

# School Funding Overview: Dedicated Schools Grant (DSG) and National Funding Formula (NFF)

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## Scrutiny Committee

5 November 2018



# Dedicated Schools Grant (DSG): History

- DSG system introduced in 2006/07 – pivotal point in determining how much DSG income LAs will receive in future years.
- 2006/07 DSG income was pegged to what LAs had spent/allocated per pupil in 2005/06
- 2005/06 can be considered the baseline year for the current funding system. Difference in funding levels at that point carried forward from 2006/07 onwards.

*Source: House of Commons briefing paper no. 06702, 12 June 2017*

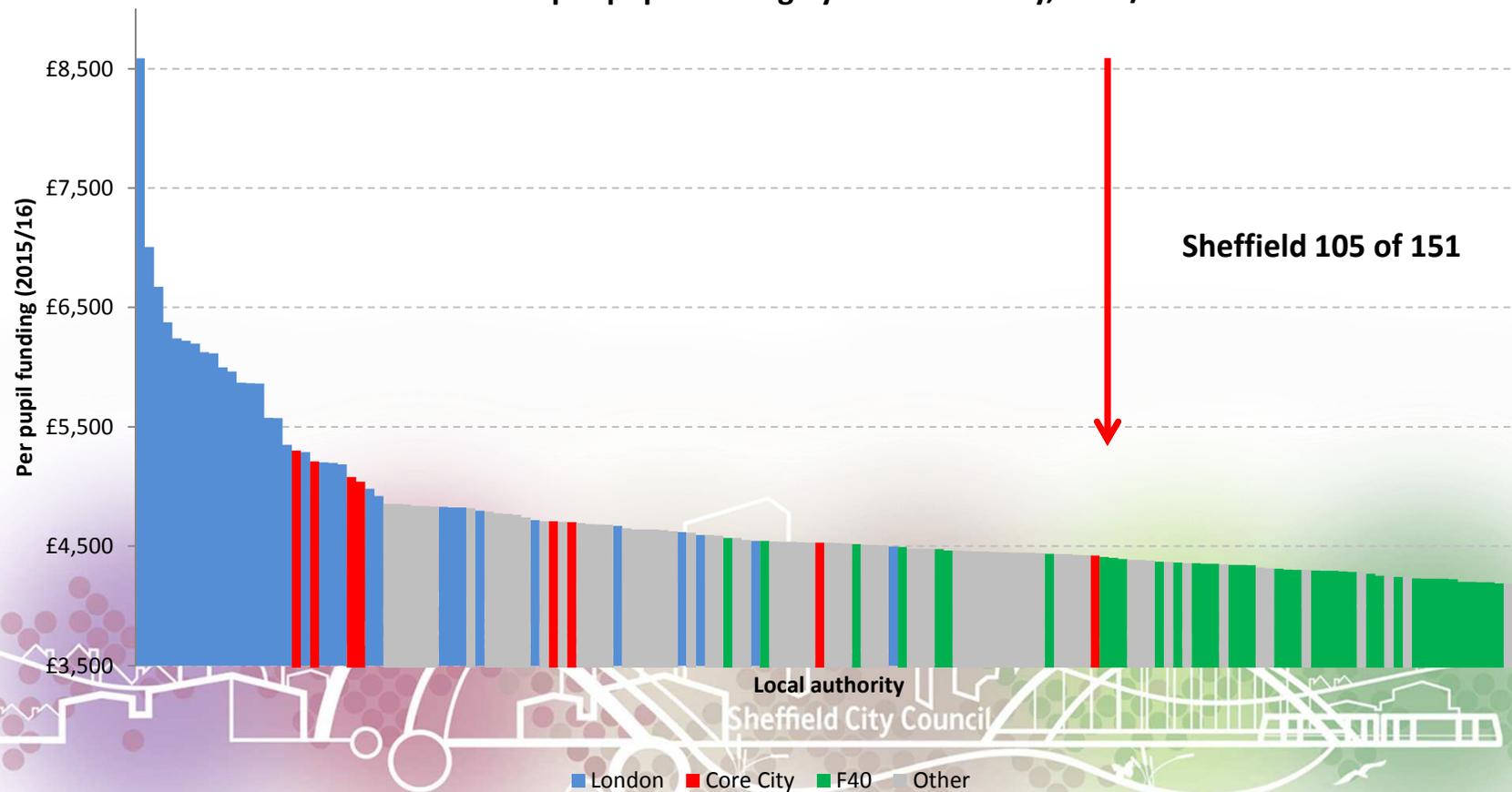
# DSG: History

- From 2006/07 DSG income allocated on “Spend Plus” providing per pupil funding at the level received in the previous year, subject to adjustments.
- Funding prior to 2006/07 was partially based on consideration of area needs, deprivation, additional educational needs etc.
- Authorities with low levels of funding in 2005/06 had relatively low levels of deprivation and additional needs and this position has, to a large extent, been locked into the system ever since.

