



Education
Funding
Agency

Dedicated schools grant:

Technical note for 2015 to 2016

December 2014

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Introduction

1. The document *Schools revenue funding 2015 to 2016: Operational guide* published in July 2014 (updated in December 2014) set out the reformed funding system for 2015 to 2016. This note sets out how allocations of the dedicated schools grant (DSG) for 2015 to 2016 have been calculated.

2. The DSG for 2015 to 2016 comprises:

- Schools block - based on school block units of funding (SBUF) announced in July 2014 plus a cash transfer to bring non-recoupmment academies into local authorities' overall budget calculations.
- Early years block covering:
 - The three and four year old entitlement - set at the same per pupil rate as 2014 to 2015 as announced in October 2014;
 - The early years pupil premium - a provisional allocation as announced in October 2014; and
 - funding for disadvantaged two year olds for which the hourly rates were announced in October 2014. Initial allocations will be made in June 2015.
- High needs block - the total high needs block for 2014 to 2015 has been carried forward plus:
 - Increases in places for academic year 2015 to 2016 resulting from the exceptions process; and
 - Additional top-up of £47m distributed based on the 2-19 aged population in each local authority.

3. A table setting out the 2015 to 2016 DSG allocations for each local authority published alongside this note. This table shows the DSG prior to adjustments for:

- Academies recoupmment from the schools block;
- Deductions for high needs places in academies and non-maintained special schools;
- Changes to the non-recoupmment academies cash transfer in relation to estimated pupil number and central budgets;
- Deduction for national copyright licences;
- Updates to the funding for three and four year olds;

- Initial allocations for disadvantaged two year olds; and
- Updates to the early years pupil premium.

Calculating 2015 to 2016 DSG

4. The information on the pupil numbers used for the schools block and early years block can be found in the *pupil number information document* and *pupil number tool* published alongside this note. The total pupil numbers in each local authority are rounded to the nearest pupil. Each unit of funding is rounded to the nearest penny. Final DSG allocations are rounded to the nearest £1,000.

Schools block

5. Each local authority's SBUF for the schools block is the amount announced in July 2014.¹

6. This amount has been multiplied by the pupil numbers from the October 2014 school census and the January 2014 alternative provision census plus the reception uplift, minus high needs places as set out in the pupil number tool. For these purposes reception pupils are counted as one full time equivalent (FTE) irrespective of the hours they attend.

Reception uplift

7. In order to ensure that no local authority loses out in respect of deferred entry to reception arising from the use of the October census count, the final pupil numbers are uplifted by the increase between October 2013 and January 2014 school censuses. The change (calculated in terms of the number of pupils, not a percentage change) will be calculated for each school individually in the local authority, and then all increases will be totalled across the whole local authority area. For the purposes of calculating this uplift, any school with fewer reception pupils counted in the January 2014 census than in the October 2013 census will be treated as having zero change, rather than a decrease.

Non-recoupmant academies cash transfer

8. A cash transfer has been added to each local authoirty's schools block where they have academies that were previously outside the recoupmant process. This includes free schools other than those that are in their first year of opening (those which open after September 2014). The basis for the calculation for each academy is described in Annex A below and set out in the final tab of the DSG allocations table. The transfer is intended to be cash neutral to local authorities, subject to there being no major change in the local formula. The cash transfer will be adjusted in March 2015 to reflect any pupil number variations on the January 2015 Authority Proforma Tool (APT). The transfer for

¹Bexley, Lewisham and Kent will see an increase in their SBUF in 2015 to 2016, to reflect the cash transfer made in 2014 to 2015 when part-recoupmant academies became fully recoupable.

central budgets (growth fund and falling rolls) will be the higher of the amount allocated by EFA in 2014 to 2015 or the amount allocated by local authorities in 2015 to 2016 as reported on the October 2015 APT. Where the amount allocated by a local authority is the higher amount, a further adjustment will be made to the cash transfer during the 2015 to 2016 financial year.

Arrangements for academies recoupment 2015 to 2016

9. We will calculate amounts for recoupment using data provided on the APT submitted in January 2015. The basic method for calculating recoupment will be to take the individual schools budget (ISB) share shown in the APT. We will provide details of the proposed recoupment amount, including relevant calculations, to local authorities by the end of April 2015. Detailed guidance will be issued to all recoupment contacts and published on the website once it is finalised. This will be in February 2015.

