

Report for:	Shadow Executive
Meeting Date:	18th February 2020

Title of Report:	Dedicated Schools Grant and Schools Budgets 2020-21
Shadow Portfolio Holder	Anita Cranmer, Shadow Portfolio Holder for Education
Responsible Officer	Liz Williams, Head of Finance (Children's Services)
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Recommendations:	<p><i>The Shadow Executive is asked to agree the following proposals:</i></p> <ol style="list-style-type: none"> <i>1. To agree that the overall Dedicated Schools Budget should be set at the level of the allocated Dedicated Schools Grant (DSG) £472.25 million.</i> <i>2. To agree the proposed local funding formula for schools recommended by Schools Forum on 21st January 2020 as follows:</i> <ol style="list-style-type: none"> <i>a. Funding factors are 100% in line with National Funding Formula (NFF) values, including the national minimum per pupil funding level.</i> <i>b. Minimum Funding Guarantee (MFG) set at +0.5%, with a cost of £186k for the funding protection in 5 schools, without the requirement for capping of gains in other schools.</i> <i>c. No funding to be transferred to the High Needs Block</i> <i>3. To note the Central Schools Services budget proposed for 2020-21 with further savings required in future years in line with DfE funding reductions.</i> <i>4. To agree the High Needs budget proposed, including savings proposals, and agree that initial proposals for a recovery plan for the High Needs budget in future years be considered at the March meeting of Schools Forum</i> <i>5. To agree the Early Years budget proposed</i>

	6. To agree the actions to reduce the deficit in the DSG reserve by £1.264m in 2020-21, with further proposals for recovery of earmarked reserves to be considered and agreed at future meetings of Schools Forum.
Corporate Implications:	Financial implications are contained within the report
Options: (If any)	<p>No alternative options are included.</p> <p>The proposed budget and local school funding formula have been developed in consultation with the Buckinghamshire Schools Forum and in line with the DfE Operational Guidance for Schools Funding in 2020-21.</p> <p>Schools Forum confirmed that the principles to be applied to the local schools funding formula should be the same as in 2019-20 in order that the Buckinghamshire formula should move towards the National Funding Formula proposed by the DfE.</p> <p>A consultation was held with schools to determine the level of Minimum Funding Guarantee to be included in the funding formula and the outcome of this consultation has been taken in to account in developing these proposals.</p>
Reason:	<p>The proposed budget and local schools formula enable a balanced budget to be set for 2020-21 including contributions to significantly reduce the projected deficit in the DSG reserve.</p> <p>For future years, the following areas of work will need to continue:</p> <ul style="list-style-type: none"> • Development of a recovery plan for high needs budgets; • Development of proposals for the reduction in central DSG spend in accordance with the proposed reduction in funding by the DfE in future years; and • Development of a recovery plan to reinstate the DSG reserve.

1. Purpose of Report

- 1.1 The purpose of this report is to seek approval from the Shadow Executive for the proposed local schools funding formula, and agreement to other Dedicated Schools Grant (DSG) funded budgets as recommended by Schools Forum. This meets the requirement from the Department for Education (DfE) for political ratification of the local schools funding formula prior to the allocation of budgets to individual schools.
- 1.2 The local authority works closely with the Buckinghamshire Schools Forum in developing proposals for the school funding formula and the other DSG budgets.
- 1.3 The report also includes an update on the current DSG reserve and proposals for reduction of the deficit in 2020-21.

