

**REPORT TO:** School Forum

**DATE:** 12th October 2015

**REPORTING OFFICER:** Operational Director – Education,  
Inclusion and Provision

**SUBJECT:** Proposal to Re-profile the Dedicated  
School Grant

**WARDS:** Borough wide

## **1.0 PURPOSE OF THE REPORT**

To provide a summary of the funding challenges faced in balancing the Dedicated Schools Grants (DSG) and to consult School Forum and special schools on the proposals to address the funding gap to ensure a sustainable and balanced DSG.

## **2.0 RECOMMENDATION: That**

- 2.1 School Forum considers the challenges faced in balancing the DSG in 2016/2017;**
- 2.2 The Forum recommends which of the options should be used to re-profile the DSG;**
- 2.3 The Board support the proposal to review and revise the top up funding for special schools within the Borough to bring the funding in line with the budget available ; and**

## **3.0 SUPPORTING INFORMATION**

- 3.1 The Dedicated Schools Grant (DSG) is allocated to Halton annually based on the number of pupils in primary and secondary schools, in early years provision and receiving high needs (special educational needs) provision. Using the number of places offered for September 2015, the estimated amount of grant for 2016-17 is £101,572,789. No uplift of DSG is expected for indicated.
- 3.2 The DSG is allocated to mainstream schools and academies in Halton using the same funding formula which the LA Finance Team calculates. The Authority is required to consult with schools and academies on the funding factors and criteria used within the funding formula but are not required to consult on actual cash values.
- 3.3 The School Forum is then presented with the recommended funding formula for approval and the funding formula (but not actual cash values) have to be submitted to the Education Funding Agency by the end of

October. The cash values attributed to each funding factor are calculated once the indicative grant settlement and actual pupil data is released in mid-December and have to be submitted to the EFA by 21<sup>st</sup> January 2016.

- 3.4 Although School Forum is consulted on the funding factors used it is the role of the Local Authority to propose and decide any decisions on formula changes including the redistributions of funding. Therefore, on 1<sup>st</sup> October 2015 Executive Board considered the current funding difficulties and proposed that School Forum be consulted on options to address the current funding gap. The School Forum must be consulted on the proposed changes and governing bodies must be informed of all consultations. For any financial issues related to special educational needs the School Forum should give their view and inform governing bodies of all consultation.
- 3.5 Since April 2010 there has been no uplift to the cash value per pupil that the local authority receives; although the amount received each year varies based on the number of pupils. Schools have been protected to a large extent as savings have been made to the central services funded by the grant instead. However, the expenditure over the past year and forecast for the current year is that there will be an overspend covered only by contingencies brought forward from previous financial years.
- 3.5 The indicative grant was £101,773,600 for 2014-15 and we carried forward £5.35m of central balances from previous years into 2014-15. By the end of the year those central balances had reduced by £2.73m to £2.62m.
- 3.6 Over the same period school balances for primary and secondary schools had increased by £0.75m from £5.94m to £6.69m even though within that year one secondary school and two primary schools had converted to academies so there were three fewer schools at the end of the year.
- 3.7 The indicative DSG for 2015-16 for Halton was £104,006,000 due to an increase in pupil numbers. After the top-slice for monies paid directly to academies and non-maintained special schools Halton will receive £77,506,000 in actual payments.

3.8 The estimated outturn for 2015-16 is as follows:

Devolved directly to maintained schools:	£65,216,403
Forecast central expenditure	<u>£12,833,613</u>
	£78,050,016

This gives a forecast overspend of £544k for this current year. The balance of contingencies at the end of 2015-16 is therefore expected to reduce to £2.076m.

- 3.9 The estimated grant for 2016/2017 is £101.6m based on the number of places offered for September 2015. From this we require £14.2m to cover all central services leaving £87.4m for schools. However, using the 2015-16 cash values for the 2016-17 estimated pupils we require £89.9m for schools. This leaves a funding gap of £2.5m.
- 3.10 The Early Years phase which covers all 2, 3 and 4 year old provision has a budget of £5.3m and a forecast spend of £7.0m, leaving an overspend of £1.7m. This is due to the take up of free entitlement being more than we are funded for. As participation increases so our grant allocation will increase however we are only given an increase (or decrease) in budget after the end of the financial year.
- 3.11 The High Needs block of DSG covers special schools, resource bases, enhanced provision, independent school provision and a range of central services mainly within the Inclusion division. We will receive £13m allocation for 2016-17 but are expecting to spend £15.6m, leaving a gap of £2.6m.
- 3.12 The breakdown of costs is given below:
- |                               |              |
|-------------------------------|--------------|
| Special Schools including PRU | £6.6m        |
| Resource bases                | £1.6m        |
| Enhanced Provision            | £1.7m        |
| SLA's for the Resource Bases  | £0.4m        |
| Post 16 independent provision | £1.1m        |
| Independent schools           | £2.5m        |
| Other                         | <u>£1.7m</u> |
| Total                         | £15.6m       |
- 3.11 The schools block of DSG covers mainstream primary and secondary schools. Just over £1.1m is retained centrally and the level and purpose is strictly defined by the regulations. The majority is devolved directly to schools however we have historically not passed on the full amount as this block of DSG has covered the overspends in the Early Years and High Needs areas. We have reached a point whereby the underspend in this block no longer achieves this.

