

Report To:	SCHOOLS FORUM
Date:	14 February 2017
Reporting Officer:	Bob Berry – Assistant Executive Director - Learning. Ian Duncan – Assistant Executive Director - Finance.
Subject:	DEDICATED SCHOOLS GRANT FUNDING FORMULA 2017/18
Report Summary:	A report on the arrangements concerning the Dedicated Schools Grant funding formula proposals for 2017/18.
Recommendations:	<p>Members of the Schools Forum are requested to note the contents of the report.</p> <p>Members of the Primary and Secondary sectors are required to vote separately on the De-delegation of funding for each of the four services described in paragraph 3.14 of the report.</p> <p>Members of the Forum are required to vote on the central retention of funding for each of the three services described in Section 5 of the report.</p>
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 Section 151 Officer)	<p>The Dedicated Schools Grant is a ring fenced grant solely for the purposes of schools and pupil related expenditure.</p> <p>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.</p>
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:



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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 continued to amend School Funding Regulations and to consult on potential changes to the funding formula over the intervening years, but some of their initial aims were:
- Ensuring that 'funding follows the pupil' by restricting the ability to direct funding towards school organisation or premises issues;
 - Rewarding schools that attract pupils;
 - Ensuring transparency, so schools in similar positions receive similar levels of funding;
 - Being simpler than the current process; and
 - Maximising 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 between 2014/15 and 2016/17 where only minor changes were made to funding unit rates in Tameside.
- 1.3 Section 2 contains a summary of the DSG allocations from the DFE/EFA and how they have been used in Tameside in 2016/17 and the estimated use in 2017/18.
- 1.4 Section 3 of the report provides details of the proposed funding formula for Mainstream Schools in Tameside in 2017/18.
- 1.5 Section 4 of the report provides details of the proposed funding formula for Pre and Post 16 High Needs.
- 1.6 Section 5 contains details of services where the Council is proposing to centrally retain funding. The services concerned are Admissions, Schools Forum Support and Retained Duties funding that has been transferred from the Education Services Grant (ESG) into the DSG for the first time in 2017/18.
- 1.7 Section 6 contains a request to vote on the issues discussed in sections 3 to 5
- the de-delegation of 4 central Council services,
 - the Council retaining funding for the Admissions and Schools Forum Support services
 - the Council retaining the funding for Retained Duties that has been transferred from the Education Services Grant (ESG) into the DSG for the first time in 2017/18
- 1.8 A separate report being considered at this meeting details the proposed funding scheme for the Early Years element of the DSG.

2. DEDICATED SCHOOLS GRANT SUMMARY 2016/17 & 2017/18

- 2.1 The table below summarises the gross allocations of DSG to Tameside from the current financial year 2016/17 by DFE/EFA funding block.

Table 1

2016/17 DSG Allocations from DFE/EFA	£'000
Schools Block	153,651
Early Years Block	7,655
Pre 16 High Needs Block	13,515
Post 16 High Needs Block	1,469
2 Year Old Block	2,831
NQT Block	47
Early Years Pupil Premium	120
Gross DSG Allocation Before DFE/EFA Recoupment	179,288

- 2.2 The table below summarises the 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 net allocation of DSG after those deductions.

Table 2

	£'000
Gross DSG Allocation Before DFE/EFA Recoupment	179,288
DFE/EFA Recoupment Deduction for Academy Mainstream Schools	-47,277
DFE/EFA Recoupment Deduction for Non Maintained Special School High Needs Places	-164
DFE/EFA Recoupment Deduction for Academy Special School High Needs Places	-660
Total DFE Recoupment Deduction	-48,101
Net DSG Allocation to Tameside	131,187

- 2.3 The table below summarises how the current net DSG allocation has been used in Tameside and the estimated surplus in the 2016/17 grant compared to how it has been used.