2. Executive Summary

- 2.1 The purpose of this report is to seek approval for the local schools funding formula for Buckinghamshire. The report also seeks agreement for the other Dedicated Schools Grant budgets as recommended by the Buckinghamshire Schools Forum.
- 2.2 The *Operational Guidance on Schools Revenue Funding 2020 to 2021* sets the framework for the local schools funding formula in the context of the DfE's proposed National Funding Formula (NFF) for schools. The proposed funding formula for Buckinghamshire schools in 2020-21 mirrors the funding rates in the NFF. The report details the key changes for 2020-21 and the consultation process that has taken place to inform the recommendations from Schools Forum.
- 2.3 The local authority is required to agree the local funding formula for schools following consultation with Schools Forum and must ensure political ratification of the formula before funding can be allocated to schools. The DfE will check the formula for compliance with the operational guidance and will check that political ratification has been confirmed. The local schools formula is used to calculate funding allocations for maintained primary and secondary schools and academies within Buckinghamshire.
- 2.4 The proposals included within this report have been recommended by Schools Forum following the meetings on 3rd December 2019 and 21st January 2020. The proposals take into account the DfE operational guidance for schools, high needs and early year funding and the announcement of the schools funding settlement on 19th December 2019, including the mandatory minimum funding per pupil levels.
- 2.5 Appendix 1 to this report details the proposed funding factors and rates for 2020-21 with the 2019-20 rates as a comparator. Allocations on a school by school level are published in the [Schools Forum](#) papers for 21st January 2020.
- 2.6 The report also details the key issues for consideration for the other DSG blocks, in particular the pressures on the High Needs Block that have resulted in a projected deficit against the DSG reserve for 2019-20. Whilst DfE guidance requires local authorities to carry forward a deficit against DSG budgets without utilising general fund reserves to offset, this does present a financial risk for the local authority.
- 2.7 A number of actions are proposed to reduce the deficit against the DSG reserve and further actions will be required in future years to ensure the reserve can be reinstated.

3. Dedicated Schools Grant (DSG) and the Local Funding Formula for Schools

Dedicated Schools Grant – Overview

- 3.1 The DSG allocation to Buckinghamshire Council for 2020-21 was announced on 19th December 2019 and totals £472.25 million.
 - 3.2 DSG is allocated in 4 blocks and the allocation for 2020-21 is broken down as follows:
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DSG Blocks 2020-21	Schools		Central School Services	Early Years	Total DSG £m
	Block £m	High Needs £m	£m	£m	
DfE allocations (Dec. 2019)	343.63	90.06	6.45	32.10	472.25

- 3.3 The Schools Block allocation for 2020-21 is £343.63 million. It is the Schools Block Funding that is allocated to mainstream schools via the local schools funding formula. The Schools Block is ringfenced, although local authorities do have the flexibility to transfer up to 0.5% of the Schools Block to support other funding blocks within DSG in consultation with all schools and with the agreement of Schools Forum. For 2020-21 no transfer of funding between blocks has been agreed by Schools Forum.
- 3.4 The *Operational Guidance on Schools Revenue Funding 2020 to 2021* outlines the criteria for local funding formulae for schools in the context of the proposed National Funding Formula (NFF). The guidance confirms that local authorities are responsible for setting their own local funding formula for schools in 2020-21. The local authority is responsible for making the final decisions on the formula after consultation with schools and agreement of the formula by the Schools Forum. The local formula is used to calculate the funding allocations for maintained primary and secondary schools and academies within Buckinghamshire.

The Local Funding Formula for Schools

- 3.5 In 2017 the DfE consulted on its intention to move towards a National Funding Formula (NFF) for schools, and to use that formula as the methodology for distributing funding to local authorities from April 2018. Local authorities retained the responsibility for setting their own local school funding formula however the DfE has continued to emphasise its intention to move towards a single formula for the allocation of funding to all mainstream schools across the country.
- 3.6 Following the confirmation of the NFF by the DfE, a consultation was held with Buckinghamshire schools in November 2017 on the proposed local funding formula for schools. The outcomes from that consultation showed strong support for the adoption of the NFF factors in the local funding formula from April 2018. This was in line with decisions made in most local authorities.
- 3.7 The local funding formula for schools is considered each year by Schools Forum in order to make recommendations to the local authority. In December 2019 Schools Forum confirmed that the agreed principles should continue to apply so that the local formula for Buckinghamshire reflects the factors included in the NFF for 2020-21.
- 3.8 The operational guidance for 2020-21, and the indicative funding settlement for 2020-21, included the requirement for a mandatory minimum funding level per pupil and also increased the allowable level of the Minimum Funding Guarantee (MFG) which now ensures that all schools are guaranteed a minimum level of increase in funding per pupil. The MFG is a protection factor in the formula and the majority of schools will receive in excess of this level of increase.
- 3.9 A consultation was held with Schools in November 2019 on the principles of continuing to move towards the NFF, and on the level of the MFG. Following that

consultation Schools Forum agreed to implement the level of MFG, within the allowable range, that would bring the most schools on to the national funding formula rates. The proposed MFG level is therefore +0.5% per pupil. Five schools will receive protection through the minimum funding guarantee at a cost of £186k. In previous years it has been necessary to cap the highest gaining schools in order to fund the MFG protection. In 2020-21 the MFG protection is affordable without capping being required.

