Manchester City Council
Report for Resolution

Report to: Children and Young People Scrutiny Committee - 5 February 2019
Executive Report – 13 February 2019

Subject: Dedicated Schools Grant 2019/20

Report of: Director of Education

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:

The DSG funding is provided in two stages: first, the government provides the grant to the Council for all state funded schools in the city, and then the Council determines the grant distribution to local educational establishments. Academy schools are included in the allocation for Manchester and budgets are calculated using the Manchester local funding formula, but the budgets are actually distributed by the Education Funding Agency.

The Government has previously stated that it intends to implement a National Funding Formula which means that school allocations will be determined by the Department for Education (DfE) rather than the Council. DSG arrangements for 2019/20 remain unchanged with the grant allocated to the Council in four blocks based on a national formulae, and schools funded on the Manchester local formula from the DSG allocation.

During the autumn the Council consulted schools and the Schools Forum on a transfer of funding from the schools block to the high needs block of up to 0.5%per pupil (£2m) in 2019/20. This was to address an underlying pressure in the High Needs budget largely resulting from an increase in the number of children and young people with Education, Health and Care Plans.

As a result of additional DSG for high needs of £2.562m (£1.281m for 2018/19 and 2019/20) announced by the DfE in December 2018, the Council is no longer seeking to make the transfer for 2019/20. However, despite this increase there are continuing pressures on the high needs block. The Council will continue to identify further savings options during 2019/20.

This report provides a summary of the confirmed DSG grant allocation from the 2019/20 settlement announced on the 16th December 2018 and the budget allocation across individual school budgets (ISB) and Council retained schools budget (RSB) which was reported to Schools Forum on 14th January 2019.

Recommendations

The Executive 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

Manchester Strategy outcomes	Summary of the contribution to the Strategy
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 This report provides a summary of the confirmed DSG grant allocation from the 2019/20 settlement announced on the 16th December 2018 and the budget allocation across individual school budgets (ISB) and local authority retained schools budget (RSB) which was reported to Schools Forum on 14th January 2019.

1.2 The DSG is a ringfenced grant used to fund individual school budgets in maintained schools, academies and free schools via the schools block. 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 and disabilities (SEND) and education health and care plans (EHCP) in special schools and specialist provision in and out of area. The central school services block (CSSB) supports the Council's role in education.

2. Summary of Dedicated Schools Grant Allocation 2019/20

2.1 The 2019/20 DSG totals £530.057m, the table below compares the 2019/20 against 2018/19 grant allocation. Overall Manchester allocation has increased by £11.484m, mainly due to additional pupils in secondary schools.

Table one: Dedicated Schools Grant settlement 2019/20 and 2018/19

BLOCK	Schools	Central School Services	High Needs	Early Years	Total
	£m	£m	£m	£m	£m
2019/20	409.073	3.658	76.498	40.828	530.057
2018/19	398.471	3.989	73.388	42.725	518.573
Difference	**10.602**	**-0.331**	**3.110**	**-1.897**	**11.484**

Schools Block

2.2 The Schools Block allocation for 2019/20 is £409.073m. For 2019/20 overall funding to a local authority area has been calculated bottom up school by school on the basis as if a National Funding Formula (NFF) had been applied. However, local authorities are still able to use a local formula to distribute the aggregated total between each school.

2.3 The guaranteed unit of funding is **£4,578.46** per primary pupil and **£6,083.83** per secondary pupil plus £12.672m funding for growth, mobility and premises allocation across 77,364 children aged 5-16 years.

Table two: Schools Block Allocation

Schools Block	
Guaranteed Unit of Funding	
Primary	£4,578.46
Secondary	£6,083.83
Number on roll – 77,364	
Primary	49,334
Secondary	28,030
	£396,403,501
Funding - growth, premises, mobility	£12,672,000
Total	**£ 409,073,501**

2.4 The £409.074m will be allocated out to schools in individual budget shares or held for the growth fund. There has been an increase of 1,713 pupils between 2018/19 and 2019/20. The Schools block allocation has increased by £10.602m in 2019/20 and allocated as follows:

- £9.985m for an additional 1,713 pupils in primary and secondary schools between October 2017 and October 2018.
- The DfE has also allocated Manchester's primary and secondary schools a 0.5% per pupil led increase in school budgets in 2019/20 of £1.814m.
- The growth fund allocation changed in 2019/20 from a historical allocation to a new formulaic method based on lagged growth data. Manchester will receive a protected level of funding, this is £1.990m lower than the 2018/19 allocation.
- Site factors have increased by £0.793m. Schools block movement is summarised in table three below.

