

APPENDIX D

Education Funding

- D.1. After Academy Recoupment, the Total Dedicated Schools Grant (DSG) is £199m in 2017/18. The grant is split by the schools block (£128m); the high needs block (£43m) and the early years block (£28m). The majority of the schools block is delegated to maintained schools through the funding formula. However £2.2m is held back in agreement with Schools Forum to fund some central services such as admissions and retained duties (formerly funded by the Education Services Grant - ESG) and also to fund expanding schools (growth fund). In addition, funding of £4.4m is de-delegated from schools in agreement with Schools Forum to support central areas such as behaviour services, school improvement and general duties (formerly funded by ESG) as well as areas supporting schools such as schools in financial difficulties, the intervention fund and the maternity scheme.
- D.2. Academies and Free Schools are funded through the same formula however the ESFA recoup the funding from the DSG and fund these schools separately. Whilst central retentions are taken from academies and free schools DSG allocations, de-delegations are from maintained schools only. Therefore if any of these services provided to academies and free schools must be charged for these. In addition, for any growing free schools which are still filling up, these are funded on an estimates basis in the DSG rather than lagged funded with some growth funding as is the case for maintained schools and basic need academies. This funding for expanding free schools is an increasing cost pressure to the DSG together with general increases in business rates which must also be funded by the DSG.
- D.3. Under the National Funding Formula proposals which are due for implementation from 2018-19 there are likely to be reductions in the funding levels for schools (overall reduction set at -1.4%). With this there is likely to be a reduced appetite from maintained schools to de-delegate funding to support services formerly funded in that way. In addition whilst there is an additional school improvement grant (full year £0.25m) this is unlikely to be at a level large enough to fund the current service and any ESG transitional grant for ESG general duties services will also have ended (£0.7m). Moreover, there are restrictions on bidding for the new schools targeted improvement fund and also the new school improvement grant is likely to decrease as more schools convert to academy status. All of these factors mean that other options for funding these services, such as fully traded services and/ or service reduction, needs to be explored in time for 2018-19.
- D.4. Under the new funding proposals there will be a new Central Block in DSG which will include many of the existing central retentions including admissions and the former ESG retained duties. Funding in these areas is likely to be subject to a -2.5% planned reduction under current illustrations for 2018-19 and corporate overheads currently funded by the DSG are unlikely to be sustainable at current rates.
- D.5. The majority of the Early Years Block funding is provided for 2, 3 and 4 year olds across maintained settings and the PVI under the Early Years Single Funding Formula on a participation basis. Whilst the intention is to bring funding rates into line across all settings, there has been additional support provided for maintained nursery schools. A number of new funding supplements have also been introduced and also some additional funding for the extension of the offer. Funding held back on this block has now been restricted to 5% in 2018-19 and this will reduce further to 3% in 2019-20. Currently the central funding is used to support the early years team, the early help service and a small subsidy to the 3 Council run day nursery's (which also requires the support of the remaining DSG reserve). A strategy will be needed to

address the central funding reduction on the early years block in 2019-20 which is likely to be of the order of £0.4m.

- D.6. Within the high needs block the majority of the funding is allocated special needs education for mainstream top ups, special schools, resource units, non maintained special schools and academies, independent provision, other local authorities and 16-25 provision. In addition funding is also provided for alternative provision, the pupil referral unit and the two hospital schools. The EFA recoup place funding for academies from the DSG and pay this directly to these schools. The current level of funding held back for services such SEN transport, hearing and visual impairment, speech and language therapy, central costs and home tuition is £4m. There are significant pressures on the high needs block with the full contingency of £3.5m in the DSG reserve needing to be used in 2016-17. The pressure is particularly acute in the 16-25 area which was transferred to local authorities with no additional funding and a consultation on this area has been delayed for some time. The national picture is that the high needs block is overspending across most local authorities.
- D.7. Under the existing national funding proposals this area is expected to be cash flat (0%) under current proposals in 2018-19. However there has been an increase in the high needs block funding between 2016-17 and 2017-18 although the majority of that funding was transferred from the schools block in agreement with the Schools Forum and there will still be flexibility to transfer funding between blocks, and the schools block is facing a reduction in funding. The pressures in the high needs block are such that the Council will need to work closely with Schools Forum to identify savings and efficiencies and this will also need to include centrally funded areas.
- D.8. The DSG outturn will be reported in July in the monitoring report and to Schools Forum, however, budget pressures in 2016-17 largely arising with the cost of special educational needs, are expected to result in a significantly reduced DSG reserve – however we note that this was part planned and also used to support adverse variances with the appropriate contingency being set aside in the reserve.
- D.9. In this context of the ongoing pressures and issues identified in the blocks above, it is likely that savings will be needed from within the ring-fenced Dedicated Schools Grant in 2018-19 and further, that a review of expenditure currently charged to the DSG will take place as part of budget setting process in 2018-19. Different models for funding services most notably school improvement, behaviour services and former ESG general duties will also need to be examined given the funding changes highlighted and funding constraints on schools under the new national funding formula.
- D.10. Robust monitoring of the DSG budget will need to be incorporated within the budget recovery board with increased emphasis in 2018-19.