- 3.10 Mandatory minimum per pupil funding levels are set at £3,750 per pupil for primary schools and £5,000 per pupil for secondary schools. The majority of Buckinghamshire schools receive in excess of these minimum per pupil levels.
- 3.11 Schools Forum considered the proposed funding formula on 21st January 2020 and recommended that:
- a. The funding formula for Buckinghamshire schools reflects the published NFF rates (funding rates are detailed in Appendix 1).
 - b. The minimum funding guarantee is set at +0.5%, resulting in 5 schools continuing to receive protected funding. No schools are required to have their funding capped to pay for the protection.
 - c. No funding is transferred out of Schools Block into any other funding block

Other Dedicated Schools Grant Budgets

- 3.12 Proposals for DSG block budgets are detailed in the [Schools Budget Proposals](#) report to Schools Forum on 21st January 2020 and are summarised below.
- 3.13 Central Schools Services Block
- 3.13.1 Whilst the responsibility for the agreement of the local funding formula for schools rests with the local authority, Schools Forum is responsible for agreeing spend within the Central Schools Services Block. The Central Schools Services block funds local authorities to carry out central functions on behalf of maintained schools and academies.
 - 3.13.2 The Central Schools Services Block allocation for 2019-20 is £6.454 million, this is a decrease of £0.930m compared with the previous year resulting from the DfE's policy to reduce funding for historic commitments within the central block. Whilst it has been possible to set a balanced budget for the Central Schools Services Block in 2020-21 further savings will need to be considered in future years in order to meet reductions in funding. The historic commitment element of the Central Schools Services Block funds costs relating to the Early Years Service (brought in from the Buckinghamshire Learning Trust) and Premature Retirement Costs for staff in schools.
 - 3.13.3 Schools Forum agreed the proposals for the Central Schools Services budgets on 21st January 2020. These proposals include utilisation of £0.844 million to contribute to replenishing the DSG reserve which is projected to be in deficit at the end of 2019-20.
- 3.14 High Needs Block

- 3.14.1 The local authority is responsible for setting the high needs budget and must consult with Schools Forum as part of that process. The High Needs Block is utilised to fund support for pupils with special educational needs and disabilities (SEND).
- 3.14.2 The High Needs Block allocation for 2020-21 is £90.06 million. This is an increase of £7.5 million on the current year. This increase in funding is welcomed by the local authority however the government has not confirmed its continuation into future years. In order to balance the budget for 2020-21 Schools Forum has agreed a number of priorities for the reduction in spend. These are outlined in the Schools Forum reports for the January 2020 meeting.
- 3.14.3 Whilst it is possible to set a balanced budget for 2020-21, utilising all of the additional funding, a recovery plan will be required in order to maintain high needs spend within the funding allocation this year, and in future years. Demand for support for pupils with special educational needs and disabilities (SEND) continues to increase and the Council's DSG reserve is projected to be exceeded in 2019-20.
- 3.14.4 The Council will continue to work with schools and with Schools Forum in respect of allocation of high needs funding and to develop an agreed recovery plan for the High Needs Block. Pressures against the High Needs Block are a national issue and many local authorities are now reporting deficits against their high needs budgets.

3.15 Early Years Block

- 3.15.1 The local authority is responsible for setting the early years budget and must consult with Schools Forum as part of that process. The early years block is utilised to fund the free entitlement for 15 hours early education and childcare for 3 and 4 year olds and for vulnerable 2 year olds, and the additional 15 hours for 3 and 4 year olds for eligible working parents.
- 3.15.2 It is a DfE requirement that 95% of the early years block for 3 and 4 year olds is passed directly to early years settings through the local early years funding formula. The remaining 5% funds central services within the local authority to support and administer the free entitlement process. The local authority also applies the 95% pass through to funding for 2 year olds.
- 3.15.3 The Early Years block allocation for 2020-21 is £32.1 million which includes an increase of £0.08 in the hourly rate. It was recommended by Schools Forum on 21st January 2020 that the budget should be set at this level with 95% of the allocation passed to Early Years settings as required by the DfE. It was further agreed that the Early Years Forum would consider any minor changes to the Early Years Single Funding Formula whilst remaining within the Early Years Block total.
- 3.15.4 The Early Years Forum met on 22nd January 2020 and made no further amendments to the proposed formula.

