



Children and Young People Scrutiny Committee

Date: Tuesday 30 January 2018

Time: 2.00 pm

Venue: Council Chamber, Town Hall Extension

This is a **Supplementary Agenda** containing additional information about the business of this meeting that was not available when the agenda was published.

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Membership of the Committee

Councillors –

Sameem Ali, Alijah, Collins, Cooley, Hewitson, T Judge, Lone, Lovecy, Madeleine Monaghan, Reid (Chair), K Simcock, Stone and Taylor

Co-opted Members -

Mr A Arogundade, Mr L Duffy, Mr R Lammas, Mrs B Kellner, Mrs J Miles, Ms M Neall and Ms Z Stepan

Supplementary Agenda

- 6 **School Funding (Dedicated Schools Grant 2018/19)**
Report of the Head of Finance for Adult Services Directorate and Children's Services Directorate

This report provides the confirmed Dedicated Schools Grant allocation announced by the Department for Education on the 19 December 2017 and outlines the budget across individual school budgets (ISB) and local authority retained schools budget (RSB).

Further Information

For help, advice and information about this meeting please contact the Committee

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This agenda was issued on **23 January 2018** by the Governance and Scrutiny Support Unit, Manchester City Council, 6th Floor, Town Hall Extension, Albert Square, Manchester, M60 2LA.

**Manchester City Council
Report for Information**

Report to: Children and Young People Scrutiny Committee – 30 January 2018

Subject: Dedicated Schools Grant 2018/19

Report of: Head of Finance for Adult Services Directorate and Children's Services Directorate

Summary

The Dedicated Schools Grant (DSG) is a ring-fenced grant of which the majority is used to fund individual school budgets in maintained schools, academies and free schools. It also funds early years nursery free entitlement places for two, three and four year olds as well as provision for pupils with high needs including those with Special Educational Needs (SEN) statements and Education Health and Care Plans (EHCPs) in special schools and specialist provision in and out of Manchester.

Dedicated Schools Grant funding is provided to Manchester in two stages: first, the government provides the grant to a local authority to calculate budgets for all schools in that area, and then the local authority (for maintained schools) or the Education and Skills Funding Agency (for academy schools) distributes the grant to the local educational establishments in 2018/19 and 2019/20.

This report provides the confirmed DSG allocation announced by the Department for Education on the 19th December 2017 and outlines the budget across individual school budgets (ISB) and local authority retained schools budget (RSB).

Recommendations

The Committee is invited to review and comment on the 2018/19 individual schools budgets (ISB) and local authority retained school budgets (RSB) determined from the Dedicated Schools Grant (DSG) allocation.

Wards Affected: All

Alignment to the Our Manchester Strategy Outcomes (if applicable)

Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Ensuring sufficient, high quality school places are available and in the right place helps to ensure all children and young people achieve their full potential through regular school attendance and are able to access the jobs and opportunities in the

	City.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Good school attendance is important as it supports school attainment.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Regular attendance at high quality schools helps all children and young people to develop appropriate social skills, self-respect and respect for others.
A liveable and low carbon city: a destination of choice to live, visit, work	Access to good local schools providing a high quality education supports sustainable neighbourhoods and makes Manchester increasingly attractive as a place to work, live and bring up children.
A connected city: world class infrastructure and connectivity to drive growth	

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Background documents (available for public inspection):

