

ROYAL BOROUGH OF WINDSOR & MAIDENHEAD SCHOOLS FORUM

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| Date: | 11 Oct 2016 | | |
| Title: | 2016-17 Finalised DSG Settlement and guaranteed 2017-18 DSG funding | | |
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1 SUMMARY

- 1.1 This paper summarises changes in RBWM's 2016-17 Dedicated Schools Grant (DSG) allocation as a result of the finalised settlement announced by the Education Funding Agency (EFA) in July 2016; the impact on planned expenditure in 2016-17, and on the distribution of funding between the Early Years, Schools, and High Needs blocks. The final section of the paper summarises the changes to school funding arrangements for 2017-18 and RBWM's indicative 2017-18 DSG allocation.

2 RECOMMENDATIONS

- 2.1 Schools Forum is asked to note seven key points:
- The funding available to support planned expenditure in the schools budget in 2016-17 has increased by £123k compared with the December 2016 DSG settlement. This is mainly due to an increase in the number of early years pupils.
 - £117k of the increase will be added to early years budget in 2016-17 including £6k to the high needs block.
 - The EFA's proposals for the implementation of a 'soft' national funding formula have been postponed to 2018-19. Further consultation will be held in the autumn.
 - The EFA have guaranteed that RBWM's schools block funding in 2017-18 will not be lower than the adjusted 2016- 2017 baseline per pupil (£4,421.73 per pupil), and the high needs block will be at least the same adjusted cash amount as in 2016-17 (£17.672m).
 - The deadline for submission of RBWM's 2017-18 funding formula to the EFA is 20 January 2017, but there is no longer a requirement to submit a draft formula in October.
 - Any changes to the number of high needs places at individual institutions RBWM want to commission for 2017-18 will need to be funded from its total High Needs allocation of £17.672m.
 - The Education Services Grant general funding to the local authority is falling from £77 per pupil to zero from September 2017.
- 2.2 Schools Forum is asked to comment on and give an in principle agreement to:
- Leave the 2017-18 local school funding formula unchanged from 2016-17 in light of the turbulence expected in 2018-19 when the national funding formula will be implemented (para 5.3).
 - Use the 2017-18 basic per pupil entitlement rates across all key stages to balance the schools budget if pupil numbers turn out differently from the estimate (para 5.4).
 - Retain maintained schools DSG funding in 2017-18 at the rate of £11 per pupil and to seek voluntary contributions from Academy schools at a similar level, to part fund school improvement / governor services currently funded by the general funding element of the Education Services Grant (para 5.10 to 5.14).
- 2.3 Schools Forum is asked to approve:
- The retention of £315k in 2017-18 for the statutory services set out in paragraph 5.9 previously funded by the retained duties element of the Education Services Grant.

3 2016-17 FUNDING CHANGES AND IMPACT ON EXPENDITURE

3.1 In July 2016, the EFA published RBWM's finalised 2016-17 DSG allocation, £104.965m¹, an increase of £123k on the DSG settlement announced in December 2015 which was reported to Schools Forum in March 2016, see table 1.

3.2 The increase is mainly due to an increase of 31 FTE three and four year olds compared with Jan 2015 as shown in table 1. Indicative early years block allocations for 2016-17 are initially based on January 2015 pupil numbers. They are revised in summer 2016 for pupils on the January 2016 Early Years census². The 2016-17 Schools Budget agreed by Schools Forum in March 2016 was based on the January 2015 EY numbers. This revised allocation now takes account of the January 2016 two, three and four year old pupil numbers.

