

**Manchester City Council
Report for Resolution**

Report to: Executive – 17 February 2016
Finance Scrutiny Committee – 25 February 2016

Subject: Dedicated Schools Grant 2016/17

Report of: Deputy Chief Executive (People), Director of Education and Skills

Purpose of Report:

The Schools' Budget is funded by the Dedicated Schools Grant (DSG). The DSG is a ring-fenced grant and may only be applied to meet costs that fall within the Budget. Any under or over spend of grant from one year must be carried forward and applied to the Schools' Budget in future years. The Government provides the DSG to local authorities and each local authority distributes the grant to the local educational establishments based on the local funding formula.

This report sets out the DSG allocation in 2016/17 and Pupil Premium rates, as announced by the DfE on 17 December 2015, and highlights potential future risks to Manchester schools and Manchester City Council funding for centrally retained DSG budgets. This report contains proposals to distribute £1.8m of unallocated DSG to specialist; high needs provision and £0.5m to all primary and secondary schools.

Recommendations:

The Executive is recommended:

1. To note the level of 2016/17 Dedicated Schools Grant based on October 2015 pupil census.
 2. Approve the transfer of £1.8m of the £2.3m unallocated schools block to fund high needs block pressures.
 3. Approve the allocation of the remaining £0.5m of the £2.3m unallocated schools block funding across primary and secondary schools basic per pupil amount.
 4. The review of the high needs block over the coming year alongside the imminent consultation on the national funding review mean decisions made now will be subject to review in a year's time.
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Wards affected: All

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	Funding for pupil related services is essential to support maintained schools, independent education settings and other education related services to maximise the potential and life chances of the children in Manchester and so contribute to all the elements of the community strategy spine.
Reaching full potential in education and employment	
Individual and collective self esteem – mutual respect	
Neighbourhoods of Choice	

Implications for:

Equal Opportunities
Yes

Risk Management
Yes

Legal Considerations
Yes

Financial Consequences for the Capital and Revenue Budgets

The proposals set out in this report form part of the draft revenue budget submitted to the Executive on 17 February 2016.

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Glossary of Terms and Acronyms

Academies	Publicly funded independent schools that are outside of local authority control. Other freedoms include setting their own pay and
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	conditions for staff, freedoms concerning the delivery of the curriculum, and the ability to change the length of their terms and school days.
Alternative Provision (AP)	Education outside of school, when it is arranged by LAs or schools, is called alternative provision. It can range from pupil referral units (PRUs) and further education colleges to voluntary or private-sector projects.
Carbon Reduction Scheme (CRC)	The Carbon Reduction Commitment Energy Efficiency Scheme (often referred to as simply 'the CRC') is a mandatory scheme aimed at improving energy efficiency and cutting emissions in large public and private sector organisations. These organisations are responsible for around 10% of the UK's greenhouse gas emissions. The CRC affects large public and private sector organisations across the UK. Participants include supermarkets, water companies, banks, local authorities and all central government departments. The CRC ceased for schools from 2014-15.
De-delegation	Under the new school funding arrangements it is the Government's intention to achieve maximum delegation of funding to schools, meaning that only in exceptional circumstances should funding be held centrally by the LA for the provision of central education services. In addition, schools can agree to return funding delegated to them to provide some services centrally; this is termed de-delegation. De-delegation takes place after calculation of the formula but before the budget has been provided to the school. It has the effect of giving money back to the LA to provide for some services centrally.
Dedicated Schools Grant (DSG)	The ring-fenced specific grant paid by the Department to local authorities from April 2006 in support of the Schools Budget. The money has either to be delegated to schools or used for centrally managed provision for pupils. It can only be spent on other children's services with the approval of the schools forum and where an educational benefit can be justified.
Department for Education (DfE)	UK government department with responsibility for infant, primary and secondary education.
Education Funding Agency (EFA)	A new DfE executive agency that, from April 2012, is responsible for capital and revenue funding for 3-19 education and training. The EFA directly fund Academies, Free Schools, and 16-19 providers; it funds local authorities for maintained primary and secondary schools; and is responsible for the distribution of capital funding and advice on capital projects.
Early Years Block	The new DSG funding formula was introduced in 2013/14 contains three funding blocks (Early Years, Schools and High Needs). The Early Years block now funds all factors relating to 3 and 4 years olds in nurseries, PVI's and maintained schools. The funding consists of:

