

# **Cabinet**

**30 January 2020**

## **Allocation of 2020/21 Dedicated Schools Grant**

### **Recommendations**

That Cabinet:

- 1) Support the 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 £4.09 per hour and a deprivation rate of £0.07 per hour for eligible children for 2020/21 budget allocations for all early year providers.
- 3) Approve the proposed allocation of the High Needs DSG budget for 2020/21, as set out in Section 5.
- 4) Request that a further report is brought to Cabinet in April 2020 on the pressures on the High Needs DSG budget and the detail of the plans for bringing the budget back into balance.
- 5) Agree the proposals for allocating the Central School Services DSG budget, as set out in Section 6, for 2020/21 that will go forward for approval by the Schools Forum on 19 March 2020.

### **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 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. This report has been prepared based on the strategy agreed last year. Where changes are proposed as a result of more recent information this is highlighted in the body of the report. The report also recognises that achieving a balanced DSG budget is not possible in the short term. A further report to Cabinet in April 2020 that sets out proposals for bringing the DSG back into balance is proposed.

## 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 2020/21 DSG allocations of £454.9m, split across the four blocks is set out in Table 1.

Table 1: 2020/21 DSG Allocations	£m
Schools Block	349.7
Early Years Block	33.1
High Needs Block ( <i>Note 1</i> )	68.1
Central Schools Services Block	4.1
<b>Total DSG Allocation 2020/21</b>	<b>455.0</b>

### Notes

1. The part of the 2020/21 High Needs Block DSG allocation that comes to the authority is £55.303m. The Education and Skills Funding Agency (ESFA) top-slices £12.770m 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 2020/21**

- 3.1. The Schools Block DSG allocation for 2020/21 is £349.7m. This is an increase of £22.4 million (6.81%) from the 2019/20 allocation and is due to two main reasons:
- The total number on roll for 2020/21 has increased by 1,276 pupils (1.70%) above 2019/20 pupil numbers. Table 2 shows the number on roll changes by phase and school type.

	Total
Primary	181
Secondary	1,018
All-through	77
	1,276

- The minimum pupil funding allocated as part of the DSG for Primary Schools has increased to £3,750 in 2020/21 from £3,500 in 2019/20 and for Secondary Schools has increased to £5,000 from £4,800 over the same period.

3.2. The Schools Block DSG allocation for 2020/21 has meant the authority can continue to apply the 'hard' National Funding Formula (NFF) in 2020/21. 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 2019/20 and 2020/21 is shown in Table 3 below.

Factor	2019/20 £m	2020/21 £m	Difference £m	Reason for Change
Age Weighted Pupil Unit (AWPU)	246.3	261.4	+15.1	Pupil led factor +4% Increase
Deprivation	18.6	20.4	+1.8	Pupil led factor +4% Increase
English as an Additional Language	0.8	2.4	+1.6	Eligible children receive funding for 3 year rather than 1 +4% Increase
Prior Attainment	24.2	24.0	-0.23	Pupil led factor +4% Increase
Lump Sum	25.2	26.3	+1.1	4% Increase
Split Sites	0.2	0.2	0.0	No change
Rates	3.4	3.6	+0.2	Actual costs of rate bills
Minimum Pupil Funding	4.2	5.8	+1.6	Changes in allocations for 2020/21
Minimum Funding Guarantee	3.0	1.0	-2.1	All schools get +1.84% so fewer schools protected
Growth Fund	1.5	1.9	+0.6	More Growing Schools
Unallocated	0.0	2.7	+2.7	Currently unallocated pending outcome of disapplication and consultation with schools on balance
<b>Total</b>	<b>327.4</b>	<b>349.7</b>	<b>+22.4</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 2019/20 and 2020/21. Where a school's number on roll has dropped between the 2019/20 and 2020/21 their budget share may also

decrease as well. 98 out of 231 schools have seen a drop in their number on roll between 2019/20 and 2020/21. 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 2020/21.
- 3.6. Due to a higher than expected settlement in the Schools Block, 0.5% of the Schools Block budget could be moved to the High Needs Block without affecting any indicative allocations to schools under the National Funding Formula. This would go some way to addressing the forecast overspends in the High Needs Block in 2020/21 (see paragraph 5.5 for further details).