None

1. INTRODUCTION

- 1.1 The Dedicated Schools Grant (DSG) is a ring-fenced grant of which the majority is used to fund individual school budgets in maintained schools, academies and free schools. It also funds early years nursery free entitlement places for two, three and four year olds as well as provision for pupils with high needs including those with Special Educational Needs (SEN) statements and Education Health and Care Plans (EHCPs) in special schools and specialist provision in and out of area.
- 1.2 DSG funding is provided in two stages: first, the government provides the grant to a local authority, and then the local authority (LA) determines the grant distribution to the local educational establishments. There is a National Funding Formula (NFF) at LA level, stage one that is being introduced for the funding period 2018/19 for both high needs and mainstream schools.
- 1.3 The Government has previously stated that it intends to implement the NFF 'hard' formula which means that school allocations will be determined by the Department of Education rather than the LA from 2020/21 onwards.
- 1.4 This report provides:
- Summary of stage one - grant allocation of Dedicated Schools Grant 2018/19 settlement announced on the 19th December 2017
 - Outline of stage two - distribution of grant across educational establishments and local authority retained budgets.
- 1.5 From 2018/19 DSG will be made up of four blocks: schools block, early years block, high needs block and central services schools block.

2. STAGE ONE - LOCAL AUTHORITY AREA LEVEL DEDICATED SCHOOLS GRANT 2018/19

Manchester's Dedicated Schools Grant 2018/19 Settlement

- 2.1 The 2018/19 Dedicated Schools Grant (DSG) totals **£518.57m**.

Table one: Dedicated Schools Grant settlement 2018/19 and 2017/18

BLOCK	Schools	Central School Services	High Needs	Early Years	Total
	£m	£m	£m	£m	£m
2018/19	398.47	3.99	73.38	42.73	518.57
2017/18	386.79		70.93	40.27	497.99
Difference	15.67		2.45	2.46	20.58

Schools Block - £398.47m

- 2.2 Schools Block totals £398.47m. For 2018/19 overall funding to a local authority area has been calculated bottom up, school by school on the basis of if the National Funding Formula had been applied. The national funding rates are in the third column of appendix one.
- 2.3 Based on the new approach the new guaranteed unit of funding is **£4,560.72** per primary pupil and **£6,049.44** per secondary pupil plus £13.885m funding for growth, mobility and premises allocation across 75,651 children aged 5-16. Between 2017/18 and 2018/19 there has been an increase of 2,408 pupils in Manchester's primary and secondary schools.

Table two: Schools Block Allocation

Schools Block	
Guaranteed Unit of Funding	
Primary	£4,560.72
Secondary	£6,049.44
Number on roll – 75,651	
Primary	49,076
Secondary	26,575
Sub-total	£384,585,762
Funding - growth, premises, mobility	£13,885,000
Total	£ 398,470,762

- 2.4 The £398.47m will be allocated out to schools in individual budget shares or held for the Growth Fund. Prior to 2018/19 some of this funding would have been retained by the Local Authority to carry out certain central functions. The budget for the central school services functions have been lifted out of the schools block and placed in the central schools services block in 2018/19.

Central School Services Block

- 2.5 This block total £3.989m and is split into funding for historic commitments and funding for local authority school responsibilities, such as Admissions.

Table three: Central Schools Service Block - £3.989m

Central Schools Service Block	
Historic Commitments (£)	680,000
On-going responsibilities:	
Unit of Funding (£)	43.74
Oct. census number on roll	75,651
Total Ongoing (£)	3,308,975
Block Total (£)	3,988,975

- 2.6 Schools block and central schools service block allocation has increased by £15.67m 2018/19. Manchester has been allocated **£12.79m** for an additional 2,408 pupils in primary and secondary schools between October 2016 and October 2017. The Department for Education has also allocated Manchester's primary and secondary schools a 0.5% per pupil led increase in school budgets in 2018/19. Whilst this will be welcomed by schools, the additional **£1m** in 2018/19 for primary and secondary will not fully fund the real terms pressures faced by schools. **£1.79m** of the overall increase is as a result of a transfer of resource from the high needs block to the schools block for special educational resource units in primary and secondary schools.

