

Central Bedfordshire Council

Committee: School Forum

Date: 11 March 2019

Report: Dedicated School Grant (DSG) Budgets

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This report relates to a decision that is Non-Key

Purpose of this report

To provide an update on the use of the Dedicated Schools Grant Contingency Budgets for the financial year 2018/19.

RECOMMENDATIONS

The Forum is asked to:

- 1. To note and comment on the update to the 2018/19 the Dedicated School Grant (DSG) and funding arrangements for 2019/20.**
- 2. To note the update on Individual School Budgets for 2019/20**
- 3. To note the proposal to update the Central Bedfordshire Scheme for Financing Schools.**
- 4. To note the process for review of surplus balances for 2018/19.**
- 5. To note the new arrangements for reporting DSG deficits from 2018/19.**

Background

- 1 Local authorities receive allocations of Dedicated Schools Grant (DSG) to finance the Schools Budget in each authority. The full DSG received must be applied to the Schools Budget in each authority; although authorities may provide additional resources in support of the Schools Budget should they decide to do so.

The School and Early Years Finance (England) Regulations 2018 define the local authority education budgets (the non-schools education budget, the

schools budget, the central expenditure and the Individual Schools Budget (ISB)). The regulations set out how local authorities are to allocate funding from the ISB to maintained schools and private, voluntary and independent providers of free early years provision (relevant early years providers) through a locally determined formula.

2 Local Authority Assurance Statement

LAs are required to submit an annual outturn statement, confirming that the DSG received by the authority was fully deployed in support of the schools budgets in accordance with the conditions of the grant and The School and Early Years Finance (England) Regulations 2018. The statement also includes a Non-Maintained Special School (NMSS) statement and Fraud cases reported in schools statement.

The NMSS statement requires confirmation that based on the LAs work in reviewing Individual Placement Agreements for high needs pupils/students within NMSS, nothing has come to the local authorities attention that causes them to believe that the learners reviewed were not correctly defined as high needs students.

The Fraud cases statement requires the confirmation of the number and value of fraud cases reported in schools and the number of those that have been investigated and, where appropriate, action taken.

3 DSG Budget Allocations 2018/19

The DSG is split into four blocks (Schools, High Needs, Early Years and Central Services). The new Central School Services Block (CSSB) includes funding for services previously part of the School Block (School Forum, Admissions, Central Licenses) and also includes funds for which local authorities fund ongoing responsibilities for both Academies and maintained schools. School Forum approval is required each year to confirm the individual amounts for the services covered (not required for central licenses).

The minimum funding guarantee (MFG) for schools is retained so that no school can face a funding reduction of more than % per pupil in what it receives through the local authority funding formula, providing continued protection from excessive year-on-year changes. The MFG set for 2018/19 is 0%.

- 4 The table below illustrates the updated DSG revenue allocation for 2018/19. The Early Years Block has been updated based on January 18 census data and the High Needs Block for the additional allocation announced in December 2018.

Block		Updated Allocation (M)	Total Allocation (M)
Schools	NFF allocation	167.133	167.133
Central Schools	NFF allocation	1.236	1.236
Early Years	3 & 4 year old universal funding	10.586	
	3 & 4 year old additional 15hrs	3.352	
	Final 17/18 allocation (Jan18)	(0.208)	
	EYPP	0.104	
	Two Year Olds funding	1.435	
	MNS Supplementary funding	0.152	
	DAF funding	0.060	15.481
High Needs	NFF allocation	24.843	
	Special school	2.547	
	Import / export adjustment	0.165	
	Additional allocation	0.658	28.213
Total Indicative Allocation DSG			212.063

- 5 The following table represents the distribution of the 2018/19 DSG and latest recoument costs based on 56 academy conversions as at January 2019.

	DSG	ISB Academies	Revised DSG	ISB Schools	Central Spend	
					LA	Academies
	£'000	£'000	£'000	£'000	£'000	£'000
School	167,133	(103,575)	63,558	60,169	3,389	0
Central Schools	1,236	0	1,236	0	1,236	0
EY	15,481	0	15,481	10,967	2,370	2,144
High Needs	28,213	(5,149)	23,064	9,518	8,959	4,587
Total	212,063	(108,724)	103,339	80,654	15,954	6,731

- 6 The table below details the DSG carried forward from 2017/18 to 2018/19

Reserves	£
School Specific Contingency	250,227
Early Years Contingency	341,117
School Forum	6,852
Facilities Time	39,151
Growth Fund	420,504
Two Year Old Funding	390,541
Disability Access Fund (DAF)	16,736
School Admissions	16,245
Central Schools Block	97,071
Total	1,578,444

DSG Funding Arrangements 2019/20

- 7 On the 17 December 2018, the Minister of State for School Standards confirmed the school and early years funding allocations for 2019 to 2020. The announcement covered the DSG, the Education Services Grant (ESG) protections for academies and the Pupil Premium.