3.16 The recommendations in relation to the other DSG blocks are therefore as follows:

- a. To note that the budget for Central Schools Services is set at £6.454 million, in line with the funding allocation. The proposed budget includes the allocation of £0.844 million to contribute to the DSG reserve.
- b. To agree that the budget for High Needs is set at £90.06 million, in line with the funding allocation and that Schools Forum consider proposals for a recovery plan for high needs budgets in order to manage demand within available funding in future years.

- c. To agree that the budget for the Early Years block is set at £32.1 million in line with the funding allocation and that the DfE requirement for 95% of funding to be passed to settings through the local Early Years Funding Formula is complied with.

DSG Reserves

- 3.17 It is projected that in the current financial year (2019-20) the DSG reserve will be exceeded by £1.48 million. The deficit is largely due to pressures within the high needs budgets which have led to an overspend of £3.4 million in the current year. Demand for support for pupils with SEND continues to increase both in terms of numbers of pupils requiring support and the complexity of need.
- 3.18 Since 2019-20 the DfE has set the principle that the DSG is ring-fenced and any deficit is to be carried on the reserve and not met from a Local Authority's General Fund. The DfE has recently formalised this position. Should the deficit be more than 1% of the DSG allocation, the Local Authority is to formally set out recovery plans to bring DSG back into balance. The 1% will be calculated on the latest published DSG allocations. For Buckinghamshire the 1% is a deficit of £4.4m for 2019-20.
- 3.19 Despite the principle that Local Authorities are able to carry forward a deficit in DSG reserve, it is essential that a recovery plan is developed so that the Council does not continue to have a deficit position against the DSG budget.
- 3.20 The budget proposals for 2020-21 include a proposal to transfer £0.844 million from the central schools services block to the DSG reserve. It is further anticipated that the projected overspend of £0.420 million against the early years block in 2019-20 will be repaid by the DfE once the 2019-20 DSG allocation is updated for the January 2020 early years census. These two actions will reduce the deficit by £1.264 million, leaving a deficit of £0.216 million still to be recovered.
- 3.21 Schools Forum has recommended that a recovery plan be developed to ensure that the deficit in the DSG reserve can be recovered by the end of 2020-21 and that previously earmarked amounts within the reserve can be reinstated. This recovery plan is likely to be a multi-year plan meaning that the Council will be carrying a negative DSG reserve into the 2020-21 financial year. Whilst this is allowable within the DfE operational guidance it is a risk to the local authority in managing the pressures within the High Needs Block in particular.
- 3.22 It is proposed that the following amounts be allocated to the DSG reserve in order to reduce the deficit to be carried forward to 2020-21:
 - a. £0.844 million unallocated funding from central schools services block
 - b. £0.420 million expected additional DSG allocation arising from the January 2020 early years census. The 2019-20 DSG settlement will be adjusted to reflect higher take up of early years places, however this adjustment will be after the end of the financial year.

4. Financial Implications



4.1 Included within the report.

5. Legal Implications

5.1 The Operational Guidance on School Revenue Funding 2020 to 2021 has been followed. The proposed local funding formula will be checked for compliance by the Education and Skills Funding Agency (ESFA) prior to budgets being issued to schools.