Early years block

10. The early years block comprises:

- Funding for the three and four year old entitlement to 15 hours free education;
- The early years pupil premium; and
- Participation funding for disadvantaged two year olds (to be allocated in June 2015).

Early years entitlement for three and four year olds

11. The amount per pupil for the early years free entitlement is the same as for 2014 to 2015. Initially, this has been multiplied by pupil numbers from the January 2014 early years census and school census to produce a provisional allocation. This will be updated in:

- July 2015 based on January 2015 pupil numbers; and
- July 2016 based on 5/12ths of the January 2015 pupil numbers (to cover the April 2015 to August 2015 period) and 7/12ths of the January 2016 pupil numbers (to cover the September 2015 to March 2016 period).

12. This means that the final allocation for three and four year olds for 2015 to 2016 will be based on $5/12 \times$ January 2015 pupil numbers plus $7/12 \times$ January 2016 pupil numbers.

Early years pupil premium

13. Provisional allocations for the early years pupil premium (EYPP) were announced in October 2014 at <https://www.gov.uk/government/publications/early-years-pupil-premium-local-authority-allocations>. The Department will conduct a survey in the autumn 2015 to check take-up of the EYPP. Any adjustments required to allocations following the survey will be made in January 2016.

Participation funding for disadvantaged two year olds

14. The 2015 to 2016 per child hourly rates for disadvantaged two-year-olds were published in October 2014 at <https://www.gov.uk/government/consultations/early-years-pupil-premium-and-funding-for-2-year-olds>.

15. Initial allocations for the funding of two year olds will be announced in June 2015. The allocations will be based on number of eligible children participating in early education as recorded in the January 2015 early years census and school census.

16. The Department will offer local authorities an opportunity in the autumn term of 2015 to report any significant increases in participation since January 2015 via a voluntary data collection. Allocations will be adjusted in January 2016 to reflect these increases. A local authority's initial 2015 to 2016 allocation will not be adjusted at this point if local authorities choose not to submit an autumn count.

17. Finally, the allocations will be updated in June 2016, based on 5/12ths of the January 2015 participation numbers (to cover the April 2015 to August 2015 period) and 7/12ths of the January 2016 participation numbers (to cover the September 2015 to March 2016 period).

18. This means that the final allocations for the funding for two year olds will be based on $5/12 \times$ January 2015 participation numbers plus $7/12 \times$ January 2016 participation numbers.

High needs block

19. The high needs block is a single block for local authorities high needs pupils/students aged 0-24. The block includes place funding for pre 16 and post 16 pupils in:

- Maintained schools;
- Maintained special schools;
- Pupil referral units (PRU);
- Academies ;

- Special academies;
- Non-maintained soocial schools
- Alternative provision (AP) academies; and
- AP free school opened before September 2014.

20. The high needs block includes top-up funding for pupils and students occupying the above places and places in further education colleges, specialist post 16 institutions, and commercial and charitable providers (CCP); and funding for high needs pupils and students in independent schools, independent AP providers, hospital education (including independent providers).

21. High needs places in AP free schools first opened in September 2014 and all special free schools are **not** included in the DSG allocations. These will be paid directly by the EFA. We will publish by end February 2015 a schedule of EFA funded places in each free school to help inform local authorities' commissioning.

22. For 2015 to 2016 the high needs block is made up of:

- Each local authority's total high needs block from 2014 to 2015; plus
- 5/12ths of the growth/deduction in pre 16 high needs places agreed for 2014 to 2015 academic year; plus
- 4/12ths of growth/deduction in post 16 high needs places agreed for 2014 to 2015 academic year; plus
- changes to place funding in schools for the 2015 to 2016 academic year resulting from the outcome of the high needs exceptions process, covering the first two terms of that increase (ie 7/12ths for pre 16 and 8/12ths for post 16); plus
- Increases in hospital funding resulting from the high need exceptions process; and
- Each local authority's share of additional top-up funding of £47m based on each local authority's proportion of the 2-19 aged population projections for 2015.

