



**CHILDREN AND YOUNG PEOPLE  
SCRUTINY REVIEW BOARD  
17 December 2018**

## **ITEM 8**

Report sponsor: Andy Smith, Strategic Director  
of People Services

Report author: Alison Parkin, Head of Finance,  
People Services

### **The Dedicated Schools Grant; Derby's Story and the implementation of the National Funding Formula**

#### **Purpose**

- 1.1 The purpose of this report is to illustrate Derby's funding position in the national context and the implications of the movement to a National Funding Formula.
- 1.2 The Dedicated Schools Grant is a ring-fenced grant that funds early years provision, provides funding to schools including academies and funding for special educational needs across a range of provisions and associated support services.

#### **Recommendations**

- 2.1 To note the current levels of funding within the City and the implications over the next two years as the National Funding Formula is introduced.

#### **Reasons**

- 3.1 The Dedicated Schools Grant funds all education provision in its widest context and changes in funding allocations will have an impact on resources available to schools and the Council.

#### **Supporting Information**

- 4.1 The Dedicated Schools Grant (DSG) is a ring-fenced grant through which the Council funds schools and other education activity in the City. The grant is split into four blocks, the allocations for 2018/19 are:

Schools Block £168.596m

Central School Services Block £3.919m

High Needs Block £34.588m (£32.66m net of EFA recoupment for places funded direct)

Early Years Block £19.671m

Total DSG £226.774 m

Until 2018 2019 there was no ring-fencing of any of the blocks and Councils had the ability to cross subsidise in order to set a balanced budget. From 2018 2019 the Schools Block was ring-fenced.

#### 4.2 Schools Block

This is the funding allocation that is delegated to schools through a local funding formula. Current national policy is to implement a National Funding Formula (NFF) which will mean that the formula and allocations will be set nationally. Derby's schools are set to gain considerably from the introduction of a National Funding Formula, some £10 million from the current position (9.1% per pupil increase from the 2017 2018 position), the 2<sup>nd</sup> biggest increase nationally, second only to Bath and East Somerset (9.5%).

It needs to be noted though that this increase in funding would not be applied equally to all schools in the City, moving to a NFF will result in some schools gaining in the region of 12% whilst others would see no increase.

- 4.3 Until the ring-fencing of this block the DSG was seen in its entirety and budgets were set on this basis in conjunction with Schools Forum and the wider schools community. This resulted in some cross subsidies across the blocks. This means that comparisons merely on individual schools budgets between authorities can be misleading because they will be affected by these historic cross subsidy decisions taken.

The table below illustrates the subsidiary from the Schools Block to the High Needs Block.

<b>DSG allocations, prior to deductions for academies recoupment and direct funding of high needs places by EFA</b>	<b>2013/14 £000's</b>	<b>2014/15 £000's</b>	<b>2015/16 £000's</b>	<b>2016/17 £000's</b>	<b>2017/18 £000's</b>	<b>2018/19 £000's</b>
Schools Block	153,351	154,364	162,895	164,958	163,432	168,595
High Needs Block (after deductions for academies recoupment and direct funding of high needs places by ESFA)	24,398	24,933	25,130	25,581	*33,045	32,660
Transfer from Schools Block to High Needs Block	3,085	3,321	4,080	5,731	519	842

\*note the change on previous year allocation is in relation to a transfer of responsibilities between the blocks and post 16 responsibilities.

- 4.4 Comparisons of DSG **Schools Block** funding at statistical neighbours levels (comparable authorities), individual regional authority levels and regionally levels show that Derby is ranked 10/11 in the statistical authority analysis (1 being the highest funded), 3/9 in terms of regional neighbour analysis with the East Midlands as a region being 8/10.

This relative low level of funding of the Schools is due to a number of issues, East Midlands being relatively low funded as a region but exaggerated by the historic cross subsidiary of the High Needs Block and previous grants (Standards Funds) that were mainstreamed into delegated schools funding.

#### 4.5 High Needs Block

The High Needs Block has been based on historic spend since its creation in 2013/2014, higher spending authorities therefore received relatively higher allocations. A move to a National Funding Formula based on relative needs sees some movement of future allocations where they will be targeted at those lower funded authorities; Derby is not one of those authorities. In the High Needs Block analysis Derby is one of the authorities set to gain the least from the NFF (2.3%, 119<sup>th</sup> / 150) which could be interpreted as that we are much closer to the NFF than other local authorities, the complete opposite as in the NFF and the Schools Block.

#### 4.6 Central Schools Budget Block

This block is made up of two elements, funding for LA ongoing functions (funds elements such as schools admissions) and historic commitments (commitments made from the DSG by local authorities pre 2013 and in Derby this refers to significant contributions to Children's Services).

