

SCHOOLS FORUM

Meeting date: 16th January 2019

**From: Dan Barton
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DEDICATED SCHOOLS GRANT BUDGET 2019-20

1.0 EXECUTIVE SUMMARY

- 1.1 *This report informs the Schools Forum of the 2019-20 Dedicated Schools Grant (DSG) budget. The total Dedicated Schools Grant budget to be allocated in 2019-20 is £360.226m. This is to fund all schools (both maintained and Academies), and also covers both early years (including PVI providers) and high needs provision.*
- 1.2 *In addition, on 17th December 2018 the Secretary of State for Education announced additional High Needs funding for local authorities in 2018-19 and 2019-20. In Cumbria, this additional funding equates to £0.969m of revenue funding in each year.*
- 1.3 *The Schools Forum is asked to note the Dedicated Schools Grant budget for 2019-20 and the use of the additional High Needs funding in 2018-19 and 2019-20, recommend how the balance on the Schools Block should be allocated, approve the Early Years block centrally retained expenditure budget for 2019-20, and note the earmarking of £0.034m of unallocated Central Schools Services Block to offset future reductions in funding of historic commitments.*

2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

- 2.1 *Ensuring that Cumbrian schools are funded appropriately is supportive of the Council Plan outcome that ‘People in Cumbria are healthy and safe.*

3.0 RECOMMENDATION

- 3.1 *The Schools Forum is asked to note the Dedicated Schools Grant settlement for 2019-20.*
- 3.2 *The Schools Forum is asked to note the additional High Needs Block funding announced in December 2018 of £0.969m in 2018-19 and £0.969m in 2019-20 and its use to support invest to save initiatives within the High Needs Block.*

- 3.3 *The Schools Forum is recommended to approve the transfer the unallocated balance of £0.555m on the Schools Block to the High Needs Block.*
- 3.4 *The Schools Forum is asked to approve the centrally retained Early Years expenditure budget of £0.569m.*
- 3.5 *The Schools Forum is asked to note earmarking of £0.034m of unallocated Central Schools Services Block to offset future reductions in funding of historic commitments.*

4.0 BACKGROUND

DEDICATED SCHOOLS GRANT ALLOCATION 2019-20

- 4.1 Schools Forum at their meeting on 12th November 2018 agreed to recommend to Cabinet that Cumbria should adopt the National Funding Formula for 2019-20 with no transfer of 0.5% funding from the Schools Block to High Needs Block. Cabinet subsequently approved this recommendation on 20th December 2018.
- 4.2 The total DSG grant allocation for Cumbria for 2019-20 is £360.226m. This is to fund all schools (both maintained and Academies), and also covers both early years (including PVI providers) and high needs provision.
- 4.3 The total allocation of £360.226m for 2019-20 is split into the following blocks per the schedule from DfE. The equivalent blocks for 2018-19 as at December 2018 are also shown below:

	2019-20	2018-19	Increase/ (Decrease in Grant)
Block	£m	£m	
Early Years Block	26.548	26.571	(0.023)
Schools Block	285.482	280.117	5.365
High Needs Block	43.194	42.750	0.444
Central School Services Block	5.002	4.952	0.050
Total	360.226	354.390	5.836

- 4.4 The above figures incorporate additional High Needs Block funding as announced by the DfE on 17th December 2018 of £0.969m in both 2018-19 and 2019-20 financial years.
- 4.5 The Early Years Block has decreased by £0.023m, the decrease is due to:
- An increase in the initial funding allocation for Disability Access Fund of £0.004m.
 - A reduction in the initial funding allocation for Maintained Nursery School supplement of £0.027m.

The early years block is a provisional allocation and will be updated in July 2019 based on pupil numbers as at the January 2019 census. It will be updated again in July 2020 for the January 2020 census.

4.6 The increase to the Schools Block of £5.365m comprises of:

- An increase in funding for pupil numbers of £4.559m.
- An increase in premises, mobility and growth funding of £0.806m.