Table three: Schools Block Funding change 2018/19 – 2019/20

	£m
Schools Block 2018/19	**398.471**
Additional Pupils	9.985
0.5% increase in rate	1.814
Reduction in Growth Fund	-1.990
PFI transfer to Schools Block	0.332
School site funding increase	0.461
Schools Block 2019/20	**409.073**

Central School Services Block

2.5 The central school services block (CSSB) supports the Council's role in education. It comprises two elements:

- Ongoing responsibilities - specified by DfE and retained centrally (Admissions, Copyright licenses and Servicing Schools Forum). The per pupil amount allocated to the Council for ongoing commitments has reduced by 2.5% per pupil from £43.74 to £42.65
- Historic commitments - these are funded at historical spend level, are time-limited and expected to reduce over a period of time. These have reduced from £680k in 2018/19 to £380k in 2019/20.

Table four: Central Schools Service Block - £3.658m

Central Schools Service Block	2018/19	2019/20
Historic Commitments (£)	**680,000**	**358,000**
On-going responsibilities:		
Unit of Funding (£)	43.74	42.65
October census number on roll	75,651	77,364
Total Ongoing (£)	**3,308,975**	**3,299,575**
Block Total (£)	**3,988,975**	**3,657,575**

High Needs Block

2.6 The high needs block funding supports provision for children and young people with Special Educational Needs and Disabilities (SEND) from their early years to age 25. The allocation for 2019/20 is £76.498m. It enables both local authorities and providers to meet their statutory duties under the Children and Families Act 2014. High needs funding is also intended to support good quality alternative provision (AP) for pre-16 pupils who cannot receive education in schools.

2.7 This block of funding is for those pupils or students who require provision that would not normally be available in mainstream settings within the delegated resources of a mainstream school. It is also for pupils who would require additional targeted resources in order to meet their needs in a mainstream setting or placement in a specialist setting, such as a SEN resource unit or a special school.

2.8 In September 2018 the Council reported to the Schools Forum a projected overspend on the High Needs block of £2.9m for 2018/19 as a result of increase in special school places, funding to schools for pupils with Education, Health and Care Plans (EHCP) and Post-16 EHCP costs. During the autumn the Council consulted schools and the Schools Forum on a transfer of funding from the schools block to the high needs block of up to 0.5% per pupil (£2m) in the 2019/20 reduce the overspend along with other savings measures. Schools and the Schools Forum expressed concerns over reducing core funding to schools at a time when schools have seen a real terms reduction in funding. .

2.9 In December 2018 the DfE confirmed that local authorities would receive an additional £250m nationally of high need block funding over 2018/19 and 2019/20. For Manchester this equates to £1.281m in 2018/19 and £1.281m in

2019/20. Following this announcement the local authority is no longer proposing to transfer up to 0.5% per pupil from the schools block to the high needs block in 2019/20.

2.10 In addition to this it was confirmed that the block will increase by a further £1.829m following application of the existing high needs block formula to local authorities. This is an increase of £3.110m for 2019/20 in total.

Early Years Block

2.11 The Early Years Block allocation is £40.828m. The 2019 to 2020 Early Years National Funding Formula (EYNFF) rates for all local authorities were published in November 2018 and the 3 and 4 year old rate for Manchester is unchanged from 2018/19. Final allocations will continue to be based on participation at the January census points and will be finalised in July 2019 and July 2020.

3. Dedicated Schools Grant Allocation within Manchester

3.1 The DSG funding is provided in two stages: first, the government provides the grant to the Council for all state funded schools in the city, and then the Council determines the grant distribution to the local educational establishments. Academy schools are included in the allocation from Manchester's DSG and budgets are calculated using the Manchester local funding formula, but the budgets are actually distributed by the Education Funding Agency.