High Needs Block - £73.38m

- 2.7 Specialist education provision from age 0 to 25 including special school places and independent specialist placements, special services such as the Sensory Service, resourced provision in mainstream schools and element 3 (top up) funding for mainstream schools and colleges linked to statements/Education Health and Care Plans (EHCP) budget is to be met through the high needs block budget of £73.388m.
- 2.8 High needs block funding from the DfE has previously been based on historical allocations plus small annual amounts of growth. The high needs block allocation increased by £1.8m in 2014/15, £0.97m in 2015/16 and £1.6m in both 2016/17 and 2017/18 in recognition of 2 to 19 year old population and expected pupil number increases. For 2018/19 Manchester has received an additional £2.46m as a result of the change in the way the grant is allocated. From 2020/21 onwards local authorities will retain responsibility for allocating the high needs block locally, unlike the schools block.

Early Years Block - £42.76m

- 2.9 This block totals £42.76m and supports pre-school education in both schools, private, voluntary and independent settings. This allocation is provisional and will continue to be based on participation at the January census points, therefore, this block will be finalised in July 2018.
- 2.10 Part of the increase in the grant in 2018/19, recognises there will be the full year effect of additional funding for the implementation of 30 hours free childcare in September 2017. The new entitlement was introduced in September 2017, and the 2018/19 adjustment will reflect April – August, the months of the year that were unfunded last year.
- 2.11 DfE have estimated 2,024 children are eligible to claim working parents additional 15 hours, yet so far only 800 parents have claimed their entitlement. There is a significant risk that DfE may claw back up to £2m of the Early Years block entitlement next financial year due to under-claiming of working parent 3 and 4 year old entitlement.

3. SECOND STAGE – GRANT ALLOCATION ACROSS SCHOOLS, PROVIDERS AND CENTRALLY RETAINED

SCHOOLS BLOCK

- 3.1 This block is ring-fenced other than where local authorities, with agreement of the Schools' Forum, may transfer up to 0.5% out of the schools block to any other block. Manchester is not intending to make this transfer in 2018/19.
- 3.2 The funding formula for primary and secondary is currently the basis for funding maintained schools and academies in a local authority. Manchester's formula is provided in appendix one of the report. Individual school funding is determined by pupil numbers, pupil characteristics, a lump sum and premises related factors.
- 3.3 The Department for Education is encouraging areas to move their local formula values to the National Funding Formula (NFF) values during 2018/19 – 2019/20. There is an anticipation that this approach will lead to lower levels of change and greater level of stability when transitioning to full implementation NFF after 2020/21.
- 3.4 **Local Formula vs. National Funding Formula** - The Local Authority has recently undertaken a consultation with schools and other key stakeholders. Retaining the Manchester's formula for primary and secondary schools could slightly improve stability in current local funding levels in the short term. Due to uncertainties around the timing and values to be applied to the National Funding Formula 2020/21 onwards Manchester's schools and Schools Forum have recommended that Manchester does not move to the National Funding values in 2018/19 and 2019/20.
- 3.5 Individual school budget shares are the higher of the local funding formula or Minimum Funding Guarantee (MFG). The MFG requires a funding top-up to be paid to schools where the local funding formula results in a reduction in per pupil funding in excess of the maximum determined by the DfE. It compares the final budget from one year to the next and adjusts for changes in the number of pupils. This protection is designed to ensure a degree of funding stability to schools and the Council does not have permission from DfE to increase the level of MFG protection.
- 3.6 Schools Forum recommended on the 15th January 2018 that a 0.5% MFG rate is applied and proposes to fund the shortfall of £673k from the Growth Fund, a budget that is held to support schools that are growing in capacity and sits within the schools block.
- 3.7 No changes to Manchester's individual schools formula is proposed other than an introduction of a **Private Finance Initiative (PFI) factor**. The Local Authority is intending to transfer the Temple PFI and Wright Robinson PFI budget to the school's individual budget shares from the central schools services block, the DfE will fund inflation if this transfer is made. Both schools have been consulted on this proposed change

CENTRAL SCHOOL SERVICES BLOCK

- 3.8 This block provides funding for LAs to carry out central functions on behalf of pupils in state-funded maintained schools and academies. The block is split into funding for historic commitments and funding for Local Authority school responsibilities, such as Admissions.

