

SCHOOLS FORUM

Meeting date: 17th January 2020

**From: Dan Barton
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DEDICATED SCHOOLS GRANT BUDGET 2020-21

1.0 EXECUTIVE SUMMARY

- 1.1 *This report informs the Schools Forum of the 2020-21 Dedicated Schools Grant (DSG) budget. The total Dedicated Schools Grant budget to be allocated in 2020-21 is £382.632m. 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 *The DSG settlement for 2020-21 includes a share of the £700m additional funding for children with special educational needs and disabilities (SEND) as announced by the Chancellor of Exchequer on 4th September 2019. Cumbria’s additional funding equates to £4.783m.*
- 1.3 *The Schools Forum is asked to note the Dedicated Schools Grant budget for 2020-21 and the proposed allocation of the Schools Block, and the reduction against the Central Schools Services Block. It is also asked to provide feedback on the proposed increase in the basic hourly rate for 2 and 3-4 year olds through the Early Years Funding Formula and approve the Early Years block centrally retained expenditure, the Growth Fund and Central Schools Services Block budgets for 2020-21.*

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 2020-21;*
 - *the proposed increase in the basic hourly rate for 2 and 3-4 year olds;*

- ***the proposed allocation of the Schools Block and 0.5% transfer to High Needs Block;***
- ***the reduction against the Central School Services Budget.***

3.2 The Schools Forum is recommended to approve:

- ***the transfer of the unallocated balance of £0.713m on the Schools Block to the Growth Fund;***
- ***the centrally retained Early Years expenditure budget of £0.575m;***
- ***the Central Schools Services Block budget of £4.419m.***

4.0 BACKGROUND

DEDICATED SCHOOLS GRANT ALLOCATION 2020-21

4.1 Schools Forum at their meeting on 26th November 2019 agreed to recommend to Cabinet that Cumbria should adopt the National Funding Formula (NFF) for 2020-21 as in previous years and that, once the NFF has been applied in full to calculate school budget shares, any surplus balance remaining is transferred to the High Needs Block up to a maximum of 0.5%. Cabinet subsequently approved this recommendation on 19th December 2019.

4.2 The total DSG grant allocation for Cumbria for 2020-21 is £382.632m. 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 is split into the following blocks per the schedule from DfE. The equivalent blocks for 2019-20 as at December 2019 are also shown below:

	19/20	20/21	Movement
	£m	£m	£m
Schools Block	285.482	302.212	16.730
HN Block	43.080	48.339	5.259
Central Services Block	5.002	4.419	-0.582
Early Years	27.177	27.662	0.485
Total	360.741	382.632	21.892

4.4 The Early Years Block has increased by £0.485m comprising of:

- An increase in the hourly rate of £0.08 for 2, 3 and 4 year olds free entitlement totalling £0.481m;
- An increase in the initial funding allocation for Disability Access Fund of £0.004m.

The initial supplementary funding for Maintained Nursery Schools has remained at the same level as in 2019-20 at £0.533m. The early years block is a provisional allocation and will be updated in July 2020 based on pupil numbers as at the January 2020 census. It will be updated again in July 2021 for the January 2021 census.

- 4.5 The Schools Block allocation comprises of 3 elements, core NFF funding, premises and growth funding. The allocations for 2020-21 are shown in the table below compared to the allocations for 2019-20:

	19/20	20/21	Movement
	£m	£m	£m
Core NFF	280.062	295.754	15.693
Premises factor	4.068	4.261	0.193
Growth Fund	1.352	2.197	0.845
Total	285.482	302.212	16.730

The core NFF element is calculated by applying the NFF at school level using the October 2018 pupil data which is then aggregated to arrive at a primary and secondary unit of funding. The units of funding were published in September 2019. It is these units of funding that are then multiplied by the October 2019 pupil numbers to form the core NFF funding at Local Authority level for 2020-21.

The premises funding is based on actual 2019-20 premises costs. The growth funding is calculated by observed differences between the primary and secondary pupil numbers on roll between the October 2018 and October 2019 school censuses in each middle layer super output area (MSOA) multiplied by a primary or secondary unit of funding.

