



Report to the Schools Forum

Title:	Schools Budget Proposals 2020-21(Part A and B)
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Author:	Liz Williams, Head of Finance Children's Service
Contact officer:	Janaki Try, Finance Business Partner (Schools) jtry@buckscc.gov.uk

1. Purpose of Agenda Item

- 1.1. **Part A:** For Information – the report sets out latest information on the 4 blocks of the Dedicated Schools Grant (DSG).
Part B: For consideration and decision. The report sets out the proposals for Schools Budget in 2020-21, and to consider the principles to be used in the 2020-21 school's funding formula.

2. Part A: Background

- 2.1. At its meeting in October 2019, Schools Forum was informed of the Department of Education (DfE) announcements in September 2019 and key changes for 2020-21. Indicative allocations were published in early October for Schools Block, High needs and Central Schools Services Block. These indicative allocations will be updated in December 2019 using the October census data plus any other late adjustments. Early Years initial funding allocations for all the free early education entitlements will be published in December 2019.
- 2.2. The latest 2020-21 indicative allocations for the Schools Block were published excluding growth fund. Instead, the DfE produced a tool to allow each authority to calculate an estimated amount for Growth Fund based on the latest census data. For Buckinghamshire we have calculated this to be £2.804m.

2.3. The 2020-21 DSG indicative allocations are £23.4m higher than in 2019-20 and are shown in the table below:

Year	Schools Block	High Needs	Central School Services Block	Total DSG
2020-21	£m	£m	£m	£m
DfE indicative allocation	336.5	89.8	6.4	432.8
LA's estimated Growth Fund	2.8	-	-	
Total indicative funding	339.3	89.8	6.4	435.6
Final Allocations 2019-20	322.2	82.6	7.4	412.2
Change	17.1	7.2	(1)	23.4

3. Schools Block

3.1. In 2020 to 2021, as in previous years, each local authority will continue to set a local schools formula, in consultation with local schools. In a statement made by Nick Gibb (The Minister of State for School Standards), the government has confirmed its intention to move to a single 'hard' national funding formula to determine every school's budget. As a first step towards hardening the formula, from 2020-21 the government will make the use of the national minimum per pupil funding levels, at the values in the school NFF, compulsory for local authorities to use in their own funding formulae.

3.2. The illustrative 2020-21 Local Authority level allocations are shown below. The final allocation to be published in December will be based on pupil numbers recorded in the October 2019 census, plus any other late adjustments.

Schools Block	Provisional Pupil Led Factors £m	Actual funding through the premises factors £m	Estimated Growth Funding £m	Total Provisional Funding 2020-21 £m
	332.7	3.8	2.8	339.3

3.3. Schools block funding of £339.3m in 2020-21 is an increase of £17.1m on 2019-20 figures (about 5.3%) and this takes into account the increase of 4% to the formula's core factors, and the minimum per pupil funding. In 2020-21 of the 149 local authorities, Buckinghamshire County Council is expected to receive the 20th lowest funding per pupil at £4,554 per pupil (compared to the 14th lowest funded last year). The average per pupil funding for England is expected to be £4,838. This year the

per pupil increase nationally varies from the DfE's set minimum of +1.84% (with 3 inner London Boroughs receiving protection funding) to the highest of 7.18% for Bracknell Forest and 8.49% for Bedford Borough Council. 24 Councils in total are expected to receive a greater percentage increase than BCC's 5.33% (15 between 5.38% and 5.99%; 7 LAs will receive 6% and above, and 2 LAs above 7%).

Appendix 1 provides information on the lowest funded and the highest funded local authorities in the country.

4. Schools Block - Growth Funding

- 4.1. The DfE announced the new rates that will apply in 2020-21 and we have used these to calculate the 2020-21 estimated growth fund :

Growth Fund values	2019-20	2020-21
Primary Unit value	£1,370	£1,425
Secondary unit value	£2,050	£2,130
New School Lump sum	£65,000	£67,000

Area Cost Adjustment is applied to the rates above

- 4.2. The estimated increase in funding of £516,000 from 2019-20 (£2.288m to £2.804m) can be broken down as follows:

Growth in Pupil Numbers (At 2019-20 Rates)	357,610
Rate Increase (4% on Last Years Rates)	91,308
New School funding	67,000
Total	515,918

5. Buckinghamshire's Growth Fund

- 5.1. The locally determined required level of growth fund in 2020-21 is expected to be £2.8m and is assumed to be fully met from the Growth Fund element of the Schools Block, without effecting the funding to be allocated through the funding formula.
- 5.2. Appendix 2 details Growth Funding updated for 2019-20 and projected for 2020-21. Last year's locally agreed allocation methodology will be reviewed and set out in a separate report.

6. Schools Block transfer to High Needs Block

- 6.1. Although Local authorities are able to transfer out up to 0.5% (£1.7m) of their schools block with the agreement of their Schools Forum, we are not proposing to ask for a transfer at this stage, given the additional money allocated to High Needs by the DfE in 2020-21. As in previous year, the Department of Education's operational guidance states that any local authority wishing to make a transfer should consult with all local maintained schools and academies, and schools forum should take into account the views of the schools responding before giving their approval.

