

CABINET

15 November 2016

Title: Dedicated Schools Budget and School Funding Formula 2017-18	
Open Report	For Decision
Wards Affected: All	Key Decision: No
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Accountable Director: Jane Hargreaves, Commissioning Director for Education	
Accountable Strategic Director: Anne Bristow, Strategic Director of Service Development and Integration	
Summary <p>This report provides an update on the national Education Funding reforms and their likely impact on Barking and Dagenham. The Department for Education (DfE) has carried out consultations on all three elements of the current Dedicated Schools Grant (DSG). However it has been announced that there will be no major changes to the Schools Block or the High Needs Block in 2017/18 and there will be further consultation on these blocks.</p> <p>Changes are expected to take place to the Early Years block in 2017/18 although as the consultation has only recently concluded the full details are not yet confirmed.</p> <p>This report also sets out the Dedicated Schools Budget (DSB) strategy for 2017/18 and the principles that we plan to use for the Local Funding Formula for Schools as discussed with Schools Forum.</p> <p>The report also considers the implications for the Council of the funding changes and the risks and opportunities that arise as a result.</p>	
Recommendation(s) <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none">(i) Note the latest position on the national Education Funding Reform and the likely implications for Barking and Dagenham;(ii) Agree, in principle, the proposed model for allocating school funding in 2017/18 as set out in section 3 and Appendix A of the report; and(iii) Delegate authority to the Strategic Director of Service Development and Integration, in consultation with the Schools Forum and the Cabinet Member for Educational Attainment and School Improvement, to approve the final 2017/18 school funding formula submission to the Education Funding Agency.	

Reason(s)

The Dedicated Schools Budget is part of the Council's overall budget and Local Authorities are required to develop and maintain a Local Funding Formula to distribute funding to schools.

1. Introduction and Background

- 1.1 Education funding is provided by the Department of Education in the form of a specific ringfenced grant known as the Dedicated Schools Grant. This grant has sub components or "blocks" which are allocated to fund different aspects of the Education system. Currently Local Authorities have the ability to move money between the blocks with the agreement of their Schools Forum. The DSG baseline for Barking and Dagenham for 2017/18 is as follows:

Table 1: DSG 17/18 Baselines

	£000s
Schools/Central Block	200,644
High Needs Block	27,075
Early Years Block	11,208
	238,926

2. National Schools Funding Formula

- 2.1 For a number of years the Government has been clear that it intends to introduce a national funding formula that will be used to distribute funding to all schools on a consistent basis. The Department for Education took a further step in the process this year by carrying out a consultation in the spring of 2016 on a National Schools Funding Formula. This was designed to be the first stage of a two-stage consultation and concerned the principles and structure of the proposed formula. It did not include any proposals for the values or weightings for the various factors and so did not provide concrete information about the likely impact of the new formula.
- 2.2 The main issues of concern for Barking and Dagenham are as follows:
- It is expected that London overall will lose funding to some extent. It is not yet possible to predict what the impact will be until the DfE announces the likely values and weightings but under some predictive models it may be as much as 8% to 10% overall. However this will be mitigated by use of the minimum funding guarantee as a smoothing device. This limits the reduction per pupil to 1.5% in any one year.
 - There will be a loss of local flexibility to reflect particular issues and circumstances and the role of the Schools Forum in future is not clear.
 - As part of this loss of flexibility, Councils will lose the ability to move money between the different funding blocks with the agreement of their Schools' Forum. This removes a mechanism that many Councils use to realign funding in line with their priorities or to resolve pressures in the High Needs or Early Years blocks.

- Arrangements for funding growth and short term support for Schools in Financial Difficulties are not clear.

- 2.3 At the same time, there was a parallel consultation on funding for the High Needs Block which is the source of funding for Special Schools and Units, Alternative Provision and additional support for pupils with high level of Special Educational Needs. Again, this proposed moving to a formula based funding arrangement although funding would still be allocated at the Local Authority level rather than to individual schools.
- 2.4 The High Needs Block in Barking and Dagenham has been under pressure in recent years as funding has not kept pace with the rise in numbers of children with additional needs or the complexity of those needs. It is not yet clear whether a move to a formula based approach would benefit or disadvantage the borough as not enough information was provided to model this. However, this remains a high-risk area for the Council.
- 2.5 Along with most Councils and many schools and others, Barking and Dagenham responded to the consultation putting these points. Following the close of the first stage consultation, in July the Secretary of State for Education announced that the second stage consultation would be delayed slightly and the introduction of the new formula would not begin until 2018/19.
- 2.6 Officers will work with the Cabinet Member for Educational Attainment and School Improvement and the Schools Forum to respond to any further consultations.