The increase on the Schools Block of £16.730m therefore comprises of:

- An increase in core NFF funding following updates to the NFF of £14.375m;
- A decrease in primary pupil numbers and an increase in secondary pupils numbers resulting in a net increase in pupil numbers of £1.317m;
- An increase in premises funding of £0.193m;
- A net increase in growth funding of £0.845m.

- 4.6 The updates to the NFF reflect the following changes as previously reported:

- the minimum per pupil funding level has increased from £4,800 to £5,000 for secondary schools, and from £3,500 to £3,750 for primary schools;

- a new factor for allocating mobility funding to schools with a high proportion of pupils who join schools on a non-standard date has been built into the formula;
- all factors within the formula have increased by 4% with the exception of the Free Schools Meals factor which has increased in line with inflation;
- all schools to attract at least a 1.84% per pupil gain against their 2019/20 baselines;
- the gains cap has been removed so all schools will attract their full core funding allocations under the national funding formula (previously gains were capped at 6.09%) .

4.7 The High Needs Block allocation is £48.339m but £3.956m is deducted by the ESFA in respect of places directly funded by the ESFA. This includes places in academy special schools. The High Needs Block allocation, after deduction for directly funded places has increased by £5.382m and comprises of:

- an increase of 11.1% compared to 2019-20 baseline funding per head of 2 to 18 year old population of £4.783m;
- an increase in the number of pupils in special schools and special academies compared to 2019-20 of £0.476m;
- a decrease in the deduction for direct funding for academy and further education high needs places of £0.123m.

4.8 There will be further adjustments for direct funding for academy and further education high needs places to reflect commissioned places for the academic year 2020-21 later in the financial year.

4.9 The Central Schools Services Block consists of 2 elements; historic commitments and ongoing commitments. The decrease in Central Schools Services Block of £0.582m comprises of:

- An increase in the per pupil unit rate of £0.59 and increase in pupil numbers totalling £0.044m;
- A decrease of 20% against the 2019-20 baseline for the historic commitments element of (£0.626m).

DEDICATED SCHOOLS GRANT BUDGET FOR 2020-21

4.10 As set out in the DSG grant conditions, the funding blocks for 2020-21 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

4.11 The Early Years Block Budget for 2020-21 is £27.969m. The equivalent budget for 2019-20 as at December 2019 is £27.177m.

4.12 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.		27.208
Centrally Retained Early Years Budgets:		
Contribution to Early Years Team	0.215	
Early Years Sustainability Grant	0.100	
Early Years Inclusion Fund	0.260	
Total Centrally Retained Early Years Budgets:		0.575
Early Years Elements of the De-delegated Budgets:		
Contingencies	0.044	
Insurance	0.046	
Staff Costs	0.065	
Library and Museum Services	0.031	
Total Early Years Elements of the De-delegated Budgets:		0.186
Total Early Years Block Budget		27.969

4.13 The funding delegated to providers includes the basic hourly rate for two and three to four year olds. As the local authority has received an increase in the base rate of £0.08 is it proposed that the full increase is passed onto providers increasing the current rates from £5.20 to £5.28 for two year olds to £5.28 from £4.00 to £4.08 for three to four year olds from 1st April 2020.

4.14 It should be noted that the budget set above exceeds the provisional Early Years Block allocation for 2020-21 of £27.662m by £0.307m. This is because the budget is based on forecasted hours of provision take-up based on 194 term days whereas the Early Years Block allocation for 2020-21 is based on provisional allocations using January 2019 census data and will be updated in July 2020 to reflect the January 2020 data based on 190 term days in line with the funding system. In 2019-20 an underspend of £1.417m against Early Years Block is forecast as at Q2 due to there being only 189 term days and take-up of provision being lower than the provisional Early Years Block allocation for 2019-20 which will be updated in July 2020 respectively to reflect actual take-up. Any underspend against this budget in 2019-20 will transfer to the DSG earmarked reserves and will support any negative retrospective adjustment to the 2019-20 Early Years Block for actual take-up of provision and the increased number of terms days to be funded in 2020-21. Therefore, it is proposed that in 2020-21 £0.307m is

drawn down from DSG earmarked reserves to support the Early Years budget in 2020-21.