7. High Needs Block 2020-21

- 7.1. The estimated increased funding on last year is £7.2m. At this stage we are assuming the additional funding is for 2020-21 only as the DfE have not confirmed whether this is on-going funding. Principles for the use of this funding will be included in the SEN paper later on in this agenda.

8. Central Schools Services Block 2020-21 – Historical Commitments and On-going responsibilities

- 8.1. As expected and reported to Schools Forum last year, the DfE has now confirmed the decision to reduce **Historical Commitments**. The reduction will be by 20%, and the DfE stated 'We will continue to unwind this funding in future years, and will provide further details in due course.'
- 8.2. Historic Commitments for BCC are based on evidence to the DfE provided by the Local authority of 'LA historic spend commitments (prior to April 2013) that would still operate in 2017-18.' These include: a) Contributions to the BLT contract (combined budgets - DSG and Local authority funded); b) Premature retirement costs; c) Capital expenditure from revenue (CERA) for Bierton school expansion which was agreed in October 2012 but due to various issues completion was delayed. This project has since been completed and the budget is not required for its original purpose, although the funding is still in our DSG allocation. Budgets for (a) and (b) are still required to fund commitments.
- 8.3. For Buckinghamshire, the 20% reduction equates to £930,800 and will be taken from the Capital Expenditure from Revenue (CERA) unallocated budget of

£1,708,000. In 2019-20 Schools Forum agreed to use this unallocated budget for High Needs, and its reduction will mean it is not available for High Needs in 2020-21.

8.4. On-going responsibilities funding is based on a per-pupil formula and the DfE will continue to reduce this by a maximum of minus 2.5% year on year. For Buckinghamshire this means the reduction is (£69,284).

8.5. The table below gives the indicative allocation for 2020-21. Detailed budgets will be reported to Schools Forum in January, including proposals for future years reductions in line with 2020-21 percentage reductions:

Central Schools Service Block	2019-20	2020-21	Reduction	%
Historic Commitments	4,654,000	3,723,200	(930,800)	-20.0%
On-going responsibilities	2,771,363	2,702,078	(69,284)	-2.5%
Total Central Schools Service Block	7,425,363	6,425,278	(1,000,084)	

9. Early Years 2020-21

9.1. Early Years indicative allocations are not due until December, but the DfE have confirmed:

- an increase in hourly funding at the LA level for all councils offering 15 hours free childcare for disadvantaged two-year-olds
- An increase in the hourly rate at the LA level for local authorities providing free 30 hours places for working parents of three and four-year olds.
- The continuation of supplementary funding to the LA for Maintained Nursery Schools for 2020-21. This will be allocated to local authorities in 2020-21 at their 2019-20 supplementary funding rate – details will be confirmed in December.

9.2. Budget proposals, in line with DfE guidance, will be reported to Schools Forum in January 2020. These proposals will then be taken to the Early Years Forum later in January. Final decisions will be confirmed at Schools Forum in March 2020. The table below shows the comparative increase in the hourly rate from 2019-20:

Early Years hourly rates		
	2 year olds	3/4 year olds
2019-20	£5.71	£4.64
2020-21	£5.79	£4.72
Increase £	£0.08	£0.08
Increase %	1.4%	1.7%

10. DSG Balances

- 10.1. 2020-21 will be the second year the DfE will require Local Authorities with a DSG deficit of more than 1% to set out recovery plans to bring DSG back into balance. The 1% will be calculated on the latest published DSG allocations gross of recoupment. Recovery plans will need to be discussed with the schools forum and the Chief Finance Officer (CFO) must also review and sign off the report before submitting to the DfE. A range of evidence to support local authority recovery plans will need to be submitted and to this end, the DfE will update the guidance based on how the format and process worked this year.
- 10.2. Currently Buckinghamshire has a positive DSG reserve but pressures on the High Needs Block and Central School Services Block means we will need to keep this under review.
- 10.3. The Department is also consulting on changing the conditions of grant and regulations applying to the Dedicated Schools Grant (DSG), so as to clarify that the DSG is a ring-fenced specific grant separate from the general funding of local authorities, and that any deficit an authority may have on its DSG account is expected to be carried forward and does not require to be covered by the authority's general reserves. Buckinghamshire County Council's response to the consultation is shown at Appendix 3.

Part B Schools Local Funding Formula 2020-21

11. Part B: Background

- 11.1. In October, Schools Forum agreed that the local funding formula for 2020-21 will be modelled when information from the DfE becomes available and this will be brought back to Schools Forum for consideration. The DfE confirmed the key changes for 2020-21, including local authorities ability to set a Minimum Funding

Guarantee, which in 2020-21 must be between +0.5% and +1.84%. This allows local authorities to mirror the real terms protection in the NFF, which is the Government's expectation. This and the introduction of the minimum per pupil levels requires a revision of the key principles in the formula and a consultation with schools on changes to the budget setting principles that were adopted in 2019-20 as shown below:

- a) Adopting the National Funding Formula factors from 2018/19 (This means using the minimum funding level per pupil, FSM Ever6 and Sparsity factors and removing the LAC factor)
- b) Prorate (scaling) of each factor agreed to match the available allocation of funding from the DfE.
- c) Continue to use a minus 1.5% minimum funding guarantee factor.
- d) Use capping of gains per pupil to pay for the cost of protecting schools where the formula reduces their budget by more than minus 1.5%.

