

## Cabinet

7 March 2019

### Allocation of 2019/20 Dedicated Schools Grant

#### Recommendations

Cabinet is recommended to:

- 1) Support the continued allocation of the Schools Block DSG, as outlined in Section 3, in line with the National Funding Formula for Schools.
- 2) Support the continuation of the current Early Years formula of a universal rate of £3.96 per hour and a deprivation rate of £0.53 per hour for eligible children for 2019/20 budget allocations for all early year providers.
- 3) Request that proposals from the Early Years Working Group in relation to the allocation of 2020/21 Early Years DSG are brought forward for consideration as part of the 2020/21 DSG budget setting process.
- 4) Approve the proposed allocation of the High Needs DSG budget for 2019/20, as set out in Section 5 and Appendix A.
- 5) Request that a further report is brought to Cabinet in April 2019 on the pressures on the High Needs DSG budget and the detail of the plans for bringing the budget back into balance.
- 6) Agree the proposals for allocating the Central School Services DSG budget, as set out in Section 6 and Appendix B, for 2019/20 that will go forward for approval by the Schools Forum on 14 March 2019.

#### 1. Purpose of the Report

- 1.1. The Dedicated Schools Grant (DSG) is the ring-fenced grant from Government that provides each local authority with an allocation of funding for schools and services for pupils.
- 1.2. As part of the 2019/20 budget resolution approved at Council on 7 February 2019, Council agreed:
  - The cost of funding schools and relevant pupil-related services should be contained within the level of the DSG so that the Council does not subsidise the DSG from its own resources.

- To continue with the approach adopted last year of moving towards the implementation of the National Funding Formula for schools.
- To implement the proposals arising from the review of non-schools block DSG spend with a view to bringing the DSG back into balance.

1.3. In recognition of the fact that achieving a balanced DSG budget is not possible in the short term. The budget resolution allocated £4.9 million of temporary funding (£3.3 million in 2019/20) to provide capacity to bring the DSG back into balance over three years. Part of this approval was the requirement to bring a report to Cabinet that sets out how the 2019/20 DSG will be used and the proposals for bringing it back into balance. This report meets these requirements.

## 2. Dedicated Schools Grant

2.1. Whilst the DSG is often referred to as a single grant it is, in fact made up of four blocks with minimal flexibility to move funding between the blocks. Therefore, in considering how the DSG is allocated it is necessary to consider each block separately.

2.2. The provisional 2019/20 DSG allocations of £426.3 million, split across the four blocks is set out in Table 1.

Table 1: 2019/20 DSG Allocations	£m
Schools Block	327.385
Early Years Block	32.167
High Needs Block ( <i>Note 1</i> )	62.390
Central Schools Services Block	4.405
<b>Total DSG Allocation 2019/20</b>	<b>426.347</b>

### Notes

1. The part of the 2019/20 High Needs Block DSG allocation that comes to the authority is £50.955 million. The Education and Skills Funding Agency (ESFA) top-slices £11.435 million and allocates this directly to non-maintained providers.

2.3. The rest of this section outlines the powers and responsibilities of the Local Authority and Schools Forum in relation to DSG allocations before the rest of this report covers the basis of allocations in each of the blocks separately.

### 2.4. Schools Block

It is the responsibility of the County Council to propose and decide any changes to the formula which is used to allocate Schools Block DSG to all primary and secondary schools. The Schools Forum is consulted on any proposed changes and informs the governing bodies of all consultations.

## **2.5. Early Years Block**

The local authority must passport a minimum of 95% of funding for the universal 15 hour entitlement for 3 and 4 year olds and the additional 15 hours entitlement for 3 and 4 year old children of eligible working parents directly to settings. This means up to 5% can be retained by the Council to fund Early Years functions delivered by Education Services.

It is the responsibility of the local authority to propose and decide the allocation of Early Years funding. The Schools Forum and all early years providers are consulted annually and given an opportunity to give their view on the local authority proposal.

## **2.6. High Needs Block**

The High Needs Block supports provision for children and young people with special education need and disabilities (SEND). The High Needs Block also provides the resources for place funding; top-up funding for institutions and funding for high need services delivered by the local authority.

It is the responsibility of the local authority to propose and decide the allocation of High Needs Block funding. The Schools Forum is consulted on any proposed changes and informs the governing bodies of all consultations.

## **2.7. Central School Services Block**

The Central School Services Block provides funding for the local authority to carry out central functions on behalf of pupils in both maintained schools and academies. Services are split between on-going and historic responsibilities.

The local authority proposes the spending allocations funded from the Central School Services Block but the final decision is made by the Schools Forum.