	<ul style="list-style-type: none"> • An hourly rate based on provider type • IDACI deprivation funding (by each child's postcode) • FSM eligibility • Mainstream grants (only applicable to Nurseries)
Free School Meals (FSM)	Known eligibility for Free School Meals is commonly used as an indicator of deprivation. FSM eligibility is based on whether the child's parents are in receipt of certain non-work benefits, including Income Support, Job-Seeker's Allowance and Tax Credits.
Free Schools	All-ability state-funded schools set up in response to what local people say they want and need in order to improve education for children in their community. These new schools have the same legal requirements as Academies and enjoy the same freedoms and flexibilities.
Growth Fund	The total increase in primary numbers requires additional DSG as temporary provision is required in order to build capacity in schools. Under the schools funding reforms introduced in 2013, the DfE announced that LAs can create a growth fund within centrally retained DSG. Any underspend needs to be allocated through the formula in the following financial year. Once the requirement for this growth fund has been determined it will need to be created by a reduction to the delegated element of the schools block.
Headroom	Amount of funding which remains after school budgets shares and centrally held DSG budgets have been allocated. In 2016/17 it is estimated that this budget will be £2.3m.
High Needs Block	<p>The High Needs Block is the funding the Local authority (LA) will receive from the Education Funding Agency (EFA). It comprises of:</p> <ul style="list-style-type: none"> • Special school budgets • Centrally funded LA provision for individual children • Special Educational Needs (SEN) Support Services • Support for Inclusion (outreach) • Independent school fees • Inter authority recoupment • Pupil referral units • Education out of school • Delegated allocations relating to individual children • Delegated allocations to special units and specialist resourced provision • All post 16 SEN expenditure, including provision for 16-25 year olds in Further Education colleges and independent providers that the Authority is currently not responsible for • High Needs expenditure on under 5's

1. INTRODUCTION

- 1.1 The Schools' Budget is funded by the Dedicated Schools Grant (DSG). The DSG is a ring-fenced grant and may only be applied to meet costs that fall within the Council's Schools' Budget. Any under or over spend of grant from one year must be carried forward and applied to the Schools' Budget in future years. The Government provides the DSG to local authorities and each local authority distributes the grant to schools based on the local funding formula.
- 1.2 This report sets out the DSG allocation in 2016/17, as announced by the Department for Education (DfE) on 17 December 2015, and highlights potential future funding risks to Manchester schools and Manchester City Council funding for centrally retained DSG budgets.

2. DEDICATED SCHOOLS GRANT 2016/17

2.1. Background

- 2.1.1. The Government started the reforms to the school funding system in April 2013. The reforms are intended to ensure that all schools are funded in accordance with a simpler, more consistent funding framework as a transitional arrangement towards a national funding formula.
- 2.1.2 In 2016/17, Manchester will receive £5,157.84 per compulsory school aged child in a mainstream school based on the October 2015 census; £5,822.91 for children aged 3-4 and £4,702.50 children aged 2, based on the January 2015 census and £65m for children and young learners with high level of needs. Individual schools funding is protected at 98.5% of previous year's per pupil amount. Manchester's Dedicated Schools Grant (DSG) 2016/17, as notified on the 17 December 2015 is £471m.
- 2.1.3 In 2016/17, at a national level, DSG funding for schools does not recognise inflationary pressures. Schools are reporting that inflationary increases are being experienced in both pay and non-pay related costs. The Government recently set out its' expectation that schools at a national level will need to find £1bn of 'back office efficiency savings' in order to meet these pressures.
- 2.1.4. The Department for Education (DfE) is planning to introduce a new national funding formula for schools, with consultations due in early 2016 and implementation of changes from 2017. A new formula will aim to redress imbalances in funding across council areas. As Manchester is currently relatively highly funded, there is a high risk of a reduction in funding for Manchester maintained schools and academies going forward. Assurances have recently been given that the new funding formula will take into account the needs of disadvantaged pupils. It is likely that these funding changes will be phased in over the course of this parliament. Any reductions in the DSG may impact on the elements of the grant retained to fund central schools related services.

2.2 DSG 2016/17 Allocation to Local Authority

2.2.1 Councils receive the DSG for all maintained schools and academies in the area. The key movements in the DSG between 2015/16 - 2016/17 is mainly as a result of increases in pupil numbers. The table below sets out the change in DSG between 2015/16 and 2016/17.

Table one – DSG Movements 2015/16 - 2016/17

Dedicated Schools Grant Movements	2015/16 £m	2016/17 £m
Previous years' DSG	418.63	455.07
Changes to LA Responsibilities		
Non recoupment academies	25.83	0.50
Early years pupil premium	0.89	-
Demographic changes		
Change in two year old funding	-4.46	TBC
Pupil number increases	13.22	14.58
High needs block increases	0.96	0.83
DSG allocation	455.07	470.98

2.2.2 The schools block funds the delegated budgets of primary and secondary schools for pupils 5-16 years olds and a number of services and costs in support of education in schools. The grant for 2016/17 will be based on pupil numbers in Manchester as at October 2015, multiplied by a unit rate of £5,157.84. Manchester's pupil numbers increased between October 2014 and October 2015 by 2,951. The change in compulsory school age pupil numbers is shown in table two below:

Table two - October Census 5-16 year olds

Sector	Pupil numbers on roll				
	2013/14 Oct-12	2014/15 Oct-13	2015/16 Oct-14	2016/17 Oct-15	Change (15/16 – 16/17)
Primary	40,198	41,925	44,511	46,643	2,132
Secondary	19,696	19,564	23,373	24,195	822
Alternative provision	16	2	-	-	-
Resource units	(233)	(113)	(129)	(132)	(3)
Total	59,677	61,378	67,755	70,706	2,951

2.2.3 The 2,132 increase in the primary sector; 822 increase in the secondary sector and 3 pupil decrease in mainstream school resource units, which are funded through the high needs block, as per the October census, leads to a £15m increase in the schools block funding allocation.

- 2.2.4 The early years block will be used to fund two, three and four year olds' early education in schools and private, voluntary and independent settings and the early years pupil premium.
- 2.2.5 The early years allocations in December's settlement are provisional and will be updated based on January 2016 and January 2017 data. The early years block per pupil units of funding (two year olds, three and four year olds) in 2016/17 have not been confirmed. Based on 2015/16 unit values it is anticipated the early years block will increase by £1.1m in 2016/17 compared to 2015/16.
- 2.2.6 The high needs block grant allocation is a lump sum and is more static than the other blocks. The grant allocation for pupils with special educational needs (SEN), known as the high needs block, increased by £1.8m in 2014/15 and £0.97m in 2015/16 in recognition of demographic changes in the 2 to 19 year old population. In 2016/17 Manchester has received £0.8m of the £92.5m allocated nationally by the DfE. The high needs block adjustments do not adequately reflect Manchester's growth in pupil numbers. Manchester is planning expand special school places by 160 places next year.

2.3 Manchester's DSG Budget to Schools and other Education Providers

- 2.3.1 In addition to changing the way local authorities are funded, in 2013/14 the DfE placed limitations on the schools formula, which has been traditionally set at council level. These limitations have resulted in changes to each school's budget allocation. In order to limit the impact of these changes, provide stability and keep within funding levels available, gains on revised 5-16 years old formula for schools has been capped and protection has been applied at individual school levels. The Council is not seeking to change the 2016/17 schools and early years formula.
- 2.3.2 Most of the DSG is paid to schools and other education providers, such as private nurseries. Individual school budgets are calculated by a new much-simplified formula which is now required to comply with strict national guidelines, and this formula applies to all primary and secondary schools regardless of whether they are maintained or academy schools. Approximately £432.8m of the grant will be allocated out to schools and other providers and the balance will be retained by the Council. 71% of the £37.7m planned to be retained by the Council will be allocated or spent on schools during 2016/17.
- 2.3.3. Table three below sets out the 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 2015/16 and 2016/17. Forum made a number of decisions on the amount of DSG to be centrally retained by the Council in 2016/17 for specified purposes at the December 2015 meeting.

Table three – Dedicated School Grant across blocks, school budgets and central services

	Schools £m	Early Years £m	High Needs £m	Total DSG £m
Individual Schools Budget 2015/16	341.6	38.6	40.2	420.4
Retained Schools Budget 2015/16	8.6	2.2	23.9	34.7
Total 2015/16	350.2	40.8	64.1	455.1
DSG grant income	(365.3)	(40.8)	(64.9)	(471.0)
Transfer from EY to Schools Block	(9.2)	9.2	-	-
Available budget 2016/17	(374.5)	(31.6)	(64.9)	(471.0)
Individual Schools Budget 2016/17	362.2	29.2	41.4	432.8
Retained Schools Budget 2016/17	10.0	2.4	25.3	37.7
Planned expenditure 2016/17	372.2	31.6	66.7	470.5
Unallocated Headroom 2016/17	(2.3)	-	1.8	(0.5)

2.3.4 In December 2013, the Executive agreed that from September 2014 the funding previously passed to schools to fund the additional 10 hours for full-time nursery places will remain within the school block budgets and was to be distributed based on deprivation indicators relating to pupils in individual schools. This enabled schools governing bodies to decide whether to continue to use this funding to provide full-time nursery places, in addition to the free entitlement of 15 hours per week to which all three and four year olds are entitled.

2.3.5 After calculating the initial individual schools funding formula there is £2.3m unallocated DSG in the schools block. Based on current levels of spend and factoring in plans to increase special schools places next year, to reflect demographic growth, it is estimated there are at least £1.8m of known pressures in the high needs block, after factoring the £0.8m additional grant allocation. The pressures mainly relate to demographic pressures and additional duties around 19-25 years olds with high needs.