3.3 2016-17 schools block funding, based on the October 2015 pupil census, is the same as previously reported, and the per pupil funding rates used to determine RBWM's 2016-17 revised DSG allocation have not changed.

| | Per FTE |
|-------------------------------------|-----------|
| Two year olds | £5,215.50 |
| Three and four year olds | £4,247.85 |
| Early Years pupil premium (per PTE) | £301.64 |
| Pre 16 (Years R to 11) | £4,468.08 |

| Table 1 Change in 2016-17 DSG funding | Provisional DSG (Dec 2015) | | Revised DSG (Jul 2016) | | Change £000 |
|---------------------------------------|----------------------------|-----------------|------------------------|-----------------|----------------|
| | FTEs | £000 | FTEs | £000 | |
| Schools Block | 18,403 | £82,258 | 18,403 | £82,258 | £0 |
| Two year olds (FTEs) ³ | 100 | £519 | 96 | £501 | (£18) |
| Three & four years olds | 1,579 | £6,707 | 1,610 | £6,839 | + £132 |
| Early years pupil premium (PTE) | 120 | £36 | 132 | £40 | + £3 |
| Early years Block total | | £7,263 | | £7,380 | + £117 |
| High Needs | | £15,993 | | £15,993 | £0 |
| EFA directly funded places | Not pupil led | (£672) | Not pupil led | (£666) | + £6 |
| High Needs Block total | | £15,321 | | £15,327 | £6 |
| Total 2016-17 DSG | | £104,842 | | £104,965 | + £123 |

3.4 In March 2016, Schools Forum agreed an expenditure budget of £104.842m for 2016-17 which allocated £1.199m of schools block funding and £0.025m of early years funding to high needs budgets, see table 2.

| Table 2 Allocation of provisional 2016-17 DSG | Total £000 | Early Years £000 | High Needs £000 | Schools £000 |
|---|----------------|------------------------|-----------------------|-----------------|
| Planned expenditure ⁴ (March 2016) | 104,842 | 7,238 | 16,545 | 81,059 |
| Block funding allocations (from table 1) | 104,842 | 7,263 | 15,321 | 82,258 |
| Difference between expenditure and funding | 0 | (25) | 1,224 | (1,199) |

3.5 As the additional grant received in 2016-17 is mainly due to an increase in early years pupils, £117k of the additional £123k funding will be allocated to early years budgets, and

¹ The £104.965m is after deduction of high needs places directly funded by the EFA (£0.666m) but before recoupment for academies (£43.348m). Academy recoupment will change during the year as more schools convert.

² Final 2016-17 allocations will be revised again after the end of the financial year in June 2017, based on 5/12ths of the Jan 2016 census and 7/12ths of the Jan 2017 census.

³ For early years pupils, 1 PTE is equivalent to 0.6 FTEs. So in the table above 100 FTE 2 year olds is the same as 167 PTEs, 96 FTEs the same as 162 PTEs.

⁴ The table excludes post 16 grant of £8.694m allocated to the SB, and £0.243m allocated to the HNB.

£6k to high needs. As a result, planned expenditure on early years will increase from £7.238m to £7.355m and on high needs from £16.545m to £16.551m, see table 3.

| Table 3 Allocation of revised 2016-17 DSG | Total £000 | Early Years £000 | High Needs £000 | Schools £000 |
|--|-----------------------|---------------------------------|--------------------------------|-------------------------|
| Planned expenditure (table 2) | 104,842 | 7,238 | 16,545 | 81,059 |
| Plus additional budget from revised allocation | 123 | 117 | 6 | 0 |
| Revised planned expenditure | 104,965 | 7,355 | 16,551 | 81,059 |

4 PROVISIONAL FUNDING FOR 2017-18

- 4.1 The funding arrangements for 2017 to 2018 will remain broadly similar to last year. This follows the DfE announcement in the summer that implementation of the national funding formula would be put back to 2018-19. The EFA have now published provisional allocations for 2017-18 which set out the minimum funding local authorities will receive.
- 4.2 In April, LAs were asked to notify the EFA about actual pattern of planned spending on schools, early years, and high needs within their annual DSG allocation in a process called “the baselines exercise”. The EFA have used the new 2016-17 baselines to calculate LAs’ 2017-18 allocations for the schools block and high needs block rather than how government has allocated funding since 2013.
- 4.3 The starting point for 2017-18 funding is RBWM’s planned spend of £104.959m through the DSG in 2016-17, as agreed at Schools Forum in March 2016⁵ and confirmed to the EFA in the baselines exercise. The EFA have then made two adjustments totalling £0.807m to arrive at the adjusted 2016-17 baseline of £105.765m, see table 4.