3. Schools Block 2017/18 and Local Funding Formula

- 3.1 In July, the Department of Education published the DSG baseline figures that would be updated using the October census figures and any other adjustments to form the basis of the 2017/18 DSG. The baseline is in line with our expectations. The Government also confirmed that no Local Authority would see a reduction from the baseline in Schools Block funding on a per pupil basis or High Needs block funding on a cash basis.
- 3.2 Given the delay in implementation of the National Formula it remains for the local authority, working with its schools forum, to decide how best to design its local formula to meet local circumstances. Local authorities will have the same freedom to set local formulae for their schools in 2017-18 as they did in 2016-17.
- 3.3 However, given the uncertainty about future funding and the financial pressures faced by schools at present it is felt locally that stability of funding should be maintained. It is therefore proposed to maintain the Barking and Dagenham funding factors at 2016/17 levels (as set out in Appendix A). This will be subject to the affordability of the Schools Block model within the overall DSG allocation once that is announced. However, the intention will be to keep the factors as close 2016/17 as possible while also maintaining the Primary/Secondary ratio of 1:1.30. This principle was discussed by Schools Forum at their meeting on 4 October 2016 and was agreed.

3.4 The Forum also agreed the following changes to dedelegation:

- a reduction in the Schools contingency from £0.2m to £0.15m and
- ending the dedelegation of £0.25m funding to support Schools Facing Financial Difficulties. In future this fund should be self-financing from the repayment of monies advanced in previous years. This will be monitored by the Council in consultation with the Forum.

3.5 The remaining dedelegations will be reviewed by the Forum in November which will also consider the level of provision that should be set aside to fund growth.

3.6 Cabinet is asked to approve these principles and the factors set out in Appendix A.

3.7 Following publication of the DSG allocations and the census data the Finance team will update the model and discuss with the Schools Forum. It is proposed that approval of the final model be delegated to the Strategic Director for Service Development and Integration in consultation with the Cabinet Member for Educational Attainment and School Improvement.

4. High Needs Block 2017/18

4.1 The High Needs Block has been under significant pressure in recent years but an action plan is in place to increase support for children in borough maintained schools where possible and reduce expenditure on expensive out of borough settings. In 2016/17 additional funding of £3.2m was drawn down from the DSG reserve to invest in the SEND strategy and a further £1.5m was drawn down to support the High Needs block during this transitional period. This level of funding will not be available in 2017/18 and a High Needs working group has been set up to identify further measures to ensure that costs are contained within the funding available in future.

5 Central Block 2017/18

5.1 The one element of the funding changes that will be introduced from 2017/18 is the creation of a central block. The residual Education Services Grant (ESG) that will remain with the Council will be transferred into this block along with other services funded from centrally retained DSG. The Department of Education has guaranteed that the funding within the block will be available to each local area at current levels but that they will be reviewing its use. It is thought that that in future years there may be a limit imposed on the level of central costs or restrictions about what they can be used for. This may present a risk to services currently funded from this block.

Table 2: Services currently funded from Central DSG

Description	2016/17 Budget	2017/18 Budget (Proposed)
Admissions	£536,800	£536,800
Service of Schools Forum	£60,000	£60,000
School Improvement	£113,800	£113,800
Schools Estates	£150,000	£150,000

School Games Organiser funding	£50,000	£50,000
Trewern Outdoor Education Centre	£209,000	£209,000
Community Music Service	£310,000	£310,000
Advisory Teachers	£330,000	£330,000
Licences / Subscriptions	£148,600	£154,100
TOTAL	£1,908,200	£1,913,700