#### **4. Early Years Block National Funding Formula 2020/21**

- 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 £4.38 per hour to cover all early years activity. Of this minimum hourly rate at least 95% (£4.16) must go directly to providers either as a universal rate or as the mandatory supplement for deprivation and up to 5% (£0.22) can be retained by the local authority to fund central Early Years functions.
- 4.2. The increase in overall funding levels means it is possible to increase the overall universal rate to £4.09 per hour, an increase of £0.13 per hour compared to the £3.96 universal rate in 2019/20.
- 4.3. The breakdown of how the £4.38 is to be allocated is set out in Table 4.

<b>Table 4: Early Years Allocation of Funding per Hour</b>	
<b>Factor</b>	<b>2020/21 Allocation Per Hour £</b>
Universal rate allocated to all providers	4.09
Deprivation Supplement	0.07
Central Provided Services (5%)	0.22
<b>Total for 3 and 4 Year Olds</b>	<b>4.38</b>

#### **5. High Needs DSG Budget Allocations 2020/21**

- 5.1. The 2020/21 allocation for High Needs DSG is £68.073m. This represents a £5.610m increase on the equivalent allocation for 2019/20. Of the total

allocation of £68.073m the ESFA will allocate £12.770m direct to academies for high needs places. The allocation available to the local authority to manage is therefore £55.303m.

- 5.2. High Needs Block funding is based on SEND pupil numbers at October 2019 in mainstream; special and resourced provision maintained schools and academies, and SEND pupil numbers at January 2019 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 89% 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
  - Additional funding for Special Free Schools
- 5.3. The 2019/20 Quarter 3 figures being reported to Cabinet elsewhere on today's agenda show a 2019/20 overall forecast DSG overspend of £5.040m. Demand is forecast to continue to grow, indicating that without any action it is likely the High Needs DSG will overspend again in 2020/21 by £6.398m. Work to assess demand is ongoing and the forecast overspend is therefore subject to change before the final budget is brought to Schools Forum in March. However, the position is unsustainable as the authority will not continually be able to identify funding equivalent to a 2.1% increase in the council tax to make good the overall financial position.
- 5.4. As described, there remains an expected overspend of £6.398m in the High Needs Block in 2020/21. Following consultation, Schools Forum considered the proposal to move 0.5% (£1.748m) of the Schools Block to the High Needs Block on 16th January 2020. 90% of the schools that responded to the consultation disagreed with the proposal. However, the better than expected Schools Block DSG allocation for 2020/21 means 0.5% movement could now be achieved without affecting indicative school budgets under the national

funding formula. The proposal was rejected at the Schools Forum meeting on 16<sup>th</sup> January 2020.