2.4 Schools and other Education Providers Budgets

2.4.1 There are no plans to change the Manchester's early years, primary and secondary schools funding formula next year. However, due to a significant shift in data measuring different degrees of deprivation the amounts allocated across the levels of deprivation in primary and secondary schools have been reviewed. This review has been on the basis of minimisation of significant

shifts to individual schools budget shares, this approach has always been endorsed by Schools Forum.

- 2.4.2 Councils can move DSG funds across the different DSG funding blocks. Executive is asked to approve the transfer from the schools block to the high needs block (£1.8m) and the allocation of the balance across all mainstream primary and secondary schools in the basic amount per pupil, this equates to £14 per pupil. Schools Forum supports the recommendation to allocate £1.8m of the unallocated DSG to high needs block pressures and £0.5m balance across all primary and secondary school pupils.

2.5 High Needs Block Pressures

- 2.5.1 The Council is reviewing the spend in the high needs block over the coming year alongside the imminent consultation on the national funding review. Therefore decisions made now will be subject to review in a year's time. The table below sets out the make-up of pressures in the block.

Table four – High Needs Block pressures

	£m
Demographics income	(0.80)
Special school place expansion	1.25
Independent school placements	0.40
Post-16 SEN – numbers	0.95
TOTAL	1.80

- 2.5.2 Manchester has a rising 0-19 population as well as an increase in the complexity of Special Educational Needs (SEN). Currently, 1.6% of the school population attend specialist provision either within a special school or resourced provision and this continues to be factored into future planning for school places. The 160 place expansion in special schools mirrors that of mainstream growth and does not increase the proportion of children attending a special school in Manchester.
- 2.5.3 The growth in the City's school population and the resulting pressure this has put on specialist placements for some types of need, such as autism, has meant that there has been an increase in spend on specialist independent placements. Post 16 with high needs pressures mainly relate to the growth in learner numbers, additional responsibilities for high needs post 19 year olds that came into force September 2013, and increased complexity of need.
- 2.5.4 The Council is currently analysing and forecasting high needs demand in the medium term in order to forecast and manage future demand and need in this area. Due to the static nature of the high needs block allocation to the Council in both 2014/15 (£2.43m) and 2015/16 (£2.83m) elements of the previous year's DSG under spends were earmarked to high need block pressures. It is unlikely at the end of this year the same level of balance will be available.

3. PUPIL PREMIUM

- 3.1 The Early Years Pupil Premium Grant (PPG) was introduced for eligible three and four year olds from 1 April 2015. For providers this is calculated and paid by the Council at the DfE set rate of 53p per hour (up to £302.10 per year if an eligible pupil attends for 15 hours per week). Children qualify for the early years pupil premium due to family income and / or if adopted from care or a looked after child.
- 3.2 The school aged PPG funds pupils who have been entitled to free schools meals in the previous six years, looked after pupils, pupils adopted from care and service children. This grant is paid outside of the DSG. The Department for Education (DfE) have announced that there are no changes to pupil premium rates in 2016/17.

Table five – pupil premium rates

Eligible pupils	2015/16 rate (£)	2016/17 rate (£)	Change (£)
Early years three – four year olds (funded through DSG)	53p per hour, to a max. of £302.10 per pupil	53p per hour, to a max. of £302.10 per pupil	-
Free school meals – primary aged pupils	1,320	1,320	-
Free school meals – secondary aged pupils	935	935	-
Looked after / adopted from care	1,900	1,900	-
Service children	300	300	-

4. CONCLUSION AND RECOMMENDATIONS

- 4.1. This report provides a summary of the Dedicated Schools Grant (DSG) settlement for 2016/17 and a breakdown of schools block (5-16 year olds), early years block and high needs block grant allocations.

Table six – proposed DSG 2016/17

Block	Grant Allocations £m	Transfers £m	Proposed Budget £m		Total £m
			Retained	Delegated	
Schools	(365.3)	(9.2)	10.0	362.2	(2.3)
Early Years (indicative)	(40.8)	9.2	2.4	29.2	-
High Needs (including post-16)	(64.9)	-	25.3	41.4	1.8
Total Funding	(471.0)	-	37.7	432.8	(0.5)

4.2 The Department for Education asks for notification of individual school budgets for 2016/17 by 21 January 2016. Final school budgets will be issued to schools in February 2016. Schools Forum was provided with the Schools' Budget on 18 January 2016.

4.3. The Executive is recommended to:

- 1) Note the level of 2016/17 DSG based on October 2015 pupil census.
- 2) Approve the transfer of £1.8m of the £2.3m unallocated schools block to fund high needs block pressures.
- 3) Approve the allocation of the remaining £0.5m of the £2.3m unallocated schools block funding across primary and secondary schools basic per pupil amount.

The review of high needs block over the coming year alongside the imminent consultation on the national funding review mean decisions made now will be subject to review in a year's time.