The DSG will continue to have four blocks

- the schools block is allocated on the basis of the schools block units of funding and actual costs for premises, growth and mobility announced in July 2018
- the central school services block is allocated on the per-pupil rates and historic commitments announced in July 2018
- the high needs block is based on the national funding formula announced in July 2018, with an additional £125 million allocated on the basis of the ONS projections for the 2 to 18 year old population in each local authority
- the early years block is allocated using the funding rates and calculations announced in November 2018.

- 8 **The schools block** for Central Bedfordshire Council (CBC) primary unit of funding being £3,858 and secondary £5,006. The unit of funding is multiplied by the October 2018 school census (primary – reception to year group 6 and secondary – year group 7 to 11). Those pupils not assigned to a year group are allocated to primary and secondary based on the age of the pupil (age 4 to 10 or age 11 to 15).

Pupils in special units and resource provisions are included in the pupil counts.

Recoupment for academies will be based on data provided on the authority proforma tool (APT) submitted in January 2019.

- 9 **The central school services block** which funds local authorities for their ongoing responsibilities for both academies and maintained schools has also been allocated on the basis of the latest pupil numbers, in line with December's announcement (£32.59 unit of funding multiplied by the number of pupils recorded in the October 2018 school census in reception to year group 11, and those aged 4 to 15, not assigned to a year group).

A number of the services that are covered by funding that is held centrally are subject to a limitation of no new commitments or increases in expenditure from previous years. This limit does not now apply to admissions or the servicing of schools forums. Schools forum approval is required each year to confirm the amounts on each line. When using centrally held funding, local authorities must treat maintained schools and academies on an equivalent basis.

- 10 **The early years block** comprises funding for: the free early education entitlements for 3 and 4 year olds and disadvantaged 2 year olds, the early years Pupil Premium. The early years national funding formula rates for 3 and 4 year olds for 2019/20 were published on 17 November (£4.30 per hourly rate).

The ESFA will update these allocations in July 2019, based on January 2019 census numbers and July 2019, based on five twelfths of the January 2019 census numbers (to cover the April to August 2019 period), and seven twelfths of the January 2020 census numbers (to cover the September 2019 to March 2020 period).

Additionally, the early years block includes an initial allocation for the early years disability access fund and the supplementary funding for maintained nursery schools.

- 11 **The high needs block** has been updated with the latest pupil numbers, following the publication of provisional allocations in September. The high needs funding block is a single block for local authorities' pupils and students aged 0 to 24, with high needs. The block includes funding for pre-16 and post 16 places.

There is additional funding for 2 years across 2018/19 & 2019/20. This is based on the ONS projections for the 2 to 18 year old population in each local authority and is £125 million for 2018/19 & 2019/20 nationally.

The import and export adjustment will be updated in May 2019 to reflect the latest data from the January 2019 school census and the R06 of the 2018 to 2019 ILR.

The high needs place funding deduction has been based on the academic year 2018/19 for places directly paid for by the ESFA to institutions, or through the sixth form grant. In March 2019 the deduction will be updated to take account of further academy conversions and the outcome of the 2019/20 place change notification process.

Special units and resourced provision are funded on the places reported and agreed through the place change notification process, not on the number of pupils reported on the 2019/20 APT. The pupil data from the APT is only used to identify whether places are occupied by pupils on the school roll funded at £6,000 or funded at £10,000.

Deductions will be made from DSG for pre-16 places in AP free schools opened before or during the 2015/16 academic year. Deductions are from the pupil's home local authority, based on school census data. Local authorities will be notified of these deductions in March 2019. No deductions will be made from local authorities' 2019/20 DSG for post 16 high needs places in AP free schools; these will be funded directly by the ESFA.

12 The indicative 2019/20 DSG allocation

The table below reflects the indicative allocation as at December 2018:

Schools block		
Primary unit of funding	£3,857.62	
Headcount	24,778	£95,584,108
Secondary unit of funding	£5,006.52	
Headcount	14,315.5	£71,670,837
Growth, premises and mobility factors		£5,182,438
Total School block		£172,437,383
Central School Services block		
CSSB unit of funding	£32.59	
Headcount	39,093.5	£1,274,057
Total CSS block		£1,274,057
Early Years block		
2019/20 EYNFF LA hourly rate for 3 and 4 year olds	£4.30	
PTE 3 and 4 year old child numbers for universal entitlement funding	4,319.11	
Initial funding allocation for universal entitlement for 3 and 4 year olds (£4.30 x 38 weeks for 15 hours)		£10,586,147
Estimated PTE 3 and 4 year old child numbers for additional 15 hours entitlement for eligible working parents	1,367.48	
Initial funding allocation for additional 15 hours entitlement for eligible working parents of 3 and 4 year olds (£4.30 x 38 weeks for 15 hours)		£3,351,682
LA hourly rate for 2-year-old entitlement	£5.39	
PTE child numbers for 2-year-old entitlement funding	467.03	
Initial funding allocation for 2-year-old entitlement (£5.39 x 38 weeks for 15 hours)		£1,434,865
Initial funding allocation for EYPP		£104,257
Initial funding allocation Disability Access Fund		£62,115
Initial funding for MNSS		£201,865
Total EY block		£15,740,932
High Needs block		
High needs NFF allocation, excluding basic entitlement factor and import/export adjustments		£25,449,743
ACA weighted Basic entitlement unit rate	£4,094.28	
Pupils in Special schools/academies (Headcount)	647	£2,648,999
Import/Export unit rate	£6,000	
Headcount	27.5	
Provisional import/export adjustment		£165,000
Additional HN Funding		£658,153
Total HN block		£28,921,896
Total DSG Allocation		£218,374,268