4.7 The increase in the High Needs Block comprises of:

- A £0.310m increase to reflect 1% per head of population funding floor and a maximum gain of 6.09% against 2017-18 baselines as previously reported to Schools Forum in the 16th October 2018 meeting.
- An increase in funding for special school pupil numbers £0.134m.

4.8 The increase in Central Schools Services Block of £0.050m reflects an increase in the per pupil rate and pupil numbers funding for ongoing commitments. The block consists of 2 elements: historic commitments and ongoing commitments. The historic commitments funding has been set at the same level as for 2018-19 and has been at this level since 2016-17.

4.9 The Central Schools Services Block funds the following services:

Historic Commitments including:	£m
Contribution to Schools Related Council Budgets (Local Safeguarding Children Board, District Teams (education element), HR service supporting schools, Health and Safety team)	0.821
Capital maintenance in schools	1.712
Prudential Borrowing Costs for historic schools capital programme	0.596
Ongoing Commitments including:	
School Forum expenses including finance support to Schools Forum	0.103
Schools Admissions Team	0.317
Copyright licences purchased centrally for schools	0.423
Asset Management (formerly funded by ESG - retained duties element of ESG transferred into DSG in 2017-18)	0.103
Education welfare services (formerly funded by ESG - retained duties element of ESG transferred into DSG in 2017-18)	0.688
Statutory and regulatory duties with regard to schools (formerly funded by ESG - retained duties element of ESG transferred into DSG in 2017-18)	0.205
Unallocated Balance	0.034
Total	5.002

4.10 In total £4.968m is required to fund the above central services in 2019-20, this leaves a balance of £0.034m unallocated. The DfE have stated that from 2020 to 2021 they expect to start to reduce the historic commitments element of the CSSB where local authorities' expenditure has not reduced. The council will work to reduce these historic commitments however the prudential borrowing which relates to the capital programme approved by Council in 2009 is a long-term commitment and cannot be reduced. It is proposed that, as there will still be a need to fund some historic commitments in future years, this balance is transferred to the DSG earmarked reserves for this purpose.

DEDICATED SCHOOLS GRANT BUDGET FOR 2019-20

4.11 As set out in the DSG grant conditions, the funding blocks for 2019-20 except Schools Block are not ring-fenced and funding can be moved between the blocks. The Schools Block is ring-fenced, however up to a maximum of 0.5% can be transferred from the Schools Block to other blocks with the agreement of Schools Forum, to form a Local Authority's DSG budget for the financial year.

Early Years Block

4.12 The Early Years Block Budget for 2019-20 is £26.548m. The equivalent budget for 2018-19 is £26.571m.

4.13 The table below shows how the Early Years Block budget is comprised:

	£m	£m
Delegated to providers through the Early Years National Funding Formula (2, 3 and 4 year olds including the increase to 30 hours free entitlement for eligible 3 and 4 year olds from September 2017) This also include the Early Years Pupil Premium, Disability Access Fund and Maintained Nursery Schools supplementary funding.		25.792
Centrally Retained Early Years Budgets:		
Contribution to Early Years Team	0.209	
Early Years Sustainability Grant	0.100	
Early Years Inclusion Fund	0.260	
Total Centrally Retained Early Years Budgets:		0.569
Early Years Elements of the De-delegated Budgets:		
Contingencies	0.044	
Insurance	0.046	
Staff Costs	0.066	
Library and Museum Services	0.031	
Total Early Years Elements of the De-delegated Budgets:		0.187
Total Early Years Block Budget		26.548

- 4.14 In line with the Schools Forum regulations, the Schools Forum must approve the centrally retained early years expenditure budget of £0.569m detailed above. These comprise funding of staff directly involved in administering the early years single funding formula for 2, 3 and 4 year olds and the early years pupil premium (£0.209m), the Inclusion Fund for early years providers (£0.260m) and the Sustainability Grant for PVI providers (£0.100m).
- 4.15 It should be noted that the Inclusion Fund to support pupils with SEND will be extended to 2 years olds who are accessing free entitlement from April 2019 as outlined in the operational guidance.