23. Later adjustments will be made to this sub block to account for both pre and post 16 places which are funded outside of the DSG: those that are funded by the EFA through direct payments to academies (with special units or resourced provision), special academies, alternative provision academies, academies with hospital education and non-maintained special schools; and post 16 places that are funded through the sixth form grant to local authorities. These later adjustments will be as follows.

Pre 16 adjustments

24. The pre 16 adjustments will be based on:
- the current allocated 2014 to 2015 academic year place numbers for the April 2015 to August 2015 period;
 - the 2015 to 2016 academic year place numbers for the September 2015 to March 2016 period, including places following the exceptions process;
 - £10,000 for each place in academies and non-maintained special schools. This will be prorated for the period of the year to which the place relates: £4,167 per place for April 2015 to August 2015; and £5,833 for September 2015 to March 2016; and.
 - the deduction for alternative provision places will be £3,333 for the April 2015 to August 2015 period and £5,833 for the September 2015 to March 2016.

Post 16 adjustments

25. The post 16 adjustments will be based on:
- the current allocated 2014 to 2015 academic year place numbers for the April 2015 to July 2015 period; and
 - the 2015 to 2016 academic year place numbers, following the exceptions process, for the August 2015 to March 2016 period;
 - for mainstream schools and mainstream academies we will deduct £6000 for each post 16 place. This will be prorated for the period of the year to which the place relates ie: £2000 per place for April 2015 to July 2015; and £4000 for August 2015 to March 2016;
 - for maintained special schools, non-maintained special schools and special academies we will deduct £10,000 per post-16 place. This will be prorated for the period of the year to which the place relates ie: £3,333 per place for April 2015 to July 2015; and £6,667 for August 2015 to March 2016.

Special free schools and AP free schools

26. Special free schools are not included in the DSG allocations and no deductions will be made from local authorities' DSG for places in these schools.
27. Places in AP free schools opened from September 2014 will be funded directly by the EFA, with no deduction from DSG. However, a deduction will be made from DSG for

places in AP free schools opened before September 2014. To ensure that these deductions relate to the commissioning decisions of local authorities and the schools and academies in those local authorities, the EFA is collecting data on which local authority, or which of its schools and academies, has commissioned places in each AP free school.

Other additions to DSG

Induction for newly qualified teachers (NQTs)

28. In September 2012, the induction regulations changed so that teaching schools can act as the appropriate body to monitor and quality assure NQT induction. In order to allow schools to pay for the services of their preferred appropriate body, the funding for statutory induction of NQTs was moved into the DSG in 2013 to 2014, to allow funding to be delegated to all schools through local funding formulae. The total allocation stays at £10.2m in 2015 to 2016 and is allocated to each local authority on a per pupil basis (using the pupil numbers used for the schools block).

Cash floor

29. As in previous years a cash floor of minus 2% has been applied to the DSG allocations, to protect local authorities with significant falling rolls. The baseline for the cash floor is the total of the 2014 to 2015 schools block (after the deduction for carbon reduction commitment) and 2014 to 2015 allocation for three and four year olds. This is then compared to the total of the 2015 to 2016 schools block (excluding the non-recoupment academies cash transfer) and the 2015 to 2016 allocation for three and four year olds. The cash floor will be updated when the allocations for three and four year olds for 2014 to 2015 and 2015 to 2016 are updated, as set out in paragraph 11 above.

National copyright licences

30. The Department has agreed with the following agencies to purchase a single national licence managed by the Department for all state-funded schools in England:

- Christian Copyright Licensing International (CCLI) (**new for 2015 to 2016**);
- Copyright Licensing Agency (CLA);
- Education Recording Agency (ERA);
- Filmbank Distributors Ltd. (for the PVSL);
- Mechanical Copyright Protection Society (MCPS) (**new for 2015 to 2016**);
- Motion Picture Licensing Company (MPLC);
- Newspaper Licensing Authority (NLA);
- Performing Rights Society (PRS) (**new for 2015 to 2016**);
- Phonographic Performance Limited (PPL) (**new for 2015 to 2016**); and
- Schools Printed Music Licence (SPML).

