



Education  
Funding  
Agency

# **Dedicated schools grant**

**Conditions of grant 2016 to 2017**

**December 2015**

# Contents

Summary	3
About this document	3
Expiry or review date	3
Who is this document for?	3
Key points	3
Terms on which grant is paid	4
Grant allocation and payment	5
Purpose of the grant	5
Allocation of grant to local authorities	5
Payment arrangements	5
Allocation of grant to schools by local authorities	5
Determination of the local funding formula and funding for high needs pupils	6
Allocations to academies	7
Use of grant monies	8
Accounting	9
Year end procedures	9
Repayment of DSG	10
Local authority reporting requirements	10
External audit arrangements	10

# Summary

## About this document

These conditions of grant have been prepared by the Education Funding Agency (EFA) to assist local authorities in the operation of the dedicated schools grant (DSG) which is payable to local authorities under section 14 of the Education Act 2002. The conditions of grant have been updated for the 2016 to 2017 financial year.

## Expiry or review date

This document will next be reviewed in December 2016.

## Who is this document for?

This document is for:

- Local authorities

## Key points

These conditions of grant have been revised for the 2016 to 2017 financial year to update the dates and the relevant website references.

## Terms on which the grant is paid

1. The formal terms of grant given by the Secretary of State under section 16 of the Education Act 2002 state that:
  - a. We will pay the grant as a ring-fenced specific grant and it must be used in support of the schools budget as defined in the School and Early Years Finance (England) Regulations 2015. It can be used for no other purpose.
  - b. At the end of the 2016 to 2017 financial year the Chief Finance Officer (CFO) of the local authority is required to append an additional note to the statement of accounts confirming the deployment of the DSG in support of the schools budget as required by the Accounts and Audit (England) Regulations 2015. The CFO is also required to confirm the final deployment of the DSG in support of the schools budget.
  - c. The Secretary of State reserves the right to recover the grant where there is evidence that a local authority has used it for any purpose other than to support the schools budget or has failed to comply with any other condition of grant.

## **Grant allocation and payment**

### **Purpose of the grant**

2. The grant is paid in support of the local authority's schools budget. It is the main source of income for the schools budget.
3. Local authorities are responsible for determining the split of the grant between central expenditure and the individual schools budget (ISB) in conjunction with local schools forums. Local authorities are responsible for allocating the ISB to individual schools in accordance with the local schools' funding formula.
4. Local authorities can add to the schools budget from local sources of income.

### **Allocation of grant to local authorities**

5. The methodology underlying the allocation of DSG to individual local authorities can be found in the Schools revenue funding 2016 to 2017: technical note.

### **Payment arrangements**

6. We will pay the grant to local authorities in 25 instalments on the dates set out in Annex A. Initial payments will be based on the total DSG allocation notified in December 2015 minus the total share of the ISB recouped for academies, as submitted by each local authority on their final Authority Proforma Tool (APT) in January 2016 and deductions for high needs places.
7. The basic method for calculating recoupment will be to take the ISB share calculated by the local authority from the APT in January 2016. Detailed recoupment guidance for 2016 to 2017 will be published in January 2016.
8. We will make recoup adjustments throughout 2016 to 2017 as further schools convert to academies. These will be based on the converted school's share of ISB, taking into account the 80% rates relief applied to academies and will be proportional to the period of the financial year for which the school is an academy.

### **Allocation of grant to schools by local authorities**

9. Local authorities retain responsibility for setting the overall level of their ISB and for determining schools' budget shares, subject to the School and Early Years Finance (England) Regulations 2015.

10. Each local authority's scheme for financing schools must contain a provision which sets out the frequency with which the budget share will be made available to governing bodies of maintained schools.