Maintained Nursery Schools

- 4.16 The 2019-20 operational guidance also stipulates that from 2019-20 maintained nursery schools must be paid a universal base rate, however authorities may continue to use 'lump sums' to distribute additional funding to maintained nursery schools. Currently the base rate for maintained nursery schools is £4.70 per hour, however, this will reduce to £4.00 per hour from April 2019 in line with the current base rate for all childcare care providers in the local 3 and 4 year old early years single funding formula. In order to support maintained nursery schools in this transition the DfE provide additional supplementary funding for Maintained Nursery Schools. The initial supplementary funding for 2019-20 is £0.485m and this will be updated in July 2019 to reflect the January 2019 census data.
- 4.17 As part of the review of Resourced Provision (RP) places funded through the High Needs block included in the High Needs Recovery plan, maintained nursery schools have been informed that they will no longer receive RP place funding through the High Needs Block. Currently maintained nursery schools receive funding for 2 RP places each at £10,000 per place which the nursery schools use to support their pupils with SEN. However, the nursery schools do not have designated RP units and therefore it is not appropriate that these schools receive RP place funding. The RP place funding will therefore end September 2019, however, the funding to support pupils with lower level and emerging SEN will be available to maintained nursery schools through the SEN Inclusion Fund, this will ensure consistency across early years providers. Maintained nursery schools will still also receive top-up funding for pupils with EHCPs through the High Needs Block.

Schools Block

- 4.18 The Schools Block Budget for 2019-20 is £285.482m. There is no longer a top-slice taken from this block since the creation of the Central Services Block in 2018-19. However, a growth fund budget is permitted and a budget of £0.200m for growth in 2019-20 was approved by Schools Forum at its meeting on 12th November 2018. At the Cabinet meeting held on 20th December 2018, members resolved that there would not be a transfer of 0.5% of Schools Block to High Needs Block in line with Schools Forum recommendation and therefore this leaves £285.282m available to distribute to schools.

- 4.19 The National Funding Formula has been applied using a gains cap of 2.065%, funding floor protection of 1% per pupil against the 2017-18 baselines and a Minimum Funding Guarantee (MFG) level of 0%, as outlined in the schools funding formula consultation documents. Taking this into account £284.727m has been allocated to schools leaving £0.555m of the Schools Block unallocated. This represents 0.19% of the Schools Block and is within the 0.5% allowable that can be transferred between blocks.
- 4.20 Approval is sought from the Schools Forum for the £0.555m balance to be transferred to the High Need Block to support invest to save initiatives in 2019-20 to manage down the High Needs Block deficit.
- 4.21 If the Schools Forum do not agree to transfer £0.555m to High Needs Block the balance would be distributed to schools through the national funding formula by increasing the gains cap to 3.473%. It should be noted that, if the cap were to increase to this level, only 84 schools (82 primary and 2 secondary) out of 308 schools (269 primary, 39 secondary) would see an increase in their funding. This would result in an increase of £0.445m for primary and £0.110m for secondary schools. Not all schools would gain from the increase in the gains cap percentage, this is because only schools that have had their gains capped at 2.065% under the national funding formula will see an increase in funding if the gains cap percentage is raised.
- 4.22 Therefore, the Schools Forum is asked to either:

Option A

- Approve the transfer of £0.555m from the Schools Block to High Needs Block in 2019-20, or;

Option B

- Approve the allocation of £0.555m to 84 schools through the national funding formula in 2019-20 by increasing the gains cap from 2.065% to 3.473%.

- 4.23 If Schools Forum agree to adopt Option B it would be for 2019-20 only and would not impact on the MFG for 2020-21.
- 4.24 It should be noted that the school allocations calculated in the Authority Proforma Tool (APT) are still subject to approval by the ESFA.

De-delegation

- 4.25 As required by the DfE regulations, the total to be delegated to schools of £284.727m includes those budgets that the maintained school representatives on the Schools Forum agreed to be de-delegated to the Local Authority for 2019-20. Therefore, £2.608m of the total budget of £284.727m will be held centrally by the Local Authority to deliver the de-delegated services on behalf of maintained schools. It should be noted that the de-delegation does not apply to Academies.