| Table 4: Changes to 2016-17 baseline | 2016-17 planned spend £m | Adjustments to baseline £m | Adjusted 2016-17 baseline £m |
|---|--------------------------|----------------------------|------------------------------|
| Delegated Schools Block | 80.191 | | 80.191 |
| Central schools block | 0.867 | 0.315 | 1.182 |
| High needs block | 17.180 | 0.492 | 17.672 |
| Early years block | 6.720 | | 6.720 |
| Total | 104.959 | 0.807 | 105.765 |

- 4.4 The baseline adjustments relate to:
- The transfer of £315k Education Services Grant (ESG) retained duties funding in to the schools block. This is currently a Council grant paid by the EFA at the rate of £15 per pupil, in support of statutory services provided centrally on behalf of all schools (see para 5.7 to 5.9 below).
 - The transfer of £492k of place funding (at £6,000 per place) for high needs places in further education (FE) colleges. From 2017-18 these places will be funded from LAs’ initial high needs block allocation. Before RBWM’s high needs block allocation is finalised in March, the EFA will then deduct an equivalent amount to fund these and other institutions directly. The impact of this adjustment is therefore cost neutral.⁶
- 4.5 For 2017-18, the EFA have guaranteed that no local authority will see a reduction from their adjusted 2016-17 baseline on the updated schools block (per pupil funding) or the high needs block (cash amount). RBWM’s 2017-18 adjusted schools block per pupil amount will

⁵Figures reported to Schools Forum (table xx) differ from those submitted in the baselines exercise because two year old funding and Early Years pupil premium were excluded from the baselines exercise, whilst high needs expenditure directly funded by the EFA (academies etc.) was included.

⁶ Place funding for specialist post-16 institutions and non-maintained special schools is not included in the DSG high needs block baseline or above adjustments, as the EFA will allocate this funding directly to providers based on the number of children and young people attending, without reference to information from local authorities.

be £4,421.73 and is calculated by dividing the 2016 -17 adjusted baseline by schools block pupil numbers, as shown in table 5. The indicative high needs cash amount is £17.672m.

| Table 5: Guaranteed DSG funding amounts for 2017-18 | Adjusted baseline | |
|--|---|--------------------------------|
| | Delegated and central Schools Block (per pupil) | High Needs block (cash amount) |
| Adjusted 2016-17 baseline (table 4) | £81.373m | £17.672m |
| 2016-17 pupil numbers | 18,403 | |
| Guaranteed amount for 2017-18 | £4,421.73 | £17. 672m |

- 4.6 RBWM's schools block guaranteed unit of funding (GUF) for 2017-18 is £34.41 per pupil less than the 2016-17 GUF of £4,456.14, and reflects the amount of funding that has transferred into the high needs baseline. Table 6 shows RBWM's 2017-18 per pupil unit of funding is around £20 more than the average of the other Berkshire LAs.

| Table 6 2017-18 Schools Block GUF | Per pupil unit | Difference |
|---|------------------|------------|
| RBWM | £4,421.73 | - |
| Average of all LAs (incl London Boroughs) | £4,700.10 | -£278.37 |
| Berkshire LAs average | £4,402.02 | +£19.71 |
| Berkshire LA max (Slough) | £4,847.13 | -£425.40 |
| Berkshire LA min (Wokingham) | £4,152.15 | +£269.58 |

- 4.7 Final allocations for schools and high needs blocks will follow in December on the basis of pupil numbers recorded in the October census. Early years block allocations for 2017-18 are the subject of separate funding proposals and are not part of this guarantee.