# **3. Schools Block National Funding Formula 2019/20**

3.1. The Schools Block DSG allocation for 2019/20 is £327.4 million. This is an increase of £10.9 million (3.46%) from the 2018/19 allocation and is due to two main reasons:

- The total number on roll for 2019/20 has increased by 1,418 pupils (1.92%) above 2018/19 pupil numbers. Table 2 shows the number on roll changes by phase and school type.

	Academy	Maintained	Total
Primary	258	218	476
Secondary	935	-40	895
All-through	47	0	47
<b>Total</b>	<b>1,240</b>	<b>178</b>	<b>1,418</b>

- The minimum pupil funding allocated as part of the DSG for Primary Schools has increased to £3,500 in 2019/20 from £3,330 in 2018/19 and for Secondary Schools has increased to £4,800 from £4,600 over the same period.

3.2. The Schools Block DSG allocation for 2019/20 has meant the authority can continue to apply the 'hard' National Funding Formula (NFF) in 2019/20. This means no changes to the policy and formula agreed last year, namely that Warwickshire Schools are funded based on the Government's methodology in advance of the 'hard' NFF being formally implemented at a national level.

3.3. A breakdown of the movements in the NFF factors between 2018/19 and 2019/20 is shown in Table 3 below.

Factor	2018/19 £m	2019/20 £m	Difference £m	Reason for Change
Age Weighted Pupil Unit (AWPU)	241.1	246.3	+5.2	Pupil led factor
Deprivation	17.7	18.6	+0.9	Pupil led factor
English as an Additional Language	0.8	0.8	0.0	Pupil led factor
Prior Attainment	23.2	24.2	+1.0	Pupil led factor
Lump Sum	25.0	25.2	+0.2	New schools
Split Sites	0.2	0.2	0.0	No change
Rates	3.2	3.4	+0.2	Actual costs of rate bills
Minimum Pupil Funding	1.1	4.2	+3.1	Changes in allocations for 2019/20
Minimum Funding Guarantee	2.9	3.0	+0.1	All schools get +0.5%
Growth Fund	1.3	1.5	+0.2	2018/19 funding was capped as this is the balancing figure
<b>Total</b>	<b>316.5</b>	<b>327.4</b>	<b>+10.9</b>	

3.4. Increases in the minimum per pupil funding and minimum funding guarantee ensures schools will receive increased funding where their number on roll remains the same between 2018/19 and 2019/20. Where a school's number on roll has dropped between the 2018/19 and 2019/20 their budget share may also decrease as well. 93 out of 231 schools have seen a drop in their number on roll between 2018/19 and 2019/20. None of these schools has seen a drop in its budget share greater than the drop in their number on roll.

- 3.5. The Schools Forum strongly supported the policy decision to move to the NFF at the earliest opportunity taken last year and therefore also support the decision to make no changes to the approach for 2019/20.

#### 4. Early Years Block National Funding Formula 2019/20

- 4.1. The Early Years NFF allocates funding to Warwickshire below what is deemed to be the minimum hourly rate. This means, along with many other shire counties, Warwickshire receives ‘top-up’ funding to bring our allocation up to the minimum hourly rate of £4.30 per hour to cover all early years activity. Of this minimum hourly rate at least 95% (£4.09) must go directly to providers either as a universal rate or as the mandatory supplement for deprivation and up to 5% (£0.21) can be retained by the local authority to fund central Early Years functions.
- 4.2. The overall minimum hourly rate of £4.30 is unchanged from 2018/19. Therefore, whilst the authority recognises the desire for Schools Forum to get to a universal rate of at least £4.00 per hour, this would need to be funded from the overall cost envelope of funding it receives for all early years providers i.e. by reducing the funding allocated on the basis of deprivation and/or for central functions.
- 4.3. Moving sufficient money from the deprivation rate would reduce this from 0.53p per hour to approximately 0.36p per hour for eligible children (equivalent to a 32% drop in funding for eligible children). Alternatively, it is estimated the local authority would have to find additional savings of £260,000 on centrally provided services to fund an increase in the universal rate to £4.00 per hour (equivalent to an additional 17% savings target).
- 4.4. Consequently, whilst Warwickshire remains at the floor there is effectively no capacity to make changes to the allocation formula. The breakdown of how the £4.30 is proposed to be allocated is set out in Table 4.

Table 4: Early Years Allocation of Funding per Hour	
Factor	2019/20 Allocation Per Hour £
Universal rate allocated to all providers	3.96
Deprivation Supplement	0.13
Central Provided Services (5%)	0.21
<b>Total for 3 and 4 Year Olds</b>	<b>4.30</b>

*Note: The deprivation allocation is only £0.13 of the total allocation as only about one quarter of all children are eligible for entitlement. The supplement remains at £0.53 per hour for eligible children.*

- 4.5. The Schools Forum supports the approach of the authority, whilst recognising that the third year of no increase in the overall hourly rate that underpins the Early Years DSG Block is placing significant financial pressure on all settings as costs continue to rise. In acknowledging these concerns the Assistant Director for Education Services has set up a working group with providers to review the allocation of funding for 2020/21.