#### **4.0 BUDGET OPTIONS**

- 4.1 **Special Schools Funding** - The issues faced are mainly around the numbers and costs of high needs pupils. The cost for the special schools in 2013-14 was £5.2m while the forecast cost for 2015-16 is £6.6m, an increase of £1.4m. Of this, £268k relates to new provision – that of the sixth form at Ashley special school.
- 4.2 The cost of the special units within mainstream schools has stayed at £1.6m; the cost of enhanced provision has increased by £0.2m. However the cost of independent school provision has increased by £0.9m from £1.6m in 2013-14 to £2.5m expected in 2015-16.

- 4.3 Consequently a review is being undertaken of the funding for special schools with a view to aligning spend to the budget available. This will require an application to the Schools Minister for permission to disapply the minimum funding guarantee. Thereby allowing an overall reduction to the special schools budgets of more than 1.5%.
- 4.4 The DSG covers the costs of all Halton pupils whether educated in Halton schools or educated in either other LAs or independent special schools. Over the last few years there has been an increase in the number of pupils placed in independent provision outside the Borough as schools have said that they are not in a position to meet their needs. Consideration will need to be given at School Forum as to the implications of this trend and whether there are other better more efficient ways to meet the needs of many of these children and young people within the Borough. The School Forum will be advised that the costs of placing children and young people from the Borough is significantly higher than educating them with Halton schools and that the more pupils we place in independent provision the greater the reduction will be on delegated schools budgets.
- 4.5 For Primary and Secondary schools, every attempt has been made to protect the budget within each funding factor, adjusting only for increases or decreases in pupils numbers. The exception has been the funding for Looked After Children which despite the significant increase in numbers has remained at £1,517.25 per pupil. This has meant the total amount passed to schools for LAC increasing from £151.5k in 2013-14 to £232k for 2015-16. (An increase of £80.5k, or 53 pupils). This increase has been offset by a corresponding decrease in other funding factors for schools.
- 4.6 **Option A** - The Minimum Funding Guarantee protects schools from budget reductions of more than 1.5% on their previous years' budget other than for falling pupil numbers. This means that if we need to reduce the cash values of the funding factors by more than 1.5% it has no impact on the overall budget received by a school. A reduction of 1.5% across all funding factors would save £863k and so reduce the funding gap to just over £1.7m.
- 4.7 If a further reduction of 1.5% was considered across all funding factors for 2017-18 within the primary and secondary sectors, this would give approximately £850k of savings. Therefore over the two years 2016-17 and 2017-18 we could reduce the primary and secondary budgets by £1.7m which in conjunction with the special schools review will ease the pressure overall on the grant. If the funding formula remains unchanged, by 2018-19 we should be in a position to cover all our expected costs within the grant and hopefully be able to start rebuilding our contingencies which have served us so well over the last couple of years.

- 4.8 **Option B** -There is an alternative option available to schools to reduce their funding. This is the recommended option as it will reduce the overall level of cuts each school has to their budget over the two years. The option is to reduce the funding factors by 1% and take out the funding for Pupil Growth (budget of £180,000) and the Additional Notional SEN funding (budget of £108,500). These combined actions should produce a similar level of saving as the 1.5% reduction in funding factors of £794k in year 1 and a similar sum again in year 2. This along with the reduction in special schools budgets should balance the budget.

## **5.0 POLICY IMPLICATIONS**

- 5.1 Government Policy is that the current funding allocation will be replaced by a National Funding Formula. There is no detail at this stage as to what this would look like and when it is likely to be introduced. However, in order to ensure Halton Schools are in the best position if and when the National Funding Formula is introduced every effort has been made to keep schools at the mid-range of cash values for each funding factor.
- 5.2 A separate report has been prepared for School Forum to consider in relation to the review of funding for Special Schools. Once this review has been completed, consultation will take place with the schools and governing bodies. A report on the outcome of these consultations will be provided to Executive Board so that a final decision can be made.
- 5.3 There is a possibility that when the indicative grant is received along with the actual pupil data in mid-December that the funding gap will alter as the figures used within this report are estimates based on 2015/2016 budgets and numbers. Agreement to the proposal is however essential at the October Board as the indicative budget is received towards the end of December and the cash values must be calculated and submitted to the Education Funding Agency by 21<sup>st</sup> January 2016.

## **6.0 FINANCIAL IMPLICATIONS**

- 6.1 The DSG funding gap is estimated to have increased to approximately £2.5 million. In previous years any funding gap has been covered through the use of unallocated funds and the carry forward contingency from previous years.
- 6.2 To address the funding gap it is proposed that the primary and secondary school budgets are re-profiled in line with either Option A or Option B with a maximum of 1.5% reduction taken from each school in the next two financial years. In addition, a review of special schools funding is undertaken which brings spend in line with their original funding allocation.
- 6.3 Appendix A shows the impact of the proposed reductions on the different categories and sizes of schools.