5 OTHER CHANGES IN 2017-18 FUNDING ARRANGEMENTS

Formula factor changes

- 5.1 The list of allowable funding factors remains the same in 2017-18 as for 2016-17. RBWM's formula uses seven factors:⁷

| Factor | Definition |
|----------------------------------|--|
| 1. Basic Entitlement (mandatory) | Funding allocated based on an age-weighted pupil unit (AWPU) - a single rate of at least £2,000 for primary pupils, and different rates for KS 3 and 4, with a minimum of £3,000 for each. |
| 2. Deprivation (mandatory) | Based on free school meals (one year or 'ever 6') and/or IDACI. For 2017-18 bandings have been redesigned to return them to a similar size to 2015-16 in terms of the % of pupils in each band. The draft 2017-18 data sets (using pupils numbers at Oct 2015) based on the redesigned bands show that this change as had little impact on the deprivation allocations of individual RBWM schools. |
| 3. Prior attainment | Proxy indicator for low level, high incidence SEN. Allocated based on pupils identified as not achieving the expected level of development within the early years foundation stage profile and for secondary pupils not reaching the expected standard in KS2 at either English or maths. The 2016 KS2 assessments are the first which assess the new, more challenging national curriculum. At a national level, a higher number of the year 7 cohort in financial year 2017 to 2018 will have low prior attainment. The EFA will apply a weighting to this cohort to ensure that it does not have disproportionate influence within the overall budget total. LAs will not be able to change this weighting but will be able to adjust the unit rate for this element to maintain funding allocated through this factor at previous levels. |
| 4. Children in | Funding for any child who has been looked after for 1 day or more as recorded |

⁷ The following allowable factors are note used in RBWM's local formula: Mobility, sparsity, Split site, Private finance initiative, London Fringe, exceptional premises factors.

| Factor | Definition |
|-------------|--|
| care | on LA SSDA903 at 31 March 2016. |
| 5. EAL | Base on EAL pupils. |
| 6. Lump sum | The maximum permitted value for either the primary or secondary phase is £175,000 (including fringe uplift) and the lump sum may be different for primary and secondary schools. |
| 7. Rates | Based on actual costs. |

5.2 The EFA's latest [analysis of LAs' 2016-17 funding formulas](#)⁸ shows that RBWM's formula remains largely in line with other LAs in terms of the factors used, the per pupil value of each factor, and the proportion of funding allocated through each factor. As in previous years, RBWM remains an outlier in two areas:

- Deprivation funding per FSM pupil unit and the proportion of funding allocated for deprivation are both in the lowest quartile of the 152 other LAs.
- Both primary and secondary prior attainment per pupil values are in the upper quartile, as is the proportion of funding allocated through this factor.
- The proportion of funding allocated through these two factors combined is in line with the average of other LAs.

5.3 Although implementation of a 'soft' national funding formula has been delayed until 2018-19, the DfE remains committed to its implementation. Detailed information setting out what the new funding formula will mean for individual LAs is expected in the autumn, but it is clear that there will be some turbulence for LAs and individual schools. It is therefore proposed to leave RBWM's local funding formula unchanged for 2017-18.

5.4 Subject to any adjustments to the 2017-18 low prior attainment and deprivation values deemed necessary to maintain funding allocated through these factors at previous levels, it is proposed to use the basic per pupil entitlement across all key stages to balance the budget if actual pupil numbers differ from the estimate. Prior agreement on this principle will help speed up the local approval process before submission of the final funding formula in January 2017 once Oct 16 pupil numbers are confirmed in December.

5.5 Schools and academies will continue to receive other types of funding in addition to formula funding, including:

- Early years funding
- Post 16 funding
- High needs funding –place funding for resource units, and top-up for all high needs pupils
- Pupil premium
- PE and sports grant
- Universal infant free meals funding
- Capital grant.

Minimum funding guarantee

5.6 The pre-16 minimum funding guarantee (MFG), which applies to pupils aged 5-16, will remain at minus 1.5% per pupil in 2017 to 2018. The EFA's proposal to allow LAs flexibility in setting a local MFG rate will now not happen in 2017 to 2018, but LAs will continue to be able to seek approval to disapply the MFG for exceptional circumstances. RBWM does not currently have any such approvals. LAs will continue to be able to fund the cost of MFG protection by capping or scaling back the overall gains of individual schools in order to make the formula affordable.