HIGH NEEDS BLOCK

- 3.9 The increase in the high needs block funding will not fully meet the demands for additional special school places, increases in number of education, health and care plans and additional duties around 19-25 year olds. Based on the latest position of baseline spend in 2017/18 of £72.240m there is a potential pressure on the Dedicated Schools Grant of £1.3m in 2017/18, rising to £2.5m in 2018/19.
- 3.10 Key pressures are out of city placements, post-16 special education needs, special school places and education, health and care plan budgets. In order to meet 2018/19 demographic growth of £3.399m in special schools, Education, Health and Care plans and post 16 the Local Authority is providing an extra £2.5m of local authority budget in order to meet demand.

EARLY YEARS BLOCK

- 3.11 Manchester seeks to allocate another £0.10 per hour through the Early Years 3 and 4 year old formula through the deprivation factor. The local authority planned budget for the 2, 3 and 4 year old entitlement and working parent's entitlement totals £40.93m.

4. PUPIL PREMIUM GRANT

- 4.1 The pupil premium per pupil amounts will be protected at the current rates, with the exception of the pupil premium plus, which will increase from £1,900 per pupil to £2,300, as previously announced. The amounts for 2018/19 will be:

Table four: Pupil Premium Rates

Pupils	Per Pupil Rate
Disadvantaged: primary	£1,320
Disadvantaged: secondary	£935
Pupil Premium Plus: Looked After Children (LAC) and those adopted from care or who leave care under a Special Guardianship	£2,300
Service Children	£300

5. DSG SUMMARY

- 5.1 The proposed DSG budget for 2018/19 for each funding block is set out below, before allocation of headroom or shortfall. Table eleven sets out the grant breakdown of DSG blocks. The table provides a summary of the split between individual school budgets (ISB) and those budgets retained centrally by the authority (RSB) across each of the blocks in 2017/18 and 2018/19.

Table five – DSG individual school budgets and retained school budget split MFG 0.5%

	Schools	Early Years	Central School Services Block	High Needs	Total
	£m	£m	£m	£m	£m
DSG 2017/18					
Retained School Budgets	12.11	2.07		25.23	39.41
Individual School Budgets	374.68	37.55		45.70	457.93
Total 2017/18	387.79	39.62		70.93	497.34
DSG 2018/19	398.47	42.73	3.989	73.39	518.58
Movement between blocks	+0.32	0	-0.32	0	0
Total Income	398.79	42.73	3.67	73.39	518.58
Retained School Budgets	5.90	1.79	3.67	21.51	32.87
Individual School Budgets	392.89	40.94	0	51.88	485.71
Total Planned Spend	398.79	42.73	3.67	73.39	518.58

Appendix one

Primary	LA 17/18	NEW 18/19 LFF	NFF	Diff +/- LA 17/18 & NFF
AWPU Primary (including reception uplift)	£3,120.00	£3,135.00	£2,746.99	-£388.01
Free Schools Meals (FSM6)	£493.00	£495.47	£540.00	£44.53
Pupils Claiming FSM			£440.00	£440.00
IDACI Band F - Score 0.2 - 0.25	£296.00	£297.48	£200.00	-£97.48
IDACI Band E - Score 0.25 - 0.3	£353.00	£354.77	£240.00	-£114.77
IDACI Band D - Score 0.3 - 0.35	£383.00	£384.92	£360.00	-£24.92
IDACI Band C - Score 0.35 - 0.4	£435.00	£437.18	£390.00	-£47.18
IDACI Band B - Score 0.4 - 0.5	£488.00	£490.44	£420.00	-£70.44
IDACI Band A - Score 0.5 - 1	£570.00	£572.85	£575.00	£2.15
Pupils with low prior attainment	£1,308.00	£1,314.54	£1,050.00	-£264.54
EAL for first 3 years in a school	£380.00	£381.90	£515.00	£133.10
Pupils starting school outside normal entry dates (where above 10% of NOR)	£526.00	£528.63	-	-£528.63
Lump Sum	£155,000.00	£155,000.00	£110,000.00	- £45,000.00
Split Sites	£17,796.00	£45,000.00	-	- £45,000.00