- 4.15 As reported to Schools Forum at the 29th October meeting, it was proposed that the criteria for accessing the SEN Inclusion Fund is widened from 1st April 2020 to increase the number of children supported by the fund and a consultation with providers, professionals and parents seeking views on the changes following the pilot period will be launched shortly.
- 4.16 In line with the Schools Forum regulations, the Schools Forum must approve the centrally retained early years expenditure budget of £0.575m 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 (£0.215m), the Inclusion Fund for early years providers (£0.260m) and the Sustainability Grant for PVI providers (£0.100m).

Schools Block

- 4.17 The Schools Block Budget for 2020-21 is £302.212m. There is no longer a top-slice taken from this block since the creation of the Central Schools 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. Local authorities are also permitted to transfer up to 0.5% from the Schools Block to other blocks with the approval of Schools Forum.
- 4.18 The allocation of Schools Block funding to schools is based on applying the NFF as detailed in paragraph 4.6. After calculating the school budget shares on this basis (which includes the required duty to deliver a minimum per pupil funding of at £3,750 for primary and £5,000 for secondary schools) a total of £299.987m is required to be allocated to schools with a balance of £2.225m remaining. This has arisen due to the methodology that the ESFA use to calculate the NFF core funding a local authority level and due to the additional funding through the growth factor for the overall rise in pupil numbers as explained in para 4.5.
- 4.19 As agreed by Cabinet on 19th December 2019 following Schools Forum recommendation any balance remaining up to a maximum of 0.5% (equating to £1.511m of the total Schools Block allocation) after allocating the NFF in full to schools can be transferred to support the pressures on the High Needs block budget. After applying the transfer this leaves a balance of £0.713m unallocated. There are restrictions on the use of Schools Block funding, however, as detailed in para 4.17 local authorities are permitted to retain a growth fund to support growth in pre-16 pupil numbers to meet basic need with the agreement of Schools Forum.
- 4.20 Schools Forum approval is therefore sought to set the Growth Fund in 2020-21 at £0.713m. Given the opportunity that has arisen to increase the funding available for the Growth Fund in 2020-21 the use of the fund will be closely monitored and reported to Schools Forum during the 2020-21 financial year. As in previous years, any under or overspend against the Growth Fund will

transfer to the DSG reserves or any underspend could be carried forward to support the Growth Fund in future years. Details of the Growth Fund allocations for 2019-20 and proposed criteria allocating it in 2020-21 are presented in a separate paper.

- 4.21 This proposed method of allocating the Schools Block would be the most prudent given the uncertainties of the impact of the 'hard' NFF as it provides schools with the full funding due to them under the NFF including the mandatory minimum per pupil funding levels which is protected in futures years, enables a transfer of 0.5% (£1.511m) to support the pressures on the High Needs Block and provides additional funding to support schools experiencing pupil growth to meet basic need.
- 4.22 If the Schools Forum do not agree to allocate the Schools Block on this basis and continued to retain a growth fund budget at the 2019-20 level of £0.200m the remaining balance of £0.513m would be available to distribute through increasing the per pupil element of the school funding formula above the level of the NFF. If this were the case, it would be built into the 2020-21 baseline and protected when calculating the 2021-22 school budget shares. The impact of this cannot be modelled at this stage as it is not known whether there will be a 'hard' NFF formula in 2021-22 or what level of baseline protection will apply, however, potentially it could result in a school funding formula which could not be sustained in future years although there would still be a duty on the local authority to meet the mandatory minimum per pupil funding levels for primary and secondary schools.
- 4.23 Therefore, the Schools Forum is asked to either:

Option A

- Approve an increase of the growth fund budget to £0.713m, or;

Option B

- Not approve an increase of the growth fund to £0.713m but retain it at the 2019-20 level of £0.200m.