- 4.26 The services that the de-delegated budgets apply to also impact maintained special schools and nursery schools and therefore an element is centrally retained in both the Early Years and High Needs Blocks for these services, although there is no de-delegation process for these two areas.
- 4.27 The table below presents the breakdown of the de-delegated budgets for 2019-20 by the three blocks, and provides a comparison to 2018-19:

	Schools Block	High Needs Block	Early Years Block	Total 2019-20	Total 2018-19	Variance
	£m	£m	£m	£m	£m	£m
Contingencies	0.615	0.006	0.044	0.666	0.666	0.000
Insurance	0.642	0.007	0.046	0.694	0.696	(0.002)
Staff Costs	0.913	0.009	0.066	0.987	0.987	0.000
Library Services	0.438	0.005	0.031	0.474	0.474	0.000
Total	2.608	0.026	0.187	2.821	2.823	(0.002)

High Needs Block

- 4.28 The High Needs Block initial allocation for 2019-20 is £43.194m. The equivalent allocation for 2018-19 is £42.750m (an increase of £0.444m). This allocation includes additional High Needs funding of £0.969m announced by the Secretary of State for Education on 17th December 2018 in both 2018-19 and 2019-20 financial years. This additional funding is in recognition of the High Needs budget pressures being experienced by local authorities and this additional investment is intended to help local councils manage these pressures. It has also been announced that there is £100m capital funding available nationally to top-up the Special Provision Capital Fund in 2019-20 to enable local authorities to provide sufficient capacity to meet individual needs of pupils in mainstream and special schools, however, actual local authority allocations have not yet been published.
- 4.29 It should be noted that, in the case of academies and Further Education (FE) institutions, place funding is deducted from the initial allocation of high needs funding from authorities by the ESFA and paid directly to institutions. The initial recoupment for academies and FE institutions is £3.837m. This recoupment amount will be updated in March 2019 to reflect the outcome of the place change notification process for academic year 2019-20.
- 4.30 In a change from previous years, High Needs funding for post-16 places in maintained schools will remain in the DSG paid to local authorities from August 2019 rather than being deducted from the local authority DSG allocations and paid as sixth form grant. This allows local authorities flexibility to make changes to maintained school place numbers by agreeing place numbers directly with schools without reference to the ESFA.
- 4.31 Therefore, when taking into account the recoupment of academy and FE institutions high needs places the High Needs budget is as follows:

	2019-20	2018-19	Increase/ (Decrease in Grant)
Block	£m	£m	£m
High Needs allocation before recoupment for place funding in academies and FE institutions	43.194	42.750	0.444
Less recoupment for high needs places in academies and FE institutions	(3.837)	(3.958)	0.121
Total High Needs Block	39.357	38.792	0.565

4.32 As reported in the High Needs Block Recovery Plan Quarter 2 report to Schools Forum an updated High Needs budget projection for 2019-20 will be presented to the High Needs sub-group at its meeting on 4th February 2019.

Next Steps

4.33 DfE has confirmed a deadline of 21st January 2019 for the submission of the final budget values for the Schools Block.

4.34 The deadline set by DfE for maintained schools to be notified of their budget by the Local Authority is 28th February 2019. Academies will be informed of their budgets by the Education Funding Agency by 29th March 2019.

5.0 OPTIONS

5.29 Schools Forum can:

- Note the Dedicated Schools Grant budget for 2019-20;
- Note the proposed transfer of £0.034m Central Services Block to DSG earmarked reserves in 2019-20 to support future years reduction in historic commitments funding;
- Note the proposed use of the additional High Needs funding of £0.969m in 2018-19 and 2019-20 to support invest to save initiatives to manage down the high needs block deficit;

and

- Recommend how the unallocated balance on the Schools Block of £0.555m is allocated in 2019-20.

6.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS

6.1 Resource and value for money implications have been considered throughout this report.

7.0 CONCLUSION

7.1 This paper informs the Schools Forum of the 2019-20 Dedicated Schools Grant allocation for Cumbria.

7.2 The Schools Forum is asked to note the information presented in this report and to decide on the options presented at section 4 of this report.

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9th January 2019

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