- 5.5. The local authority can request that Secretary of State for Education intervenes on this matter by submitting a 'disapplication.' The submission of the disapplication was made on 28<sup>th</sup> November 2019, as required by the Department for Education.
- 5.6. It is argued that overspend in the Dedicated Schools Grant should be addressed from the Dedicated Schools Grant. Whilst this will not address all of the overspend forecast for 2020/21, it will make a significant contribution to it. The pressures upon High Needs Funding have been well documented nationally and set out in the High Needs Task and Finish Group report (presented as an appendix to the Cabinet paper on 16th December 2019).
- 5.7. The local authority has continued with the submission and is awaiting a response from the Department for Education.
- 5.8. It should be noted that the ESFA have not yet disclosed the outcome of the November 2019 Specific Grant and Ring-fenced status consultation, which if enacted would prevent Local Authorities from using its own resources to fund High Needs overspends. If changes to the terms and conditions are required to be applied to the 2019/20 position, this could require the 2020/21 DSG to repay the 2019/20 overspend. The High Needs overspend is forecast to be £5.414m and the 2020/21 High Needs overspend is currently expected to be £6.398m; but if the Local Authority cannot fund the 2019/20 overspend, the 2020/21 High Needs shortfall increases to £11.812m. A movement of funds from the Schools Block into the High Needs Block (ie the 0.5% transfer equating to £1.748m) would reduce the 2020/21 in year pressure to £4.650m or the 2020/21 cumulative pressure to £10.064m.
- 5.9. As highlighted in the 2019/20 Financial Monitoring report elsewhere on today's agenda, the Local Authority is currently exceeding the 1% threshold which will result in a requirement for the Service to produce a DSG Deficit Recovery plan. The pressure identified in 2020/21 would need to be addressed in this process.
- 5.10. 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.

- 5.11. 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 supported.
- 5.12. 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 2020 that outlines the pressures on the DSG budget and details the plans for bringing the budget back into balance.

## **6. Central School Services DSG 2020/21**

- 6.1. The allocation to the Central School Services Block (CSSB) is £4.061m in 2020/21. This represents a £0.343m reduction on the 2019/20 figure. CSSB funding is allocated partly to historic commitments and partly for ongoing functions relating to both maintained schools and academies.
- 6.2. As expected, Warwickshire's historic commitments allocation has reduced by 20% from 2019/20 to £1.278m, this is a reduction of £0.320m. Funding for ongoing functions is allocated using a pupil-led formula, based on 2019/20 pupil numbers, and comprises a basic per-pupil factor, through which authorities receive the majority of funding, and a deprivation factor. Warwickshire ongoing funding will reduce by £0.023m, to £2.783m in 2020/21.
- 6.3. The decision on the use of the CSSB is one for the Schools Forum based on proposals from the authority. At the January Schools Forum meeting, School Forum received and noted the budget adjustment proposals. The proposals mean that the reduction imposed by ESFA in the CSSB can be accommodated primarily by a reduction in the cost of support services charged to support Education Functions, thereby not impacting the budgets of other functions.
- 6.4. The CSSB allocations for 2020/21 will be confirmed by the Schools Forum at their meeting on 19 March 2020.



## 7. Financial Implications

- 7.1. A number of financial implications are outlined within the body of this report. Subject to Cabinet approving a further report to be brought to the April 2020 meeting, the required actions for bringing the budget back into balance and further financial implications will be outlined in the proposed further report in April 2020.
- 7.2. A provision to meet any overspend on the High Needs DSG in 2019/20 and 2020/21 has been set aside before identifying the level of time-limited resources available to Members to support the delivery of priorities. Further reserves may need to be set aside in future years subject to the delivery of the action plan for bringing the DSG back into balance and the outcome of the Government consultation on the accounting treatment of DSG deficits.

## 8. Environmental Implications

- 8.1. There are no specific environmental implications arising from the decision being made as part of this report.

## 9. Background Documents

- 9.1. None

	<b>Name</b>	<b>Contact Information</b>
Report Author	Purnima Sherwood	purnimasherwood@warwickshire.gov.uk
Assistant Directors	Richard Ennis Ian Budd	<a href="mailto:richardennis@warwickshire.gov.uk">richardennis@warwickshire.gov.uk</a> ianbudd@warwickshire.gov.uk
Strategic Directors	Rob Powell Mark Ryder	<a href="mailto:robpowell@warwickshire.gov.uk">robpowell@warwickshire.gov.uk</a> markryder@warwickshire.gov.uk
Portfolio Holders	Peter Butlin Colin Hayfield	<a href="mailto:peterbutlin@warwickshire.gov.uk">peterbutlin@warwickshire.gov.uk</a> cllrhayfield@warwickshire.gov.uk

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