Table 3

	£'000
Net DSG Allocation to Tameside	131,187
2016/17 Net DSG Allocation in Tameside	
Schools Block	103,176
Early Years Block	7,621
Pre 16 High Needs Block	14,388
Post 16 High Needs Block	2,500
2 Year Old Block	3,265
NQT Block	47
Early Years Pupil Premium	120
Total Net DSG Allocations in Tameside	131,117
Unallocated Current 2016/17 DSG Allocation from DFE/EFA	-70

- 2.4 The unallocated DSG shown in Table 3 above will be carried forward to 2017/18. The Council expects to receive a further £270,000 in retrospectively allocated Early Years funding relating to 2016/17. Both of those elements of DSG grant will then be used to fund the retrospective reduction of the Gains Cap in 2016/17 from 100% to 80% as described in paragraph 3.13 further below.

- 2.5 The table below summarises the estimated gross allocations of DSG to Tameside for financial year 2017/18 by DSG funding block.

Table 4

2017/18 DSG Allocations from DFE/EFA	£'000
Schools Block	153,780
Retained Duties	545
Early Years 3 and 4 Year Olds	9,740
Extended Entitlement for 3 and 4 year olds	1,511
2 Year Old Block	3,030
Disability Access Fund	49
Early Years Pupil Premium	120
High Needs	19,035
Schools Block Retrospective Gains Cap Funding B/fwd from 2016/17	308
Gross DSG Allocation Before DFE/EFA Recoupment	188,118

- 2.6 The table below summarises the estimated deductions made to the gross DSG allocation in 2017/18 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 5

	£'000
Gross DSG Allocation Before DFE/EFA Recoupment	188,118
DFE/EFA Recoupment Deduction for Academy Mainstream Schools	-49,415
DFE/EFA Recoupment Deduction for Non Maintained Special School High Needs Places	-838
DFE/EFA Recoupment Deduction for Academy Special School High Needs Places	-660
Total DFE Recoupment Deduction	-50,913
Net DSG Allocation to Tameside	137,205

- 2.7 The table below summarises how the estimated net DSG allocation has been used in Tameside.

Table 6

	£'000
Net DSG Allocation to Tameside	137,205
Estimated Use of 2017/18 Net DSG Allocation in Tameside	
Schools Block	104,502
Retained Duties	545
Early Years 3 and 4 Year Olds	9,740
Extended Entitlement for 3 and 4 year olds	1,511
2 Year Old Block	3,030
Disability Access Fund	49
Early Years Pupil Premium	120
High Needs	17,708
Total Net DSG Allocations in Tameside	137,205

- 2.8 The Schools block element of the 2017/18 grant has increased from 2016/17 for two reasons. The first increase of £544,680 is due to the Education Services Grant (ESG) funding previously allocated directly to the Council that has been transferred into the DSG which is referenced further in paragraph 5.1. The second element of the increase in the Schools Block funding was an increase in the number of children in Tameside Schools that the funding is based upon from 32,623 to 33,357. The balance of the increase of the DSG relates to Early Years funding which is detailed further in the Early Years Funding Consultation report being considered at this meeting.

3. DEDICATED SCHOOLS GRANT 2017/18 – PROPOSED FUNDING FORMULA FOR MAINSTREAM SCHOOLS

- 3.1 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 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 which was discussed in more detail at the Forum meeting in January 2017. This section of the report provides details of the proposed funding formula for mainstream Schools in Tameside in 2017/18. The DSG Schools Block allocations for 2017/18 described in Section 2 above are based on the October 2016 pupil census unless otherwise indicated. The same calculations are carried out for both maintained and academy Schools and the DFE then deduct the total amount of funding calculated for Academies from the DSG they pay to the Council through a process termed Academy recoupment.
- 3.2 The AWPU (Age Weighted Pupil Unit) funding factor is the main source of funding for all mainstream Schools and in 2017/18 an AWPU unit allocation is made to Schools based on the number of children on roll, excluding Nursery children, Post 16 students and children in specific High Needs units. The DFE recognise that the number of children on roll in Reception classes often changes between the October and January pupil census counts. They provide Councils with historic data in relation to pupil movements for that age group and Schools receive an AWPU allocation for this number of children as well. The proposed Primary AWPU rate per pupil is £3,264 and the proposed Secondary AWPU unit rate per pupil is £4,678.
- 3.3 The measures used to allocate funding to mainstream Schools through the Deprivation factor are a combination of FSM (Free School Meals) eligibility and the DFE maintained IDACI (Income Deprivation Affecting Children Index). The DFE updated the IDACI index for allocating funding in 2016/17 and this resulted in a significant reduction in the level of deprivation being identified by the index in Tameside and many other areas nationally. The DFE have attempted to offset this reduction in 2017/18 through changes they have introduced to the IDACI measures being used. IDACI Band A is now the highest level of relative deprivation on this index and the proposed unit rates per eligible pupil for both FSM and IDACI eligibility in 2017/18 are shown in the table below :