Transfer of Retained Duties Education Services Grant into the Schools Block

5.7 As well as delegated and central schools block expenditure, schools block funding in 2017-18 will now include £315k previously paid to the Council as the retained duties element of

⁸ "Schools block funding formulae 2016 to 2017 - Analysis of local authorities' schools block funding formulae" July 2016

the education services grant (ESG). This grant currently supports statutory services provided centrally on behalf of all schools⁹ which include:

- Education welfare services (prosecution of parents for non-attendance; tracking children missing from education; and issues relating to child employment).
- Asset management (capital programme planning and functions relating to academy leases)
- Statutory and regulatory duties – (including finance, HR and legal functions and the strategic planning of children’s services).

5.8 The transfer of this funding into the schools block means that at least this amount will need to be retained centrally in 2017-18 to pay for the services that were previously funded by the retained duties ESG. This is not new funding for schools. It is a transfer of funding that reflects the transfer of responsibilities from the LA Budget to the Schools Budget¹⁰. Had the EFA not postponed their proposal to establish a central schools block for 2017-18, it is likely that the former retained duties ESG would have been allocated to the central schools block, rather than to the delegated funding schools block. However, at the current time, the LA requires Schools Forum approval for these items as set out in Annex A.

5.9 Schools Forum approval, on a line-by-line basis, for the services previously funded by the retained rate of the ESG is now required for 2017-18 so that the 2017-18 budget can be planned with certainty. Schools Forum are asked to approve the retention of £315k in 2017-18 for:

| | |
|---------------------------------|------------|
| | £000 |
| Education Welfare services | 83 |
| Capital planning | 86 |
| Statutory and regulatory duties | <u>146</u> |
| | 315 |

Removal of ESG general funding rate and schools block retention

5.10 As well as retained duties ESG, there is also the ESG general funding rate. This is currently paid at the rate of £77 per pupil to academies and LAs to fund duties that academies are responsible for delivering for their pupils, and that LAs deliver for maintained pupils. These duties extend the statutory functions and include education services such as school improvement, asset management functions, education welfare services, financial planning for the whole of DSG, equalities duties, data collection and returns, religious education planning, and overall education strategy planning.

5.11 The 2015 Spending Review confirmed that this element of the ESG will end completely in September 2017. RBWM currently receives £837k in general funding ESG. The fall-out of this grant is taken account of in RBWM’s medium term financial plan and in the Council’s directorate efficiency targets for 2017-18 and beyond.

5.12 The EFA recognises that LAs may not be able to achieve the full savings through efficiencies, and may need to use other sources of funding to pay for education services once the general funding rate has been removed. Regulations will be amended to allow LAs to retain some of their schools block funding to cover the statutory duties that they carry out for maintained schools which were previously funded through the ESG. The EFA’s proposed method for doing this is similar to the de-delegation arrangement, with the main difference that the statutory responsibility to fulfil the duties for maintained schools remains with the LA and cannot be delegated.

5.13 Under this method, retaining some of the maintained schools’ DSG for duties currently funded by the ESG general funding rate will result in an effective reduction to core schools funding. This method does not apply to academy schools who have been receiving, at a

⁹ Further details on the split of former ESG duties to be funded from centrally retained schools block funding (for all pupils) are expected in the autumn.

¹⁰ The EFA will consult on the change in regulations that are needed to implement this change as part of the draft Schools Finance regulations consultation in the autumn.

Trust level, similar education support grant allocations. The allocation received by academies is also being reduced from September 2017 with a transition protection scheme.

- 5.14 For 2017-18, we propose to use this new flexibility to retain £100k to support school services at the current level. This would be funded by a topslice to all maintained schools funding at a rate of £11 per pupil (primary, secondary and special). We would welcome your views on this proposal and maintained Schools Forum members will be asked to formally approve any resulting proposal in December. We would welcome views about a voluntary contribution at the same rate from Academy schools.