Individual Schools Budget (ISB) 2019/20

13 The local authority will continue to set a local formula to distribute the funding allocated to them through the national funding formula to the schools in their area in 2019/20 and 2020/21.

14 The table below reflects the Age Weighted Pupil Unit (AWPU) allocation:

	2017/18	2018/19	2019/20
Primary	£3,088	£3,074	£3,005
KS3	£4,350	£4,336	£4,267
KS4	£5,059	£5,045	£4,976

15 Total funding through this basic entitlement factor in 2019/20 is £139.4M compared to £139.3M in 2018/19. Per pupil rates for 2019/20 were initially £110 lower than for 2018/19 (primarily due to the introduction of the Low Prior Attainment factor). The impact of the lower AWPU rate has been partially offset by a one off additional amount of £41, which should not be included for future financial planning. This is as a result of including unspent 2018/19 contingency of £185,929, a reduced requirement for growth funding in 19/20 and no transfer between blocks.

16 Low Prior Attainment has been introduced for 2019/20 at 50% of the National Formula Funding (NFF) rates of £511 for primary and £775 for secondary. As a result, £6.9M is being distributed through this factor.

17 The overall formula allocation is 90.16% pupil-led funding i.e. funded through AWPU, deprivation and low prior attainment factors (2018/19 - 89.71%).

18 The cost of rates, which is reimbursed to schools' pound for pound, has reduced by £168,054 to £2,248,601 (2018/19 – £2,416,655) largely as a result of less previous year adjustments.

19 The final Authority Proforma Tool (APT) was submitted to the Education & Skills Funding Agency (ESFA) on 21 February 2019 following the emergency Schools Forum meeting held to re-consider the transfer of funds from the Schools Block to the High Needs Block. Political ratification for the CBC local formula in principle was received on 23 January 2019. The summary is included in Appendix A.

20 Recoupment for academies will be based on data provided on the authority proforma tool (APT) submitted in January 2018.

21 The school budgets have been made available on the website along with guidance. Please note this is only for the Schools Block.

Scheme for Financing Schools

- 22 Local authorities are required to publish schemes for financing schools, setting out the financial relationship between them and the schools they maintain. In making any changes to their schemes, local authorities must consult all maintained schools in their area and receive the approval of the members of their schools forum representing maintained schools.
- 23 The Department has issued directed revisions to the scheme which must be incorporated into the local scheme.
- 24 This also provides an opportunity for the LA to review the requirements of the current scheme and where possible simplify the obligations placed on schools. It is the intention to consult with schools during June (prior to the summer break) and to bring back to forum the proposed amendments at the September meeting for implementation upon approval.

Surplus balances process 2018/19

- 25 The control on surplus balances was re-introduced in to the Central Bedfordshire Scheme for Financing Schools in September 2016 for the 2016/17 financial year.
- 26 Governing bodies are required to report to the LA on the intended use of the surplus balances. The current scheme for financial schools states that the plan will be reviewed and agreed by a Sub Group of the Schools Forum, each year and monitored to ensure such surpluses are used appropriately for the benefit of the school. The Sub-Group of the Schools Forum will consider the explanations provided by schools and make recommendations to the Authority, it is the Authority that will ultimately determine whether deduction of 'excess balances' is to be made.
- 27 It is proposed for 2018/19 that schools submit their report on surplus balances and any supporting evidence with their revenue year-end packs by Friday 5 April 2019. An update paper will be presented to the June schools forum meeting for review.

New arrangements for reporting DSG deficits

- 28 An increasing number of local authorities are now incurring a deficit on their overall DSG account, largely because of overspend on the high needs block.
- 29 The Department for Education (DfE) will require a report from all local authorities that have an overall cumulative DSG deficit of 1% or more at the end of the 2018 to 2019 financial year by 30 June 2019, outlining their recovery plans. The 1% calculation will be based on the latest published DSG allocations for 2018 to 2019, gross of recoupment, as at the end of the 2018 to 2019 financial year.

- 30 The recovery plan must set out how it plans to bring the overall DSG account into balance within a maximum of three years. In exceptional cases the authority may propose to leave some of the accumulated deficit outstanding, where it is not practicable to do otherwise. The recovery plan should be discussed and, if possible, agreed with the schools forum, **and will require CFO sign off prior to submission to the DfE.**

Appendices

Appendix A – Authority Proforma Tool (APT) 2019/20

Background Papers

None

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