- 5.2 Council officers are currently considering the options for securing the future of the services funded through Centrally Retained DSG as there is thought to be a high risk that this may be restricted in future. A report on options for School Improvement Services is being presented to Cabinet at this meeting that reflects some of this thinking.
- 5.3 The impact on the Music Service is of particular concern as the DSG funding represents around one third of the total budget for the service. Currently unlike in many Council areas no charges are made for instrumental or vocal tuition that takes place in schools or for the ensemble activities that take place at the Music Centre. An annual charge of £25 for instrument loan is made to pupils who choose to continue following the free Whole Class Ensemble Tuition (WCET) year which is supported by the ACE grant.
- 5.4 Options need to be explored to address the impact on the Community Music Service income from 2017/18 onwards if this funding can no longer be awarded. This may include changes to service provision or introduction of some additional charges. However this needs to be done with care in order not to have an adverse impact on poorer families or other vulnerable or protected groups. Further reports will be brought to Cabinet on this once more is known about the new regulations for DSG funding.
- 6. Early Years Block – Two Year Olds and Three/Four Year Olds.**
- 6.1 In August the Department for Education began a consultation on an Early Years National Funding Formula. The consultation set out proposals to introduce an early years national funding formula which will allocate funding for both the existing universal 15 hour entitlement for all three and four year old children and the new 30 hour entitlement for working parents, on a formulaic basis. This is due to begin in April 2017 for the existing 15 hours and in September for the additional 15 hours when this policy is implemented nationally.
- 6.2 This consultation included proposals about values and weightings of the various factors and an illustration of the impact for different areas. If the proposals are implemented as set out Barking and Dagenham will gain around 19.8% increase in funding per child.

7. Financial Implications

Implications completed by: Katherine Heffernan, Group Manager Service Finance

- 7.1 The Dedicated Schools Grant is a ringfenced grant provided by the Department of Education. The anticipated allocation for 2017/18 will be confirmed once October 2016 pupil census data is finalised but is expected to be at least £238m.

8. Legal Implications

Implications completed by: Chris Pickering, Senior Lawyer

- 8.1 The Forum is a decision making and consultative body in relation to matters concerning schools' budgets as defined in the School Finance (England) Regulations 2012 and the Schools Forums (England) Regulations 2012 (the Regulations).
- 8.2 In accordance with the Regulations, the Local Authority must submit to Schools Forum for consultation the Budget formula, for comments on any proposed changes to the funding formula for maintained schools (before the funding period starts) (Regulations 8 & 9).
- 8.3 This report asks that Cabinet notes the outcome of the consultation and approves, in principle, the Funding Model that was proposed by the Council and agreed by the Forum. It further asks that Cabinet agrees to delegate the final decision of school funding allocations for 2017/18 to the Strategic Director of Service Development and Integration following appropriate consultation.

9. Other Implications

- 9.1 **Risk Management** – There are several risks in relation to the national funding reform proposals. The first risk is that Barking and Dagenham loses funding as a whole; secondly the national formula may differ from our local formula resulting in large changes in distribution of funding between schools.

There are also significant risks if the funding formula for High Needs does not reflect the true level of need within the borough and the pressure on the block worsens.

The Minimum Funding guarantee that limits any reduction in funding to -1.5% per pupil offers some mitigation as it provides a smoothing mechanism preventing sudden funding changes. In addition the Council operates a fund for Schools Facing Financial Difficulties.

The Council will continue to work with Schools and others to ensure there are high standards of financial management and control to meet these funding challenges.

- 9.2 **Staffing Issues** – The MFG should mean that consequent reductions in staff can be managed by schools in a phased way. Many schools continue to see growth in pupil numbers. In most cases schools should be able to manage through the usual staff turnover processes.

- 9.3 **Customer Impact** – Schools will continue to take steps to minimise any adverse impact on outcomes for children.
- 9.4 **Safeguarding Children** – Increases in the pupil premium provide targeted support for looked after children and those entitled to free school meals.
- 9.5 **Health Issues** – The health and well being board and Joint Strategic Needs Assessment (JSNA) highlight the importance of investing in early intervention to support children’s long term well being. The evidence and analysis set out in Fair Society, Healthy Lives (Marmot Review) has been developed and strengthened by the report of the Independent Review on Poverty and Life Chances. The reports draw attention to the impact of family background, parental education, good parenting, primary education and the opportunities for learning and development in the crucial first five years of life, and identified what matters most in preventing poor children becoming poor adults.

Public Background Papers used in the preparation of the report: None

List of Appendices:

- **Appendix A** - Schools Funding Formula Factors