Other centrally retained budgets

- 5.15 The DfE will not now be reducing schools block allocations for 2017 to 2018 as a result of the spring review of LAs' 'historic commitments', but they do expect LAs to use funding in 2017 to 2018 in accordance with the regulations, i.e. where there is evidence of an ongoing commitment entered into before 2013. RBWM currently retains £268k of 'combined services funding' which the DfE includes under the 'historic commitments category'. This is for:
- discretionary psychology services (£104k)
 - contribution to provision of information, advice and support (£60k)
 - provision of early help social care support (£104k).
- 5.16 We do not envisage any significant change to the amount we currently retain for combined services in 2017-18 although this will be subject to any feedback from the DfE as a result of the historic commitments review.
- 5.17 There are no other changes to centrally retained budgets for 2017-18. We will formally request Schools Forum approval for centrally retained budgets in December 2016, where this is required as set out in Annex A.

High Needs Funding

- 5.18 In 2016-17 RBWM budgeted to spend £17.2m on high needs (including high needs places directly funded by the EFA), as confirmed to the EFA in the baseline exercise in April. The EFA have guaranteed that for 2017-18, RBWM's allocation will be at least this amount, plus the additional £492k for FE colleges (see para 4.4). Final allocations will be confirmed in December.
- 5.19 Any planned changes to the number of high needs places at individual institutions RBWM want to commission for 2017-18 will need to be funded from its total allocation. Changes in the number of places at non maintained institutions (academies, free schools, NMSS, FE colleges etc.) in the RBWM area will be notified to the EFA in the autumn. Once agreed, the amount required to fund these places will be deducted from the RBWM's allocation and £672k was deducted in 2016-17 in this way. This will increase to around £1.2m with the inclusion, new for 2017-18, of FE place funding.
- 5.20 The EFA will publish more information on high needs funding in the autumn, including proposals for a high needs funding formula for 2018-19.

Changes to the funding formula submission requirements

- 5.21 The Authority Proforma Tool (APT) is used by all LAs to model and submit their local funding formula to the EFA for validation. For 2017-18, the final submission date is 20 January 2017, but this year LAs will no longer have to submit a draft APT in October.
- 5.22 The October 16 census data and pupil level information used to drive the formula allocations will only be available in December. To speed up the approval process in January once the DSG pupil numbers are known, this paper seeks SF's views on the principle of adjusting the basic per pupil entitlement across all key stages first and foremost to balance the budget if actual numbers turn out differently from estimates (para 5.4).

Centrally retained budgets

| Approval required | Services covered (and funding block) |
|--|--|
| Schools forum approval is not required (although they should be consulted). | <ul style="list-style-type: none"> • high needs block provision • central licences negotiated by the Secretary of State |
| Schools forum approval is required for each line | <ul style="list-style-type: none"> • early years block provision • remission of boarding fees at maintained schools and academies • places in independent schools for non-SEN pupils • services previously funded by the retained rate of the ESG. |
| Schools forum approval is required for each line. The budget cannot exceed the 2016-17 agreed amount. | <ul style="list-style-type: none"> • admissions • servicing of schools forum |
| Schools forum approval is required for each line. The budget cannot exceed the 2016-17 agreed amount and no new commitments can be entered into. | <ul style="list-style-type: none"> • capital expenditure funded from revenue so no new projects can be charged. • contribution to combined budgets – this is where the schools forum agreed prior to April 2013 a contribution from the schools budget to services which would otherwise be funded from other sources. • existing termination of employment costs (costs for specific individuals must have been approved prior to April 2013 so no new redundancy costs can be charged). |
| Schools forum approval is required for each line including approval of the criteria for allocating funds to schools. | <ul style="list-style-type: none"> • funding for significant pre-16 pupil growth, including new schools set up to meet basic need, whether maintained or academy • funding for good or outstanding schools with falling rolls where growth in pupil numbers is expected within three years. |