## **5. High Needs DSG Budget Allocations 2019/20**

- 5.1. The 2019/20 allocation for High Needs DSG is £62.390 million, including the one-off extra grant of £1.197 million announced by the Department for Education in December 2018. This represents a £1.090 million increase on the equivalent allocation for 2018/19.
- 5.2. High Needs Block funding is based on SEND pupil numbers at October 2018 in mainstream; special and resourced provision maintained schools and academies, and SEND pupil numbers at January 2018 in independent provision. The funding is made up as follows:
- Basic entitlement factor funding at £4,000 per pupil, adjusted for area costs.
  - Historic spend factor. This amount is maintained at a cash-flat level and accounts for 87% of the total High Needs allocation.
  - The remaining amount of overall funding is distributed to local authorities using the following proxy indicators:
    - 2-18 year old population
    - deprivation
    - health and disability
    - low attainment
  - The formula then applies the protection of a funding floor to all elements except the basic entitlement factor.
  - Hospital education funding is added.
  - Import/export adjustments are made mid-year to reflect the transfer of pupils with SEND into and out of the County
- 5.3. These elements give an allocation of £61.193 million. The final High Needs allocation is then supplemented by the additional £1.197 million one-off funding announced by the Department for Education in December 2018, to bring the total allocation to £62.390 million.
- 5.4. Of the total allocation of £62.390 million the ESFA will allocate £11.435 million direct to academies for high needs places. The funding available to the local authority to manage is therefore £50.955 million.

- 5.5. The Quarter 3 figures reported to Cabinet in January 2019 showed an overspend of £3.511 million on the High Needs DSG and an approach to making good this deficit by allocating funding from underspends elsewhere in the authority was agreed. However, it is recognised that this position is unsustainable and that the authority will not continually be able to identify funding equivalent to an annual 1.3% increase in the council tax to make good the overall financial position.
- 5.6. In the report on the 2019/20 budget proposals to Cabinet in December 2018, two proposals to begin to tackle this problem were proposed:
- Area Behaviour Partnerships - a saving of £1.008 million. It is currently anticipated that £0.625 million of this can be delivered in 2019/20.
  - SEN Inclusion - a savings target of £1.500 million. It is anticipated that £0.800 million can be delivered in 2019/20.
- 5.7. If these savings are delivered in full this still leaves a further £1 million savings to be identified in other areas of high needs spend, including from out of county placements to bring the budget back into balance. This also assumes that the initiatives developed as part of the demand management review are effective.
- 5.8. The proposed detailed High Needs Block DSG budget for 2019/20 is shown in **Appendix A**. It reflects the 2018/19 forecasts at Quarter 3 plus known changes for next year. It also fully utilises the £3.3 million additional short-term funding allocated by Council in February 2019 to aid the phased delivery of the service changes required.
- 5.9. The Schools Forum when considering the provisional High Needs DSG budget recognised that, given the funding available, the authority would need to take difficult decisions to bring the budget back into balance. But, as individual school leaders as well as Schools Forum representatives, they know that demand pressures have yet to stabilize leaving little room for manoeuvre.
- 5.10. The Schools Forum was keen that the next phase of any work should include a focus on out-of-county placements as these represent almost a quarter of total spending. A direction of travel, to build capacity locally whilst also looking to stem demand at the front end with a graduated approach to meeting demand before the long-term commitment of an out-of-county placement was made, was also supported.
- 5.11. It is recognised that nationally pressures on the school system, and the high needs budget in particular, are continuing to rise. This demand pressure alongside the need to deliver material savings and manage future demand to

bring the budget back into balance means the High Needs DSG remains an area that requires close oversight. It is proposed that a further report is brought to Cabinet in April 2019 that outlines the pressures on the DSG budget and details the plans for both the delivery of savings and to bring the budget back into balance.

## **6. Central School Services DSG 2019/20**

- 6.1. The allocation to the Central School Services Block (CSSB) is £4.405 million in 2019/20. This represents a £0.019 million reduction on the 2018/19 figure. CSSB funding is allocated partly to historic commitments and partly for ongoing functions relating to both maintained schools and academies.
- 6.2. Warwickshire's historic commitments allocation remains unchanged from 2018/19 at £1.598 million. Funding for ongoing functions is allocated using a pupil-led formula, based on 2018/19 pupil numbers, and comprises a basic per-pupil factor, through which authorities receive the majority of funding, and a deprivation factor.
- 6.3. The decision on the use of the CSSB is one for the Schools Forum based on proposals from the authority.
- 6.4. At their meeting in January the Schools Forum approved the following adjustments to the budget for 2019/20:
  - Cessation of a contribution of £0.019 million to the Warwickshire Safeguarding Children Board. This will in future be wholly funded by the authority.
  - Additional funding of £0.330 million for Admissions to implement equitable funding arrangements for maintained schools and academies to ensure we comply with DSG guidance.
  - The removal of £0.197 million funding for maintained schools' DBS checks, which will now be funded from top-slicing allocations to maintained schools for this amount. Again this is to meet the requirement for equitable arrangements given that academies already fund their own DBS checks.
  - A £0.059 million reduction in funding for copyright licences based on the latest ESFA notification.
  - Removal of the £0.032 million budget for abortive capital costs which has been unspent in recent years.