Table 7 – Deprivation Funding Unit Rates 2017/18

Eligibility Criteria	Primary Unit Rate per Pupil – £	Secondary Unit Rate per Pupil – £
Free School Meals	352	447
IDACI Band F	0	0
IDACI Band E	104	130
IDACI Band D	156	195
IDACI Band C	260	325
IDACI Band B	312	390
IDACI Band A	364	455

- 3.4 Mainstream Schools also receive funding through the EAL (English as an Additional Language) factor for children who have been in attendance at School for at least 6 months. It is proposed that this unit rate remains unchanged for the Secondary sector at £1,426.40 per eligible child and for the Primary sector at £950.93 per eligible child.
- 3.5 The eligibility criteria for allocating LAC (Looked After Children) funding to mainstream Schools is any child who has been classed as LAC for at least one day on the SSDA903 submission to the DFE. The proposed unit rate per eligible pupil in both the Primary and Secondary sector is £832.25 which is the same rate as in 2016/17. In previous financial years Schools agreed to repay an element of their overall DSG funding to the Council to enable it to continue to contribute approximately £90,000 of DSG towards the cost of the LSCB (Local Safeguarding Children Board). Schools will be asked to continue this arrangement in 2017/18.
- 3.6 It is proposed that every mainstream School in Tameside continues to receive an annual allocation through the Lump Sum factor of £100,000 in 2017/18.
- 3.7 At present the three Schools that were constructed as part of the Hattersley PFI (Private Finance Initiative) contract receive an allocation through the PFI Affordability factor which represents a share of the original affordability gap of £400,000. This funding is automatically recovered from the Schools and is used to bridge the funding gap between the cost of the contract and the contributions made by Schools from their other DSG allocations. Work is still taking place to reassess the affordability gap across both the Hattersley and BSF PFI contracts which may result in amendments to the current PFI allocations to Schools and new allocations to other PFI Schools. The DFE confirmed in their operational guidance for 2017/18 that all PFI funding has to be initially delegated to the Schools within the contract and then recovered from them by the Council. This means that a potential further £1.919m will need to be delegated and then recovered from Schools in 2017/18.
- 3.8 Prior Attainment funding allocations are intended to target funding to support children who are not achieving at prescribed levels when they start in Reception or Year 7. The Secondary sector measure of eligibility is for any child that does not reach Level 4 in English or Mathematics. The DFE have acknowledged that changes to the Key Stage 2 assessment process nationally have resulted in more children currently in year 7 being eligible for the funding. Therefore they have applied a weighting of 48% to this measure to reduce this increased number of eligible children. Since 2014/15 children assessed under the Early Years Foundation Stage (EYFS) are deemed to be eligible for this funding in Primary Schools if they failed to achieve at least a Good level of development. No changes are proposed to the unit rate per eligible pupil in either sector which means £418 per Primary School child and £559 per Secondary School child.