6. Other Key Risks

6.1 The key risks associated with the DSG budgets in 2020-21 are as follows:

Risk	Mitigation
<p>School Funding Formula: If the DfE does not agree to the funding formula proposed by the local authority then school budgets would need to be recalculated and statutory deadlines for issuing schools budgets would not be met.</p>	<p>The proposed formula is in line with the DfE's proposals for the national funding formula including the mandatory minimum per pupil funding levels and other mandatory funding factors. The proposed formula has been submitted by the DfE deadline and political ratification scheduled within agreed timescales.</p>
<p>High Needs Budgets If demand for support for pupils with SEND continues to increase at the same rates as in 2019-20 then there is a risk that high needs budgets will continue to overspend and the level of deficit in the DSG reserve will increase</p>	<p>Additional funding of £7.5 million has been included in the proposed budget for 2020-21 Mitigating actions to reduce costs within the High Needs Block include:</p> <ul style="list-style-type: none"> • Revised and improved decision making processes in agreeing Education, Health and Care Plans • Increase support for mainstream schools to meet needs at an earlier stage, for example, the implementation of a tool to support schools in identifying and supporting speech and language needs • Support for schools in defining Ordinary Available Provision to meet needs within mainstream schools • Increased partnership working between special schools and mainstream schools to share expertise and good practice
<p>DSG Reserves If DSG reserves cannot be reinstated then there is a risk to the local authority in continuing to carry forward a DSG deficit</p>	<p>Plans are included within the proposed budget to transfer £1.264m back to the DSG reserve. This will leave a small deficit at the start of 2020-21. Further recovery measures will be developed with Schools Forum to reduce the deficit in future years.</p>

7. Dependencies

- 7.1 It is a statutory requirement to issue budgets to mainstream schools by 28th February preceding the start of the financial year. Political ratification of the local funding formula is required prior to the DfE confirming that the formula is compliant with schools funding regulations, and prior to any budgets being issued to schools.

8. Consultation

- 8.1 Schools Forum has considered the proposals and recommends the proposed formula and other DSG budgets. Full details are set out in the Schools Forum papers and minutes from the meetings of 3rd December 2019 and 21st January 2020.
- 8.2 A consultation was held with all schools in November 2019 on the principles to be applied to the local funding formula for schools and on the level of the minimum funding guarantee.

9. Communications Plan

- 9.1 Once the ESFA have agreed the formula is in compliance with the guidance schools will be notified of their budget allocations in line with the statutory timescales.

10. Equalities Implications

- 10.1 The factors to be used in the proposed schools funding formula are the same as those used in the government's proposed national funding formula for schools. The DfE carried out an Equalities Impact Assessment of the national funding formula at the time of consultation in 2016-17. This can be accessed via the following [link](#).
- 10.2 A further assessment has been carried out by the DfE to assess any impact on protected groups as a result of the policy changes for 2020-21. These include the minimum funding level per pupil. The outcome of the further impact assessment can be accessed via the following [link](#).

11. Data Implications

- 11.1 Data Protection Impact Assessment is not required. The allocation of school funding is based on anonymised pupil census data provided by the DfE at overall school level.

12. Next Steps

- 12.1 Funding allocations will be issued to mainstream primary and secondary schools by the statutory deadline of 28th February 2020.
- 12.2 Further work will take place to develop recovery actions to enable the Dedicated Schools Grant to be managed within the funding allocation in future years. This work will include development of plans to reduce spend within the High Needs Block and to reinstate levels of DSG reserves.



Background Papers	<p>School Budget Proposals and Revenue Budget Monitoring Reports presented to Schools Forum meetings on 3rd December 2019 and 21 January 2020</p> <p>https://democracy.buckscc.gov.uk/ieListDocuments.aspx?CId=461&MIId=12372&Ver=4</p> <p>https://democracy.buckscc.gov.uk/ieListDocuments.aspx?CId=461&MIId=14540&Ver=4</p> <p>Operational Guidance published by DfE on revenue funding for schools for 2020 to 2021:</p> <p>https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/831848/Schools_operational_guide_2020_to_2021.pdf</p>
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Glossary of Terms from Appendix 1

A glossary of the terms used in Appendix 1 is as follows:

AWPU – Age Weighted Pupil Unit (unit of funding allocated per pupil to schools)

KS3/4 – Key Stage 3 and Key Stage 4

FSM – Free School Meals

FSM6 – Free School Meals Ever 6 – this data counts all pupils who have been eligible for Free School Meals in the last 6 years

IDACI – Income Deprivation Affecting Children Index

EAL – English as an Additional Language

MFG – Minimum Funding Guarantee

MFL – Minimum Funding Level (per pupil)