31. This means that local authorities and schools will no longer need to negotiate individual licences. There will be savings both in administration and in the overall cost of the licence. The Department will pay the cost, including VAT, to the agencies and will provide this as a service to local authorities at a charge. This means that local authorities

can continue to reclaim VAT on the licences as they do now. These arrangements will cover academies as well as maintained schools, and we will allow local authorities to hold this money centrally rather than include it in school budgets.

32. We will send local authorities details of the charge separately in early January 2015 (because the figures are commercial in confidence) and will use the same process as in 2014 to 2015 to deduct the charge and issue each local authority with a VAT invoice. The amount charged will be around two thirds higher than in 2014 to 2015. This takes into account the four additional national licences, the rise in the number of pupils; the fact that local authority maintained nursery schools will now be covered for their relevant licences, and the inclusion of non-recoupment academies. Once the amounts are confirmed, the cash transfer for non-recoupment academies will be adjusted to take account of their inclusion. Local authorities should take into account that schools will no longer have to pay for these licences when calculating school budgets.

School transfers and new academies

Independent school transfers

33. Where independent schools transfer into the maintained sector, in or after April 2015, the actual pupil count used in the schools block allocations will be adjusted to add the relevant pupil numbers, depending on when the school transfers and the portion of the year for which it is a maintained school. For example, if a school transfers in September 2015, the schools block will be increased by the number of pupils attending the school as recorded on the October 2015 school census multiplied by 7/12ths multiplied by the local authority's SBUF.

Funding for the Isles of Scilly

34. The Isles of Scilly will continue to be funded through a single funding stream, since its low pupil population makes it impracticable to fund through a pupil led formula. In addition, the Isles of Scilly will receive the Pupil Premium Grant.

Next steps timetable

Date	Action
17 December 2014	EFA announce: 2015 to 2016 schools block 2015 to 2016 provisional early years block 2015 to 2016 high needs block
January 2015	Details of the charges for national copyright licences issued to local authorities.
20 January 2015	Local authorities submit final APT for 2015 to 2016.
End February 2015	DSG payment dates confirmed. EFA issue details of high needs places in free schools, DSG schools block recoupment guidance published.
March 2015	EFA confirms 2015 to 2016 DSG to be paid to local authorities: after recoupment for academies and deductions for high needs places in academies and other non-maintained settings. EFA will notify local authorities of adjustments to the non-recoupment academy cash transfer resulting from changes to pupil number estimates on the January 2015 APT.
June 2015	Early years block updated for three and four year olds from January 2015 census. Initial allocations for disadvantaged two year olds.
July 2015	Deductions made for national copyright licences.
November 2015	Voluntary data collection from local authorities on 2 year old participation. Survey of local authorities on the take-up of the EYPP.

	EFA will notify local authorities of adjustments to the non-recoupment academy cash transfer resulting from changes to central budgets recorded on the October 2016 APT.
January 2016	EFA makes adjustments to allocations for two year old participation and EYPP.
June 2016	Early years block funding for three and four year olds, and for disadvantaged two year old participation funding, updated to take account January 2016 census figures.

Annex A: Calculation of the cash transfer for non-recoupment academies

35. This section describes how increases to local authorities' 2015 to 2016 schools block allocations have been calculated to take account of pupils in former non-recoupment academies.

36. It should be read alongside the [Fairer schools funding arrangements for 2015 to 2016](#) which includes a chapter that sets out our approach for converting non-recoupment academies to recoupment academies and amending the funding of local authorities for pupils in free schools from 2015 to 2016.

Scope

37. The calculation uses data for all mainstream non-recoupment academies and free schools present in 2015 to 2016 schools block dataset.

38. This applies only to mainstream academies and free schools. Special and alternative provision academies are out of scope.

39. The cash transfer will be adjusted in March 2015 to reflect any pupil number variations on the January 2015 APT.

Input data

40. There are eight headline sources of data for this funding element:

1. The local authority's 2014 to 2015 funding formulae.
2. The 2015 to 2016 schools block dataset, which provides school-level data on the number of pupils and proportions by factor at each mainstream non-recoupment academy and free school. Previously announced indicative allocations used the 2014 to 2015 schools block dataset.
3. National Non-Domestic Rates (NNDR) claimed by non-recoupment academies and free schools for 2014 to 2015. Where 2014 to 2015 rates have not yet been claimed, 2013-14 data have been used where available. The allocation reflects NNDR applications that have been processed.
4. Data collected (via the Revenue Funding Data Collection – RFDC) from non-recoupment academies and free schools to assess and determine funding in relation to any other or exceptional funding factors included within 2014 to 2015 funding formulae.

