

TITLE: SCHOOLS AND THE DEDICATED SCHOOLS GRANT 2016/17

TO: OVERVIEW & SCRUTINY COMMITTEE

BY: HEAD OF STRATEGIC BUSINESS & FINANCE

DATE: 7TH SEPTEMBER 2017

At the 4th July meeting when considering the 2016/17 Revenue Out-turn, there were a couple of questions raised regarding school funding.

1. Councillor Wright referred to the academisation of schools and whether more schools becoming academies would affect schools' funding. What impact this would have in relation to Council finances.
 - 1.1 The local schools funding formula is determined each year by Financial Services in consultation with the Schools Forum and approved by the Council at the annual Budget Setting meeting. The local formula is the basis on how each school and each academy within the local authority area is funded.
 - 1.2 These funds are provided by the national taxpayer through the ring-fenced Dedicated Schools Grant which is currently determined for each local authority by the Department for Education (DfE).
 - 1.3 Those schools that convert to an academy, the DfE will provide additional resources from their coffers to compensate the converters for what the local authority used to provide for schools generally 'free-of-charge', for example VAT compliance and returns, closure of accounts and audit fees.
 - 1.4 Also the local authority achieves efficiencies through economies of scale, for example insurance premiums, which individual academies are not able to benefit from. The DfE provide additional funding and are developing schemes to assist academies with these additional costs.
 - 1.5 Although local authorities are seeing reductions in their external funding for some education services, these are subject to change in the national funding arrangements being proposed by the DfE. Although there are indications what these proposals might mean for local authorities like Bury, the details won't be known for a few weeks.
 - 1.6 Local authorities are able to trade with academies and a number of services, e.g. payroll, are already working with academies within Bury and also to a number of academies outside of the Bury area.

2. Councillor James referred to schools' overspending and the requirement for them to repay the deficit to the DSG Control Account. Councillor James asked how schools would be able to repay this if they didn't have the funds available?
- 2.1 Almost 90% of Bury schools have surplus funds and the others have action plans to bring them into a balance budget position by 2018/19. This could fluctuate depending upon the impact of the proposed national funding formula that the DfE have indicated should begin in 2018/19 with full implementation by 2019/20, especially when compared to the projected cost increases schools are facing.
- 2.2 High Needs should be implemented by the end of the current Parliament in 2022, but the complexities of each pupil and student may require further transitional arrangements. Bury is one of only three local authorities in England to be working with the DfE to develop the detailed aspects of High Needs funding.
- 2.3 The DSG Control Account is the mechanism whereby the local authority receives the external funding from the DfE to distribute to its schools, early years providers (private, voluntary and independents as well as schools with nursery provision) and those SEND pupils and LLDD students aged up to 25.
- 2.4 DSG Funding for each academy, based on the local schools funding formula, is deducted from the LA's schools' DSG and distributed to each academy by the Education and Skills Funding Agency (ESFA).
- 2.5 NB all DSG funding for early years and high needs is distributed to each LA, again formula based, for the LA to distribute these monies to each school and academy as well as each early years provider.
- 2.6 Out of the total funding from the High Needs block of the DSG, the local authority commissions provision for SEND pupils and LLDD students.
- 2.7 In previous years the level of schools' balances was greater than the level of overspending within the DSG Control Account as the table below shows:

Year	DSG Control A/c Central Spend	School Balances – net surplus	Overall Level of Balances
	£000's	£000's	£000's
2012/13	664	(6,852)	(6,188)
2013/14	2,554	(6,662)	(4,108)
2014/15	3,731	(6,724)	(2,993)
2015/16	6,028	(6,786)	(758)
2016/17	6,818	(4,955)	1,863

Figures in brackets indicate surplus balances.

- 2.8 The large increases since 2013/14 were as a consequence of the transfer of responsibilities for post-16 students with Learning Difficulties and Disabilities attending FE colleges.
- 2.9 The level of funding made available by the Education and Skills Funding Agency's predecessors was insufficient to meet the demand pressures of these students and coupled with the in-house provision in Bury is not able to meet the significant increase in demand means that there are more pupils with SEN attending much more expensive independent special schools.
- 2.10 This situation is exacerbated by the number of pupil exclusions and these pupils having to be educated in much more expensive provision than in Bury schools.
- 2.11 Consequently the impact of the financial deficit within the DSG Control Account is almost wholly within the High Needs block of the DSG.
- 2.12 It is difficult to implement an in-year change as school budgets have already been determined and cannot be changed during the current financial year. Another complication is that from 2018/19 the DfE will ring-fence the schools block of the DSG and will limit the amount that can be transferred out of the schools block to other areas of the DSG. This will be a maximum of ½% of the schools block and will require the approval of the Schools Forum.
- 2.13 As part of the requirements of the proposed national funding formula for each aspect of the DSG, each local authority had to undertake a 'baseline exercise' of its spending within the DSG split between the main blocks.
- 2.14 Although fully compliant with the DfE's specified criteria, we in Financial Services managed to show that spending by Bury schools was lower than in previous years, while spending on High Needs provision was much higher.
- 2.15 This strategy will benefit Bury schools as the DfE's main intention is to raise the amount of funding to schools and academies through the national funding formula for schools, especially in those areas that are below the national averages.
- 2.16 The DfE are providing additional funding by 2019/20 for schools amounting to £1.3 billion throughout England. The main areas to be increased are –
- an additional ½% per pupil in every school and academy in 2018/19
 - at least £4,800 per Secondary pupil by 2019/20
 - increases to the Deprivation factor within the schools formula
 - increases to the Low Prior Attainment factor within the schools formula
 - increases to the English as an Additional Language factor within the schools formula

- 2.17 The High Needs block will also be distributed through a formula mechanism based on proxy indicators and a funding floor that protects the amount of spending on these vulnerable pupils and students so that no local authority will lose funding following the introduction of the national funding formula. By demonstrating that Bury spends at a high level we have managed to potentially gain additional funding for schools and high needs.
- 2.18 Although this should address future funding levels, it is unlikely that this approach will pay off the accumulated deficit within the DSG Control Account.
- 2.19 As part of the national funding arrangements, the DfE expect schools and academies to contribute the first £6,000 of the additional cost of their High Needs pre-16 pupils. The local authority provides the remaining "SEN top-up" cost of the Statement/EHC plan from the High Needs budget.
- 2.20 Currently Bury takes into account how much a school receives through the Low Prior Attainment factor of the local schools funding formula to determine how much a school or academy will receive in "top-up" funding.
- 2.21 When the National Funding Formula begins in 2018/19, there will be additional amounts provided through the Low Prior Attainment factor which will impact on the amount of "SEN top-up" currently received by each school and academy.
- 2.22 The level of "SEN top-up" will be re-determined otherwise some schools will receive double funding for their SEND pupils. This will mean that the contribution from the High Needs block will be lower and these monies will be used to reduce the deficit within the DSG Control Account.
- 2.23 Schools and academies will not need to contribute towards the deficit within the control account, but will have to appreciate that some of the growth in the funding from the schools block of the DSG will be limited.
- 2.24 During the National Funding Formula consultation in March 2017, we explained at the seminars that all Bury schools were invited that this was the approach we are proposing to take.
- 2.25 The DfE are indicating that they will publish during the next few weeks each school and academy's indicative 2018/19 budget as determined through their proposed component factors of the schools NFF.
- 2.26 Once these are available we will arrange a number of seminars to take schools in Bury through the DfE's proposals and we will also re-iterate the problems of the DSG Control Account and the proposed solution to the deficit.