- 4.24 If Schools Forum agree to adopt Option B the remaining balance of £0.513m would be distributed through the school funding formula in 2020-21.
- 4.25 It should be noted that the school allocations calculated in the Authority Proforma Tool (APT) and due to be submitted by 17th January 2020 are still subject to approval by the ESFA.

De-delegation

- 4.26 As required by the DfE regulations, the total to be delegated to schools of £299.987m (on the basis of option A above) includes those budgets that the maintained school representatives on the Schools Forum agreed to be de-delegated to the Local Authority for 2020-21. Therefore, £2.831m of the total budget of £299.987m 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.

- 4.27 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.
- 4.28 The table below presents the breakdown of the de-delegated budgets for 2020-21 by the three blocks, and provides a comparison to 2019-20:

	Schools Block	High Needs Block	Early Years Block	Total 2020-21	Total 2019-20	Variance
	£m	£m	£m	£m	£m	£m
Contingencies	0.615	0.006	0.044	0.666	0.666	0.000
Insurance	0.650	0.007	0.046	0.704	0.694	0.010
Staff Costs	0.913	0.010	0.065	0.987	0.987	0.000
Library Services	0.438	0.005	0.031	0.474	0.474	0.000
Total	2.616	0.028	0.186	2.831	2.821	0.010

High Needs Block

- 4.29 The High Needs Block initial allocation for 2020-21 is £48.339m before recoupment of direct funding of high needs places in academies and Further Education (FE) institutions. The equivalent allocation for 2019-20 is £43.080m, an increase of £5.259m.
- 4.30 It should be noted that, in the case of academies and 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 £3.956m.
- 4.31 Therefore, when taking into account the recoupment of academy and FE institutions high needs places the High Needs budget is as follows:

	2020-21	2019-20	Increase/ (Decrease in Grant)
Block	£m	£m	£m
High Needs allocation before recoupment for place funding in academies and FE institutions	48.339	43.080	5.259
Less recoupment for high needs places in academies and FE institutions	(3.956)	(4.079)	0.123
Transfer from Schools Block	1.511	0.555	0.956

Total High Needs Block	45.894	39.556	6.338
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The recoupment for High needs places will be updated in March 2020 to reflect the outcome of the place change notification process for academic year 2020-21 and is therefore provisional.

- 4.32 As reported at para 4.7 the increase in the High Needs Block allocation includes a share of the £700m additional high needs funding announced in September 2019. For Cumbria this equates to £4.783m and this additional funding will be used to support the High Needs Deficit Recovery Plan together with the transfer of £1.511m from the Schools Block. As previously reported to Schools Forum the High Needs Deficit Recovery plan submitted to the DfE predicted that the deficit would rise to £9.591m as at 31st March 2019 rising to £23.136m by 2021-22. Taking into the consideration the additional funding and Schools Block transfer the revised predicted on the deficit against the High Needs Recovery plan is as follows:

	2019-20	2020-21	2021-22
	£	£	£
Projected HN deficit balance carry forward	9.591m	16.195m	23.136m
Transfer of School Block Funding		(1.511m)	(1.511m)
Additional HN Funding		(4.783m)	(4.783m)
Revised projected deficit balance carried forward	9.591m	9.901m	16.842m

- 4.33 However, the latest budget monitoring report as at Q2 predicts that the deficit will rise to £10.771m by 31st March 2019, the reasons for this are reported in a separate paper but mainly relate to continued growth in EHCP pupil numbers being high than originally planned for in the recovery plan. Due to the high levels of children and young people requiring additional and specialist educational support the High Needs budget is very volatile and future costs are difficult to predict with accuracy due to new cases coming through the system it is difficult to predict what their levels of need and associated costs will be.
- 4.34 In addition, following the announcement of additional High Needs Block funding a review of the Special School and Pupil Referral Unit (PRU) budgets has been undertaken. For the Special Schools it is proposed that the formula factors and the Special School top-up bandings are increased by 4% with effect from 1st April 2020. For the PRUs it is also proposed the formula factors are increased by 4% with the exception of the Home, Hospital and Tuition Service top-up which will be increased by at least 8% to reflect the increase in Hospital Education funding through the High Needs Block. The PRU funding review for 2020-21 will also align funding across the PRUs to ensure that all PRUs are funded on the same basis.
- 4.35 Therefore, as per last year, an updated High Needs recovery plan will be worked up to take into consideration the additional High Needs Block funding, latest trends in EHCPs, updated placement packages and the measures that the LA is taking to address the deficit and presented to Schools Forum.