*Source: House of Commons briefing paper no. 06702, 12 June 2017*

# Historically low settlement for Sheffield – Core Cities analysis

Schools Block per pupil funding by local authority, 2015/16



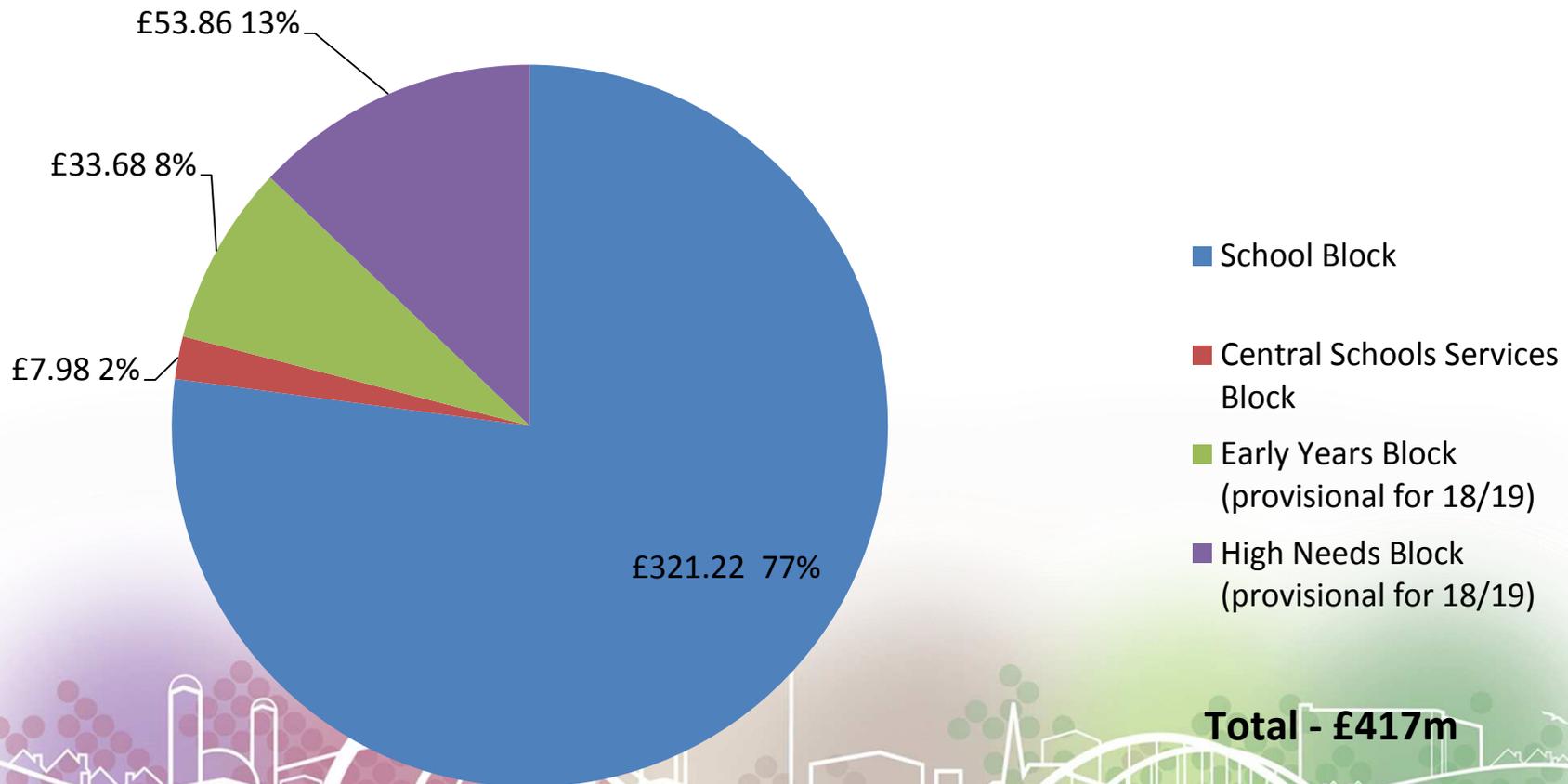
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# Current DSG

Four main blocks:

1. Schools Block – for primary and secondary pupils in maintained schools and academies.
2. High Needs Block – for children with complex needs (e.g. funds EHC Plans).
3. Early Years Block – free entitlement for 3 and 4 year olds, and some 2 year olds.
4. Central Services Schools Block.