## **Determination of the local funding formula and funding for high needs pupils**

11. The following conditions apply in relation to setting the local funding formula and the funding for high needs pupils:

- a. The local authority must maintain a single formula for funding both maintained schools and academies in its area.
- b. In constructing the formula, the local authority must take account of the circumstances of all academies and maintained schools in its area.
- c. The formula must allocate at least 80% of funding through pupil-led factors (single per pupil amount, social deprivation, prior attainment, English as an additional language, pupil mobility, looked after children, differential salaries of teachers near London).
- d. Any limiting or scaling back of the funding of schools and academies that gain from the formula must not exceed in total the cost of funding the minimum funding guarantee (MFG).
- e. The local authority must treat maintained schools and academies on an equivalent basis when using funding held centrally within DSG, not including funding that has been de-delegated by maintained schools.
- f. The local authority must treat those placed in maintained provision, in academies and free schools, in the further education sector, and in non-maintained and independent provision on a fair and equivalent basis when making arrangements for funding young people with high needs.
- g. The local authority, in deciding on top-up funding rates for the pupils to be placed in its maintained special schools and special academies it previously maintained, must ensure that the special school or special academy's budget reduces by no more than 1.5% in cash between the 2015 to 2016 and 2016 to 2017 financial years. This should be calculated on the basis that all the pupils in the special school or special academy were placed by the local authority, and the number and type of places remained the same in the two financial years. When a pupil who requires top-up funding has already been placed in an institution and is in receipt of top-up funding from the local authority at 31 March 2016, the local authority must continue the agreement with the institution to make top-up payments until the pupil has

left the institution, or the contract is replaced by another. The local authority must likewise enter into such an agreement when a pupils placed by the local authority in an institution at a later date.

- h. The local authority must make high needs top up payments in a timely fashion on a basis agreed with the institution. These must be monthly unless otherwise agreed.
- i. The Department for Education (“the Department”) reserves the right to impose more specific conditions of grant on individual local authorities in relation to the use of DSG for top-up funding for pupils and students with high needs, where it believes that the actions of the local authority are unreasonable. This is most likely to occur as a result of a failure to agree and pay top-up in a timely manner, where a pupil or student has already been placed by the local authority in an institution.

## **Allocations to academies**

12. In some circumstances local authorities need to make direct payments to academies. In the 2016 to 2017 financial year these will include:

- top-up funding for high needs pupils
- funding calculated under the early years single funding formula
- payments for pupils admitted who have been excluded from other schools
- any allocations from the local authority’s growth fund or falling rolls fund

## Use of grant monies

13. Local authorities have continuing responsibility for financial regularity in maintained schools. Section 151 of the Local Government Act 1972 requires the local authority to appoint an officer responsible for making the necessary arrangements for local financial and management controls; this person is usually known as the CFO. Under these arrangements the CFO will need to ensure that the grant monies are spent on the purpose for which they are intended.

14. In particular, the CFO will need to ensure that expenditure charged to the schools budget falls within the definitions set out in regulations 6 and 7 of the School and Early Years Finance (England) Regulations 2015. In August 2016, EFA will provide local authorities with an outturn assurance statement for the CFO to sign to certify the actual deployment of the DSG.

15. Under the Accounts and Audit (England) Regulations 2015 a local authority is required to undertake an annual review of its system of internal control. It is also required to report, with its annual accounts, on its arrangements in an Annual Governance Statement (AGS) which must be prepared in accordance with proper practices as published by CIPFA. In undertaking such reviews and preparing their AGS, local authorities should consider the arrangements for allocating DSG/budget shares to schools including procedures for ensuring the robustness of pupil data. Local authorities should be able to provide evidence that demonstrates that they have effective procedures for forecasting pupil numbers at school level, if required to do so by their own internal auditors or external auditors.



# Accounting

## Year end procedures

16. Local authorities are responsible for ensuring that the DSG is deployed in support of the schools budget. This includes both DSG funding allocated to central expenditure within the schools budget and funding for the ISB.

17. In principle, all DSG funding must be allocated to the schools budget in the year in which it is paid to the local authority by the Department. Where the final adjusted DSG payment for the year exceeds the local authority's original budget provision, the local authority, after consulting the schools forum, may carry the additional grant forward to the following financial year.