- 3.9 All Schools will receive an allocation of DSG funding through the Business Rates factor which is equivalent to the value of the Business Rates charge for 2017/18.
- 3.10 It is proposed that the existing policy of Primary Schools who are being asked by the Council to admit additional classes of children from September 2017 will be allocated a Growth allocation. The value of the allocation has been updated from £37,975 to £40,578 for 2017/18. This figure is based on the elements:
- The salary costs including oncosts of a Teacher on point 1 of the UPS grade for 7 months;
 - The salary costs including oncosts of a Level 3 Teaching Assistant for 7 months; and
 - £2,000 for resources.
- 3.11 It is also proposed that the specific Growth allocation criteria and funding amounts outlined below are added to the local formula.
- Schools that have been rebuilt within the last 7 years which have taken over 30 additional pupils in year groups other than the Reception bulge classes they initially formally agreed to. This would only apply to Schools that agreed the additional intake with the Council in advance. This would not apply where Schools have chosen to admit those children without agreement with the Council. The rationale for this is that the Schools concerned are helping to address an area wide demand for places coordinated through the Council. The value of this growth allocation for 2017/18 is proposed to be £66,134 which is intended to cover the same staffing costs as detailed in 3.12 above, but for a full year.
 - Schools that agreed to take a one year only Bulge class of 30 children within the last 7 years, where the Bulge class concerned has less than 20 children on roll. This would only apply to Schools that agreed to take the bulge class with the Council in advance and where there is only one Bulge class in the School meaning it was not possible to combine classes across year groups. This would not apply where Schools have chosen to admit additional children without agreement with the Council. The rationale for this is that the Schools concerned are helping to address an area wide demand for places coordinated through the Council. The value of this for 2017/18 is proposed to be £32,640 which is intended to replace the AWPU funding for 10 children.
- 3.12 The DSG grant conditions dictate that mainstream Schools should receive MFG (Minimum Funding Guarantee) funding protection which prevents them losing more than 1.5% of their equivalent per pupil level funding from the previous financial year. The pupil led funding per pupil amount used to calculate this is the total Schools Block funding less the elements that are not pupil led which are Business Rates and the Lump Sum. (These are the elements that are not directly linked to the number of children at the School).
- 3.13 The DFE do not allocate funding to pay for the cost of the MFG protection described in 3.12 above. The DFE expect Councils to use a Gains Cap to fund the cost of the MFG. The Gains Cap is based on limiting the gain in pupil led funding per pupil that a School receives and the Council has a duty to set a balanced DSG budget. For 2017/18 this means the proposed Gains Cap is that 80% of the pupil led funding per pupil amount being gained from the formula calculations described above in Section 3 of this report are capped. The equivalent cap for 2016/17 was initially set at 100% which the Council attempted to reduce to 80% in March 2016. The DFE advice was that a disapplication of school funding regulations request would need to be submitted to the Secretary of State to enable the funding linked to this reduced cap to be allocated to the Schools affected. This request was approved in January 2017 and therefore 55 Schools will receive a share of the £307,000 concerned.

- 3.14 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 2017/18 are shown below. 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

Table 8 – De-delegation Per Pupil Rates

Service	Rate per Pupil - All Pupils	Rate per Pupil - EAL for 2 Years Pupils
Behaviour for Learning & Inclusion Service (BLIS)	27.70	
Contingency	5.81	
Equality, Multiculturalism & Access Team (EMAT)		198.23
Trade Union Support	7.16	

4. DEDICATED SCHOOLS GRANT UPDATE 2016/17 & 2017/18 – HIGH NEEDS PRE 16 AND POST 16 BLOCKS

- 4.1 The DFE prescribed basic funding formula for the High Needs area including Primary and Secondary Special Schools consists of two main elements:
- An allocation of £10,000 per Pre 16 place for Special Schools and Mainstream School Resourced Units (This funding is allocated even if all places are not full); and
 - A top-up rate based on the category of School or on the category of needs of individual children in attendance at the School. The School then receives a Top-up allocation for each child in attendance at the School.
- 4.2 The Council's SEN (Special Educational Needs) Assessment, Review and Monitoring team initially carried out a detailed exercise in conjunction with Special School Head Teachers to allocate individual children at Special Schools into categories of need which was used to inform the Top-up rate element of the funding described above. **Appendix A** contains a summary of the proposed Top-up categories that will be used in Tameside. Top-up funding is time adjusted and not annually allocated and therefore if a child only attends a School until the end of the Summer Term, then funding will only be allocated for 5/12ths of the top-up rate. For the Autumn Term the apportionment is 4/12ths and for the Spring Term it is 3/12ths. It is proposed that these adjustments are made on a termly basis, rather than on an annual, monthly or weekly basis.
- 4.3 As recommended by the DFE and agreed at Schools Forum on 20 November 2012 all Mainstream Schools are required to meet the first £6,000 of the additional costs associated with educating children with High Needs from their main DSG revenue budget. The DFE refers to this as Notional SEN funding, but it is important to note that it is not additional funding being allocated to Schools. The funding intended to support these SEN costs is from the main School funding formula allocation described in Section 3 above. School funding statements show a value for Total Notional SEN for each School which is based on