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|---|
| 5. MFL uplifts. If a local authority is due to gain from our “minimum funding levels” then this is a percentage increase representing the local authority’s gain. The value of this percentage increase remains unchanged between indicative and final allocations. |
| 6. The number of high needs places within each non-recoupment academy and free school in the academic year 2014 to 2015. |
| 7. Local authorities’ October 2014 APT returns are used to identify any non-recoupment academies not present in the 2015 to 2016 schools block dataset, and also any non-recoupment academies that are identified as growing. Where an academy is identified as growing, the estimated pupil numbers, as presented on the APT, will be used in the calculation. For all other non-recoupment academies and free schools the census numbers included in the schools block dataset are used. The cash transfer will be adjusted in March 2015 to reflect any pupil number variations on the January 2015 APT. |
| 8. EFA allocations data relating to funding for growth and falling rolls. |

Calculation methodology

41. The principle of the calculation is that, for each mainstream non-recoupment academy and free school in the 2015 to 2016 schools block dataset, their funding is calculated using their pupil data and the relevant local authority’s 2014 to 2015 funding formulae. Summing these amounts for each local authority gives the indicative increase to their schools block funding in 2015 to 2016.

42. Pupil-led factors, lump sum and sparsity lump sum factors are used in this calculation, as well as other and exceptional factors that are included in the local formula and are applicable to the non-recoupment academy or free school. Minimum funding guarantee or capping and scaling adjustments are not applied.

43. The local authority’s 2014 to 2015 funding formula is applied to the 2015 to 2016 schools block dataset.

Step 1: Calculate school level allocations of pupil-led funding

For each non-recoupment academy and free school in the 2015 to 2016 schools block dataset, apply the 2014 to 2015 local funding formula to the pupil numbers and characteristics for that school to derive funding values for each factor: basic entitlement; deprivation; looked-after children; low prior attainment; English as an additional language; and mobility. Pupil numbers exclude academic year 2014 to 2015 high needs places. Pupil numbers provided on the APT are used for any such establishments identified by the local authority as growing on their APT return.

Step 2: Calculate institutional-led factors

Calculate the relevant lump sum and sparsity lump sum for each school.

Step 3: Apply London fringe factor

Add together step 1 and step 2 and multiply by the London Fringe for each non-recoupment academy and free school.

Step 4: Calculate remaining other and exceptional factors

Calculate any other institutional-led factors or any exceptional factors that were included in the academic year 2014 to 2015 allocation. Add to this any growth or falling rolls funding provided by EFA in 2014 to 2015. Add to this NNDR applications that have been processed for each non-recoupment academy and free school. Add the total of this to the result of step 3.

Step 5: Determining the cash transfer

Total up the funding from step 4 for the non-recoupment academies and free schools in each local authority. Where the MFL uplift is greater than zero, scale up this total in line with the local authority's gain, as shown in Annex B of Fairer Schools Funding: Arrangements for 2015 to 2016.

Centrally retained costs

44. 79% of NRAs present in 2014 to 2015 schools block dataset are currently funded on estimated pupil numbers, so these are already funded for the pupil numbers expected in the new financial year rather than the census. Therefore we do not expect a significant call on local authority growth funds. As outlined above, we have included growth and falling rolls funding for the small number of NRAs currently receiving allocations from EFA. We will review any allocations EFA make to NRAs relating to central expenditure for 2014 to 2015 academic year, which includes growth fund and falling rolls fund criteria. The cash transfer will be increased in the 2015 to 2016 financial year to reflect these central budget allocations if necessary. This increased transfer will be the difference between the amount allocated by EFA in 2014 to 2015 or the amount allocated by local authorities in 2015 to 2016 as reported on the 2015 to 2016 APT, should the funding provided by the local authority be higher.

National copyright licences

45. We will also adjust the cash transfer in March 2015 to reflect the inclusion of NRAs in the DSG deduction for the national copyright licences set out in paragraph 32 above.



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