NFF Multiplied
by Area Cost
Adjustment

Secondary

	17/18 LFF	NEW 18/19 LFF	NFF	Diff +/- LA 18/19 & NFF
Key Stage 3	£4,130.00	£4,150.65	£3,863.00	-£287.65
Key Stage 4	£4,745.00	£4,768.73	£4,386.00	-£382.73
Free Schools Meals (FSM6)	£473.00	£475.37	£785.00	£309.63
Pupils Claiming FSM			£440.00	£440.00
IDACI Band F - Score 0.2 - 0.25	£142.00	£142.71	£290.00	£147.29
IDACI Band E - Score 0.25 - 0.3	£199.00	£200.00	£390.00	£190.00
IDACI Band D - Score 0.3 - 0.35	£235.00	£236.18	£515.00	£278.82
IDACI Band C - Score 0.35 - 0.4	£375.00	£376.88	£560.00	£183.12
IDACI Band B - Score 0.4 - 0.5	£439.00	£441.20	£600.00	£158.80
IDACI Band A - Score 0.5 - 1	£499.00	£501.20	£810.00	£308.80
Pupils with low prior attainment	£2,801.00	£2,815.01	£1,550.00	-£1,265.01
EAL for first 3 years in a school	£2,064.00	£2,074.32	£1,385.00	-£689.32
Pupils starting school outside normal entry dates (where above 10% of NOR)	£1,500.00	£1,507.50	-	-£1,507.50
Lump Sum	£155,000.00	£155,000.00	£110,000.00	- £45,000.00
Split Sites	£17,796.00	£45,000.00	-	- £45,000.00

NFF Multiplied
by Area Cost
Adjustment

Area cost adjustment - Adjustment to the funding allocation if the school is in an area of higher labour market costs		1.0054	Proportion of year the school is open (financial year or academic year)
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Glossary

National Funding Formula

DfE has published proposals for a new national funding formula for schools, high needs and early years funding. In March 2016 DfE published proposals to make the distribution of schools and high needs funding fairer, and in August 2016 DfE published proposals on early years funding reforms.

Hard National Funding Formula

From 2019-20, the National Funding Formula would be used to calculate each individual school's budget, without the additional step of applying a local funding formula. This would be the 'hard' national funding formula.

Soft National Funding Formula

The DfE will move to a 'soft' national funding formula in 2018-19. This means that although we will use the national funding formula (once it has been finalised following this consultation) to calculate LAs' funding allocations, LAs will still determine individual schools' funding allocations through their local formula.

Headroom

Amount of funding which remains after all budgets have been allocated.

High Needs Block

The dedicated schools grant (DSG) is divided into three blocks: the schools block, the high needs block and the early years block. The high needs block covers place funding for special schools/academies and units, top-up funding for high needs pupils, alternative provision and education otherwise than at school, and funding for local authority central SEN services.

Minimum Funding Guarantee

The MFG stipulates the minimum amount by which a school's budget must increase (or maximum decrease) when compared with its budget for the previous year, before allowing for changes in pupil numbers. Some specific items of expenditure (such as rates and resources specifically assigned to individual pupils with special needs) are excluded from the coverage of the MFG. The local authority can modify the operation of the MFG with the approval of the Secretary of State.

Schools Block

The dedicated schools grant (DSG) is divided into three blocks: the schools block, the high needs block and the early years block. The schools block relates to pupils in national curriculum year groups reception to 11 at mainstream schools and academies who are not in a special unit or resourced provision (who are funded from the high needs block).