# Overall DSG Settlement for Sheffield 2018/19 - £m



# Pupil Premium

- Payable for each pupil who has been eligible for free meals at any time in the last 6 years, or is looked after / adopted from care after 2005, or who has been a service child in the last six years.
- It's designed to help disadvantaged pupils of all abilities perform better, and close the gap between them and their peers. Uses can include: additional classroom support, extra-curricular activities, breakfast clubs or extra learning resources.
- Expected level of Pupil Premium for 2018/19:

Primary £'000			Secondary £'000			ISB £'000
Maintained	Academies	Total	Maintained	Academies	Total	Total
8,340	9,247	17,587	742	7,354	8,096	25,683

# Current School Block Funding: Context

- Average amount of per pupil school funding that individual local authorities receive varies considerably.
- Local authorities distribute funding to schools using local funding formulas, which give different weights to different factors, meaning that schools receive varying levels of per pupil funding, even within the same area – allows us to consider local priorities when allocating resources.



# Role of Schools Forum

- A statutory body.
- Made up of representatives from schools and academies, other non-school organisations.
- Consultative body on some issues and a decision-making body on others:
  - Provides a formal channel of communication between Sheffield City Council (SCC) and Sheffield schools; and serves as a mechanism for consultation on such matters concerning the funding of schools.
  - Also promotes working practices which seek to deliver best value in all aspects of schools funding between SCC and schools and on behalf of schools.
  - Must be consulted on any proposed changes to SCC's school funding formula.

# National Funding Formula (NFF): Background

- National funding regulations require local authorities to fund schools using “soft” NFF during the transitional phase which has now been extended to include 2020/21.
- We have been encouraged to work towards implementing a “hard” NFF Formula – the NFF will be used to calculate each individual schools budget, without applying a local funding formula.
- For 2018/19, NFF means an **increase of £5.8m DSG Schools Block** funding for Sheffield.
- DSG settlement has been at a standstill for the last 5 years and an average 2% inflation could mean a cumulative £30m requirement.

# Impact of Changes for Sheffield

3 elements of the 'hard' NFF will have a significant impact for Sheffield schools when fully implemented:

1. The sector ratio will move from 1:1.24 in the Sheffield Formula to 1:1.29 in the national formula (for every £1 in primary there is £1.24 or £1.29 in secondary).
2. The lump sum will move from £150k in the Sheffield formula to £110k in the national formula. This change has a significant financial impact on small schools.
3. The funding for prior attainment is reduced in the national formula in comparison to the existing Sheffield model. The NFF allocates 8% of total budget share whereas Sheffield currently allocates 9%.

# Implications of National Funding Formula for Sheffield

- We recognise that NFF is a move towards greater fairness.
- NFF tries to strike a balance nationally between fairness and stability. From a Sheffield perspective it appears more focused on stability.
- The way funding is distributed by National Government means we are worse off from our anticipated allocation (based on October 2017 baseline) for:
  - Schools Block by £12.1m (£170 per pupil) and £5.7m (£80 per pupil) in 2018/19 and 2019/20.
  - High Needs Block by £6.7m and £5.2m in 2018/19 and 2019/20.
- There is insufficient funding nationally in the school system.

# Early Years Block

The Early Years Block comprises:

- Participation funding for disadvantaged two-year olds.
  - Current hourly rate - £4.94.
- Funding for the three and four year old entitlement.
  - Current hourly rate - £4.10.
- Early Years Pupil Premium for three and four year olds.
- Funding for maintained nursery schools and Disability Access Fund.

# High Needs Funding: Challenges

- Total funding for 2018/19, based on historical settlement = **£53.7m** (should be £60.4m) – funding not kept pace with increasing demand - a £6.7 million allocation shortfall for 2018/19 with a projected £5.24 million allocation shortfall in 2019/20.
- Sheffield has a growing school population and growing level of need for support for children with Special Educational Needs and Disabilities (SEND). This is across all areas, but particularly a growing demand around mental health, behaviours, communication needs and sensory needs, including for children with a diagnosis of autism.
- Growth projected in Special Schools – 2018/19 budgeted position of 1,183. Current expectations that the actual numbers could be in the region of 1,200-1,225.

# What we're doing to address the funding challenge:

- Briefed MPs.
- Working with the schools sector – via Schools Forum, Locality meetings, working groups and other meetings.
- Working with Learn Sheffield.
- Reconsidering NFF transition plan.
- Lobbying national government to bring forward full implementation.

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