housing), which is the same index used in the Tameside PFI contracts to inflate the cost of those services.

3.8 The proposed full implementation of the national funding formula will start in 2019/20 and is referred to as the hard formula by the DfE. Local authorities will still be able to agree local schemes during 2018/19 in the same manner as they do now, referred to as the soft formula. Consideration needs to be given to switching to a funding formula in 2018/19 that more closely matches the 2019/20 formula.

#### **4. HIGH NEEDS BLOCK**

4.1 The High Needs (often referred to as Special Education Needs (SEN)) element of the estimated DSG grant is £18.725m for 2018/19 under the new proposals, compared to £18.220m in the baseline year of 2016/17 which is an increase of £0.505m or 2.77%.

4.2 The total potential gain in target funding in this area of £2.959m is based on the DfE's revised assessment of needs in Tameside and should eventually result in a total of £21.179m of High Needs funding. However, the annual gains are capped at 3% per year initially and therefore it results in an increase of £0.5m in additional funding in the first year 2018/19.

4.3 The number of children and young adults accessing High Needs provision has been increasing annually for several years whereas significant elements of the DSG funding since April 2013 have been allocated based on data from 2011 and earlier years. Therefore this additional funding is essential in order to fund the cost of the increasing numbers of Pre and Post 16 High Needs placements.

#### **5. RECOMMENDATIONS**

5.1 As stated on the report cover