18. Grant allocated through the ISB will automatically count as expenditure in support of the schools budget and will have to be allocated to budget shares in the year in question. Where actual schools' expenditure exceeds the ISB this will normally be financed by a net reduction in schools' reserves. Conversely, where actual schools' expenditure falls short of the ISB, this will be explained by a net increase in schools' reserves.

19. At the end of the financial year the central expenditure element of the schools budget may be under or overspent. If there is an underspend in respect of central expenditure at local authority level this should be separately identified within the associated notes to the accounts. The underspend must be carried forward to support the schools budget in future years, including any of the budget that is moved into earmarked reserves.

20. There are three options to consider if the local authority overspends on the central expenditure component of the schools budget:

- a. The local authority may decide to fund all the overspend from its general resources in the year in question.
- b. The local authority may decide to fund part of the overspend from its general resources in the year in question and carry forward part to the schools budget in the next year or the year after that.
- c. The local authority may decide not to fund any of the overspend from its general resources in the year in question and to carry forward all the overspend to the schools budget in the next year or the year after that.

21. A local authority needs to obtain the consent of the schools forum, or failing that the Secretary of State, to fund this deficit from the schools budget.

22. The Accounts and Audit (England) Regulations 2015 incorporate a requirement for a note to the statement of accounts confirming actual deployment of the DSG.

## **Repayment of DSG**

23. The Secretary of State reserves the right to recover the grant where there is evidence that a local authority has used it for any purpose other than to support the schools budget.

24. The Secretary of State may require the local authority to repay as much of the DSG as considered reasonable in the following circumstances:

- a. The local authority fails to comply with any of the conditions of the grant.
- b. The local authority fails to use the DSG for the purposes for which it is given.
- c. The external auditor indicates that he is not satisfied with the treatment of DSG in the local authority's accounts.

## **Local authority reporting requirements**

25. Local authorities are not required to produce separate final accounts for schools' expenditure or for the use of the grant.

26. The grant received from the Department and its deployment between central expenditure and the ISB should be clearly identifiable within the additional note to the local authority's Statement of Accounts to demonstrate compliance with the limit on central items. Local authorities should refer to CIPFA's SORP guidance note for practitioners.

27. At outturn stage the CFO is required via assigned statement to confirm final deployment of the DSG in support of the schools budget.

## **External audit arrangements**

28. Appointed auditors are responsible for auditing the financial statements of each local authority and for reaching a conclusion on the local authority's overall arrangements for securing economy, efficiency and effectiveness in the use of resources. The deployment of, and accounting for, DSG in support of the schools budget, and the arrangements for securing economy, efficiency and effectiveness in DSG and schools' expenditure fall within the scope of the work that appointed auditors may plan to carry out, having regard to the risk of material error in the local authority's accounts and significance to overall arrangements for securing value for money.

29. Local authorities should maintain proper arrangements to ensure value for money. They should also provide assurance to the Department that the grant is being deployed in accordance with grant conditions, so that the Department can provide appropriate assurance to Parliament.

30. The Department is subject to external audit by the National Audit Office (NAO) to support Parliament's need for assurance about the Department's grant funding to schools. From time to time the NAO may need to undertake audit work, for example on local authorities' disbursement and monitoring of the grant and its deployment in maintained school

## Annex A

### Dedicated schools grant payment dates for 2016 to 2017

<b>Instalment</b>	<b>Payment date</b>
1	05 April 2016
2	14 April 2016
3	29 April 2016
4	11 May 2016
5	20 May 2016
6	03 June 2016
7	22 June 2016
8	05 July 2016
9	22 July 2016
10	03 August 2016
11	22 August 2016
12	05 September 2016
13	22 September 2016
14	05 October 2016
15	21 October 2016
16	03 November 2016
17	22 November 2016
18	05 December 2016
19	22 December 2016
20	05 January 2017
21	20 January 2017
22	03 February 2017
23	22 February 2017
24	03 March 2017
25	22 March 2017



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