4.36 The DfE stipulate that local authorities must be able to at least balance their High Needs Block in-year within a three year period and a visit by DfE has been arranged for 27th February 2020 with the aim of providing support to develop the DSG recovery plan further.

Central Schools Services Block

4.37 The Central Schools Services Block budget for 2020-21 is £4.419m and represents a reduction of £0.582m compared to last year following a flat rate reduction against the historic elements of 20% as the DfE expect this commitments to reduce over time. The budget funds the following services in 2020-21 is compared to 2019-20:

Historic Commitments including:	2020-21	2019-20	Increase/ (Decrease)
	£m	£m	£m
Contribution to Schools Related Council Budgets (Local Safeguarding Children Board, District Teams (education element), HR service supporting schools, Health and Safety team)	0.738	0.821	(0.083)
Capital maintenance in schools	1.712	1.712	0.000
Prudential Borrowing Costs for historic schools capital programme	0.596	0.596	0.000
Total Historic Commitments	3.046	3.129	(0.083)
Ongoing Commitments including:			
School Forum expenses including finance support to Schools Forum	0.104	0.103	0.001
Schools Admissions Team	0.324	0.317	0.007
Copyright licences purchased centrally for schools	0.432	0.423	0.009
Asset Management (formerly funded by ESG - retained duties element of ESG transferred into DSG in 2017-18)	0.103	0.103	0.000
Education welfare services (formerly funded by ESG - retained duties element of ESG transferred into DSG in 2017-18)	0.688	0.688	0.000
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	0.205	0.000
Transfer to EMRs	0.000	0.034	(0.034)
Total Ongoing Commitments	1.856	1.873	(0.017)
Funding to be confirmed following reduction against CSBB	(0.483)	0.000	0.483
Grand Total	4.419	5.002	(0.582)

- 4.38 Consideration of the ability to absorb this reduction by the service budgets which receive historic commitments DSG support has been undertaken and in conclusion there is very little room for manoeuvre given that the majority of these commitments (£2.308m) relate to property maintenance and prudential borrowing. However, £0.083m has been identified as achievable without having a direct impact services provided to schools.
- 4.39 For the remaining balance of £0.483m these cannot be absorbed and as the services directly impact on schools alternative funding for these services is currently being considered.
- 4.40 It is expected in future years that the historic commitments element of the Central Schools Services Block will continue to reduce although the details of how they will continue to unwind them in future has not yet been confirmed by the DfE, therefore LA officers will continue to work with the service areas affected.
- 4.41 The Schools Forum is asked to note the reduction to historic commitments and approve the Central Schools Services Block budget for 2020-21.

Next Steps

- 4.42 DfE has confirmed a deadline of 21st January 2020 for the submission of the final budget values for the Schools Block.
- 4.43 The deadline set by DfE for maintained schools to be notified of their budget by the Local Authority is 28th February 2020. Academies will be informed of their budgets by the Education Funding Agency by 31st March 2020.

5.0 OPTIONS

5.1 Schools Forum can:

- Note the Dedicated Schools Grant budget for 2020-21;
- Note the proposed increase in the basic hourly rate for 2 and 3-4 year olds;
- Note the proposed allocation of the Schools Block and 0.5% transfer to High Needs Block;
- Note the reduction against the Central School Services Budget.

and

- Recommend how the unallocated balance on the Schools Block of £0.713m is allocated in 2020-21
- Approve the centrally retained Early Years expenditure budget of £0.575m;

- Approve the Central Schools Services Block budget of £4.419m.

5 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 2020-21 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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