6.5. The detail of the proposed CSSB allocations for 2019/20 is shown in **Appendix B**. These will be confirmed by the Schools Forum at their meeting on 14 March 2019.

## 7. Background Documents

7.1. None

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Elected Members have not been consulted in the preparation of this report.

### Allocation of 2019/20 High Needs Block Funding

The provisional budgets for 2019/20 below reflect 2018/19 forecasts at Quarter 3 plus known changes for next year. There are no unallocated resources to fund further additional growth in 2019/20.

	2018/19 Budget £m	Adjustment £m	2019/20 Budget £m
High Needs Recoupment	10.978	0.457	11.435
SEN – Place funding	4.397	0.234	4.631
Gap funding for post-16 provision	0.104	-0.104	-
SEN Top up - mainstream schools and academies	6.117	0.100	6.217
SEN Top up - WCC special schools and academies	13.319	0.571	13.890
SEN Top up - independent and out-of-county special schools	13.722	0.360	14.082
Tier 4 Hospital Education	0.180	-	0.180
Resourced provision - SEN support	1.685	0.016	1.701
SEND speech and language	0.191	-	0.191
Post 16 funding	3.871	0.855	4.726
SEND commissions	0.207	-0.140	0.067
Integrated Disability Service (teaching and learning)	1.589	-0.173	1.416
Warwickshire Flexible Learning Team	0.520	-0.063	0.457
Area Behaviour Partnerships	2.657	-0.525	2.132
Contribution to Early Intervention Behaviour Panels	0.063	0.001	0.064
STS Links & Exclusions	1.895	-0.524	1.371
SEN Inclusion grant payments	-	0.277	0.277
Special school enhanced rates for early years	-	0.228	0.228
High Needs (deficit)	-1.652	1.652	-
Contribution to the cost of support services	1.457	-0.029	1.428
<b>High Needs Allocations</b>	<b>61.300</b>	<b>4.390</b>	<b>64.493</b>
High Needs Block Funding			61.193
<b>Forecast High Needs Block Funding Shortfall</b>			<b>-3.300</b>
Additional DfE one-off funding			1.197
Provision in reserves to fund DSG deficit			2.103
<b>Balance after temporary funding</b>			<b>0</b>

## Allocation of the 2019/20 Central Schools Services Block DSG

The table below shows the provisional 2019/20 CSSB allocations that will be presented to the Schools Forum at their meeting on 14 March 2019 for approval.

	Historic or Ongoing	2018/19 Approved Budget £m	Adjustment £m	2019/20 Provisional Budget £m
Taking Care	Historic	0.052	-	0.052
Child Protection	Historic	0.123	-	0.123
Warwickshire Safeguarding Children's Board	Historic	0.019	-0.019	-
Children's Mental health	Historic	0.150	-	0.150
Admissions	Ongoing	0.651	0.154	0.805
DBS Checks	Historic	0.197	-0.197	-
Heads Termly / SACRE	Ongoing	0.018	-	0.018
Historic Pension Contribution	Historic	0.737	-	0.737
North Leamington School Prudential Borrowing	Historic	0.266	-	0.266
Copyright Licences	Ongoing	0.481	-0.059	0.422
Employers Liability Insurance	Ongoing	0.051	-	0.051
Abortive Capital Costs	Ongoing	0.032	-0.032	-
Contribution to the cost of support services #	Ongoing	0.121	0.606	0.727
Planning for the education service	Ongoing	0.378	-	0.378
Formulation and review of local authority schools funding formula	Ongoing	0.047	-	0.047
School attendance	Ongoing	0.377	-	0.377
Responsibilities regarding the employment of children	Ongoing	0.069	-	0.069
Contribution to services funded corporately by WCC	Ongoing	0.183	-	0.183
Unallocated Funding	Ongoing	0.472	-0.472	-
<b>Central Schools Services Allocations</b>		<b>4.424</b>	<b>-0.019</b>	<b>4.405</b>

### Note

# The increase in the contribution to the cost of support services is as a result of a review of how this cost is allocated across the DSG blocks. There is no overall increase in the cost of support services funded from the DSG.