Schools Block

3.2 The funding formula for primary and secondary is currently the basis for funding maintained schools and academies in a local authority. Individual school funding is determined by pupil numbers, pupil characteristics, a lump sum and premises related factors.

3.3 No change to Manchester's individual schools formula for primary and secondary is proposed. Manchester schools will receive a 0.5% per pupil led increase which has been applied to the unit values of the parts of the formula that are pupil led. The lump sum and mobility have not been uplifted by 0.5% as this has not been funded by the DfE. Rates, premises and exceptional costs have been uplifted in line with the allocations from the DfE. The lump sum to Manchester schools continues to be funded at £45k above the rate the Local Authority has been funded at as part of the local formula.

High Needs Block

3.4 The 2019/20 high needs grant allocation is £76.498m including the £3.110m of growth. The breakdown of estimated spend against this allocation is shown in table 5 below.

3.5 **Table five: High Needs Block planned spend**

	£m
Special School and Resource Units	48.150
Special School Partnership	0.700
Education, Health and Care Plans (allocated to school budgets 19/20)	6.100
Education, Health and Care Plans (estimate of further 19/20 allocations)	2.043
Post-16 colleges, specialist providers	7.809
Out of city placements	8.415
Central SEN Support Services	3.281
	76.498

3.6 **Special school and Resources Unit** - The school population in Manchester has been increasing significantly since 2008. This has led to an increased demand for school places across Manchester including places offering specialist provision. Currently, 1.9% of the school population attend specialist provision either within a special school or resource provision within a mainstream setting. There are 100 special school and 10 resource place expansion planned for 2019/20. The expansion mirrors that of mainstream growth and does not increase the proportion of children attending a special or resource school in Manchester.

3.7 **Education, Health, Care Plans (EHCP)** - The October 2018 census showed that schools in the City have 13,507 SEND pupils. This was made up of 13.7% (10,612 pupils) who have needs met through SEN support and 3.7% school with an EHCP.

3.8 **Post-16 students** - The funding source for these students remains a combination of DfE, through funded places at post 16 institutions and the DSG. A high needs student is defined as a young person aged 16-18 who requires additional support costing over £6,000 and any young person aged 19-25 subject to an EHCP that requires additional support costing over £6,000. Post 16 pressures relate to the growth in learner numbers and increased complexity of need.

3.9 **Out of City Placments -** This budget relates to 90 pre-16 pupils placed in independent specialist provisions,

3.10 **Central SEN Support Services** – this include contribution of £500k to the cost of SEND home to school transport, education caseworkers, speech and language contract.

3.11 During 2018/19 the Council has realised planned recovery options through a review of commissioned services, a detailed line by line review of the high needs central services and review of resource provision. At this stage it is estimated that there still could be a potential pressure on the DSG high needs

block if the number of pupils and students with EHCP plans increases above the budget available.

3.12 In order to manage the pressure the Council is looking to develop further savings options in the high needs block and plans to continue with the review of excessive school balances next financial year. Any remaining overspend at year end would need to be carried forward to the following financial year and managed with the overall DSG allocation for 2020/21.

Early Years Block

3.13 Manchester's funding rate per hour for both the universal and additional hours provision for three and four year olds and the two year offer is unchanged.

4. Summary

4.1 The table below provides a summary of the split between individual school budgets and those budgets retained centrally by the Council across each of the blocks in 2018/19 and 2019/20.

Table six: DSG individual school budgets and retained school budgets

	Schools	**Central School Services Block**	**High Needs**	**Early Years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Retained School Budgets	5.548	3.989	21.500	1.798	32.835
Individual School Budgets	392.923	0	51.888	40.927	485.738
DSG 2018/19	**398.471**	**3.989**	**73.388**	**42.725**	**518.573**
Retained School Budgets	3.750	3.658	22.930	1.720	32.058
Individual School Budgets	405.323	0	53.568	39.108	497.999
DSG 2019/20	**409.073**	**3.658**	**76.498**	**40.828**	**530.057**

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
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 moved to a 'soft' national funding formula in 2018-19. This means that local authorities will use the national funding formula 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 four blocks: the schools block, the high needs block, central services schools 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).