the full Prior Attainment funding allocation and a small percentage of the AWPUP (Age Weighted Pupil Unit) funding allocation. This Total Notional SEN funding value does not have to be used for SEN purposes and equally it is not the only funding that Schools are expected to use to fund the first £6,000 of the additional costs associated with educating children with High Needs.

- 4.4 The level of costs expected to be incurred by a Mainstream School in relation to a child with an SEN statement will be confirmed by the Council's Assessment, Review and Monitoring team. This estimate of costs is based on any formal assessments maintained by the Assessment, Review and Monitoring team and also on the Provision Map information which is supplied by the School for every child with High Needs. Each child is then allocated to one of the funding bands shown in the table in **Appendix B**, with the School meeting the first £6,000 of the assessed costs directly as described above. Any costs above £6,000 will result in the child being allocated to a funding band that attracts additional funding.
- 4.5 The DFE national funding regime for Pre 16 Special Schools allocates funding via two factors. As described above the first element is £10,000 per place available in Special Schools and Schools are also allocated Top-up funding based on the needs of the children actually attending the School. The Top-up funding 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 individually assessed needs, which means Schools have children in different Top-up bandings. An unfortunate consequence of the Special School funding system nationally is that the Schools concerned have a lack of clarity over how much Top-up funding they will receive each year.
- 4.6 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 few years has been the cost of both Pre and Post 16 High Needs placements. This comparative data triggered the start of more detailed work with Tameside Special Schools, which was subsequently deferred when DFE announced the first stage of their consultation on High Needs funding reforms in Spring 2016. The DFE have recently announced the second stage of that consultation which indicates that the local funding formula for High Needs will continue to be managed locally.
- 4.7 The formula review work that was due to commence last year included assessing how comparable the Top-up bandings are across the North West Councils. This will involve trying to ensure that any comparisons are as accurate as possible, as there are variations in the criteria used for each Council's Top-up bandings.

5. COUNCIL RETENTION OF FUNDING FOR CENTRAL SERVICES

- 5.1 Funding that was allocated through the Retained Duties element of the Education Services Grant (ESG) in 2016/17 and previous years have been transferred into the DSG from 2017/18 onwards as part of the DFE reforms. The retained duties concerned are defined by the DFE as Education Welfare services, Asset Management and Statutory/Regulatory duties. The Council is requesting that Schools Forum agrees to de-delegate this funding of £544,680 in 2017/18 to enable the Council to continue to provide those support services.
- 5.2 The DSG operational guidance for 2017/18 requires the Council to formally request Schools Forum support for the central retention of DSG to support the School Admissions and Schools Forum Support services. Therefore the Council is requesting that Schools Forum supports the continued central retention of
- £158,000 of DSG to support the School Admissions service
 - £5,000 of DSG to support the costs of the Schools Forum

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 for each sector the de-delegation of service costs in relation to the following services that were referenced in section 3.14 of this report :
 - a) Behaviour for Learning and Inclusion Service (BLIS)
 - b) Equality, Multiculturalism and Access Team (EMAT)
 - c) Staff Cover for Trade Union Support
 - d) Schools Contingency
- 6.3 Members of the Forum are recommended to approve in principle
 - a) The retention of £544,680 of DSG in 2017/18 by the Council in relation to former ESG funded Retained Duties
 - b) The retention of £158,000 of DSG in 2017/18 to support the cost of the Admissions service
 - c) The retention of £5,000 of DSG in 2017/18 to support the cost of the Schools Forum