11.2. Schools Forum also agreed that the principles to be adopted for 2020-21 local funding formula will be within the over-arching principle (a) that the local funding formula reflects the NFF, and the consultation on the level of MFG should take place over the autumn term via the Schools Bulletin. The results of the consultation will be submitted in a supplementary paper and discussed at Schools Forum in December as part of the decision making process. The consultation questions on principles (b), (c) and (d) are as follows:

- Principle (b). Do you agree to: Adopt the minimum funding level of per pupil funding and prorate (scaling) of all other factors in the formula to match the available allocation of funding from the DfE?
- Principle (c). Do you agree to: Use a minimum funding guarantee factor that brings the greatest number of schools closest to the National Funding Formula?
- Principle (d). Do you agree to: Use capping of gains per pupil to pay for the cost of protecting schools where the formula reduces their budget by more than the minimum funding guarantee, as required?

12. Modelling the Schools Local Funding Formula

12.1. Last year the funding formula made provision for any shortfall in DfE funding for Growth fund and Premises funding for Business Rates (maintained schools and

academies). This year Growth fund is expected to be fully matched by funding from the DfE. Business rates on the other hand is funded on a lagged basis, so the allocation for 2020-21 will be at the estimated 2019-20 levels and will not fully fund the likely level of Business rates in 2020-21. In the modelling, the estimated cost for maintained schools' Business Rates has been calculated, taking into account any drop off of in transitional protection as a result of revaluations. Additional, a cost estimate for academies' Business Rates has been made which will be updated once the details are provided by the DfE (based on the claims to the DfE by academies).

12.2. Using the indicative allocations as noted in Part A, the local funding formula has been modelled, including modelling MFG at the lowest, mid and highest points, as follows:

- At the National Funding Formula with no provision for Business Rates
- Model 1: +0.5% MFG with provision for Business Rates
- Model 2: +1.17% MFG with provision for Business Rates
- Model 3: +1.84% MFG with provision for Business Rates

13. Summary of Models

13.1. The table below summarises the monetary values and the total funding allocated through the funding formula:

Illustrative Funding Levels Funding Factors	2019/20 Final Rates	2020/21 Model NFF	2020/21 Model 1 (0.5% MFG)	2020/21 Model 2 (1.17% MFG)	2020/21 Model 3 (1.84% MFG)
Scaling factor (% of NFF)	99.17%	100.00%	100.00%	100.00%	100.00%
	£m	£m	£m	£m	£m
Total through funding formula	319.78	336.66	336.53	336.53	336.53
Growth Fund	2.39	2.80	2.80	2.80	2.80
Total cost to schools block	322.17	339.46	339.33	339.33	339.33
Met from :					
Pupil Led Funding	316.47	332.69	332.69	332.69	332.69
Premises Funding	3.42	3.83	3.83	3.83	3.83
Growth Funding	2.29	2.80	2.80	2.80	2.80
Transfer from Reserves	0.00	0.13	0.00	0.00	0.00
Total Funding Available	322.17	339.46	339.33	339.33	339.33

No. of Schools Protected	28	6	4	4	6
No. of Schools Capped	50	0	19	21	25

From the table:

- The NFF model will require £0.13m from reserves this year to meet the shortfall in funding for Business Rates. As a principle, for this and future years, the use of reserves is unsustainable when the pressure on the DSG reserves is increasing.
- All 3 models are 100% of the NFF rates as in the later 3 models, capping the gains have provided funding for schools still in MFG protection.
- Model 1 MFG at +0.5% will bring the greatest number of schools closest to the NFF with only 4 schools protected and 19 schools capped. The 4 schools protected are the result of historical funding, which in 2 cases are the result of small schools amalgamating.
- Model 2 MFG at midpoint +1.17% see the same 4 schools in MFG with a higher level of protection that now requires 21 schools to be capped.
- Model 3 MFG at +1.84% sees 6 schools in protection, 4 schools as in models 1 and 2 but at higher levels of protection and new protection of £792 and £247 for schools 5 and 6. Protection now requires 26 schools to be capped.
- Further details are given at Appendix 4, 5 and 6

14. Recommendations

14.1. Schools Forum members are asked to note the information set out Part A and Part B including the accompanying appendices.

14.2. To adopt model 1 MFG at + 0.5% as the preferred local funding formula for 2020-21 as this will bring the greatest number of schools closest to the NFF

14.3. To note the modelling is on indicative allocations with final allocations due in December 2019, which will be used to update the preferred model.

15. Appendices

- Appendix 1: Lowest funded and the highest funded LAs in England.
- Appendix 2: Growth Fund Overview 2019-2021
- Appendix 3: BCC Consultation response on ring fenced DSG
- Appendix 4: Proposed Funding Rates
- Appendix 5: Proposed Funding Levels
- Appendix 6: School Level comparison of models