As with the other blocks a National Funding Formula is being introduced for LA ongoing functions only where Derby will see a modest increase from £1.071 million to £1.247 million. The future funding for the historic contributions element however is in question and will have a significant impact on Council Services should this be eroded. This element is currently £2.8 million. The Council's funding for historic commitments makes Derby the 27<sup>th</sup> highest funded authority in value terms.

#### 4.7 Early Years Block

There are no proposed changes in this area of the DSG although it should be noted that transitional protection from the introduction of the single funding formula in 2017 still exists for maintained nursery schools of £1.085 million.

### **Public/stakeholder engagement**

- 5.1 All changes to schools funding has been consulted on with Schools Forum and the wider education sector including academy schools.

## Other options

- 6.1 The Council is required to implement the National Funding Formula for schools and has to operate within the framework of the Schools and Early Years Funding Regulations.

## Financial and value for money issues

- 7.1 As contained within the report

## Legal implications

- 8.1 The Council is obliged to set a balanced budget for the Dedicated Schools Grant which is compliant with the Schools and Early Years Funding Regulations.

## Other significant implications

- 9.1 Significant shifts in funding over the two years from the High Needs Block and the Central Services Schools Block will have implications on the funding for special educational needs and Council services.

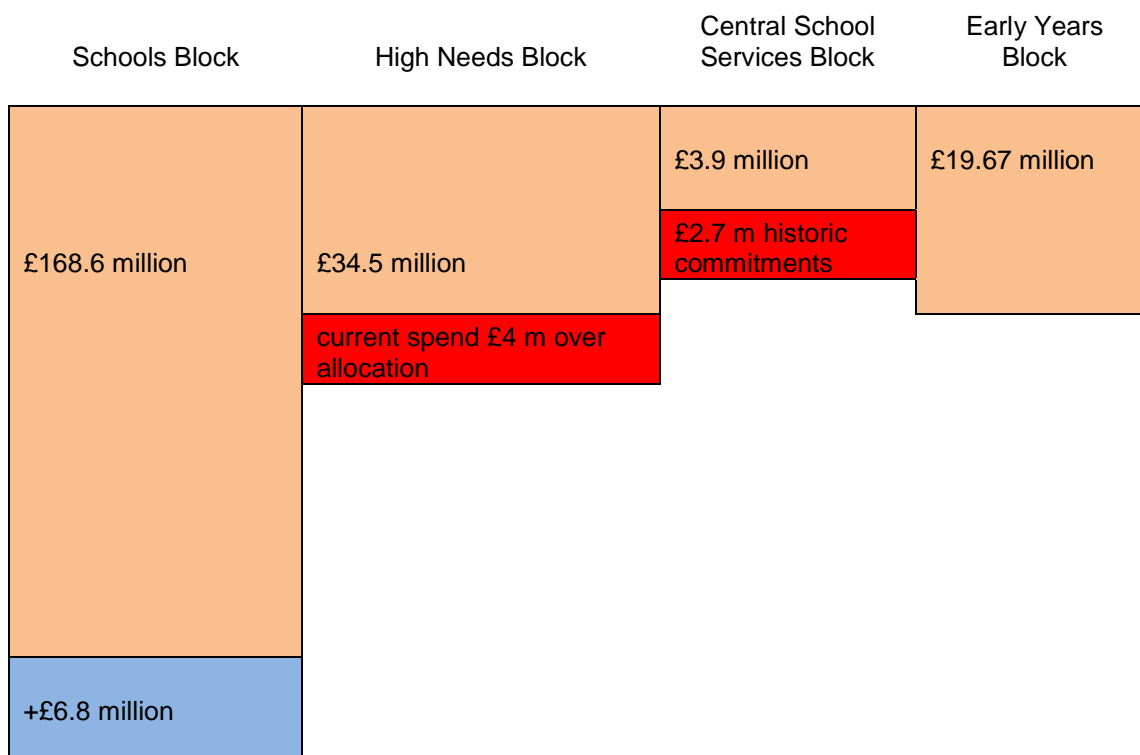
**This report has been approved by the following people:**

<b>Role</b>	<b>Name</b>	<b>Date of sign-off</b>
<b>Legal</b>	Olu Idowu	3 December 2018
<b>Finance</b>	Alison Parkin	30 November 2018
<b>Service Director(s)</b>		
<b>Report sponsor</b>	Andy Smith	30 November 2018
<b>Other(s)</b>		

## Appendix 1

The Dedicated Schools Grant is made up of four blocks. The Schools Block is ring-fenced. The diagram below illustrates the changes to the individual blocks and spending as a National Funding Formula is implemented across the system.

### National Funding Formula Implications



\*Not drawn to scale