

Report to Cabinet 16 January 2020

This Appendix to the Schools Budget 2020/21 report has been prepared following receipt of pupil data and Dedicated Schools Grant (DSG) allocation information from the Education and Skills Funding Agency (ESFA) and presents the estimated Schools Budget for 2020/21.

Summary

Following the re-election of the Conservative Government after the 12 December 2019 General Election, Lancashire received Dedicated Schools Grant funding allocations on 19 December 2019. This is a few days later than would have normally been expected.

DEDICATED SCHOOLS GRANT (DSG) ALLOCATIONS 2020/21

The ESFA sub-divide the DSG into 4 funding blocks: the Schools Block, High Needs Block, Early Years Block and the Central Schools Services Block (CSSB). These Blocks are all calculated on a formulaic basis.

Information on the 2020/21 DSG allocations for Lancashire is provided below:

Schools Block allocation (£781.518m)

The Schools Block allocations for 2020/21 are derived on the basis of illustrative individual Schools National Funding Formula (SNFF) allocations calculated by the Government. These calculations translate into primary and secondary units of funding for 2020/21. These units of funding are multiplied by the number of primary and secondary pupils from the October 2019 census, providing funding of £761,291,386. A Local Authority level allocation for premises factors (£15,335,113) and growth (£4,891,463) are added to provide a final Schools Block allocation.

This provides a total Lancashire Schools Block allocation for 2020/21 of £781,517,963

The 2020/21 allocation is over £35m higher than the equivalent figure in 2019/20. The increased allocation is in part due to Lancashire's share of additional funding made available nationally by the Government enabling Minimum Pupil Funding (MPF) levels to rise to £5,000 per pupil for secondary pupils and to £3,750 per pupil for primary pupils, plus a 4% increase on most national funding formula (NFF) factors. In addition, there are almost 1,300 more pupils across Lancashire primary and secondary schools, which generate additional DSG income, but will also produce extra costs in the budget.

High Needs Block allocation (£135.479m)

The 2020/21 High Needs Block allocation is calculated under the Government's national High Needs funding formula. Key features of the formula include:

- A historic spending allocation to assist with transition to the national high needs formula;

- A flat rate of £4,000 per annum for each pupil in special schools or student in special post-16 institutions, ensuring local authorities receive a broadly equivalent basic level of funding for pupils with high needs in both mainstream schools and outside the mainstream sector;
- A number of proxy measures including the following factors:
 - 2-18 population;
 - deprivation;
 - low attainment;
 - health and disability.
- An import/export adjustment for high needs pupils.

The formula provides a 2020/21 High Needs Block allocation for Lancashire of £135,479,270.

This figure is over £17m higher than the equivalent 2019/20 allocation, and is largely due to increased funding for the High Needs Block made available by the Government. Of the additional £2.6b extra funding available national for schools from April 2020, £700m was earmarked for High Needs Block.

It should be noted that the High Needs Block allocation is a provisional allocation and the gross total includes allocations attributable to funded places that will be deducted and made directly by the ESFA. These are estimated by ESFA to total circa £7.88m.

Early Years Block allocation (£80.468m)

Allocations for the Early Years Block include:

- funding for the universal 15 hours entitlement for three and four year olds;
- funding for the additional 15 hours entitlement for three and four year old children of eligible working parents;
- funding for the 15 hours entitlement for disadvantaged two year olds;
- funding for the Early Years Pupil Premium (EYPP);
- funding for the Disability Access Fund (DAF);
- supplementary funding for Maintained Nursery Schools (MNS).

The allocations are calculated on a formulaic basis and include an additional 8p per hour for three and four year olds and for two year olds announced by the Government.

This provides an Early Years Block allocation for Lancashire for 2020/21 of £80,468,473.

Lancashire's Early Years funding is over £2.5m higher than the equivalent 2019/20 allocation, due to the increased hourly funding rates for two, three and four year olds, and an overall increase of over 500 children in the calculation.

It should be noted that the 2020/21 early years block allocations are initial, and based on Schools, Early Years and Alternative Provision censuses data from January 2019. These allocations will be updated based on January 2020 and January 2021 census data.

Central Schools Services Block (CSSB) (£6.387)

The Central Schools Services Block (CSSB) is to fund central functions that Local Authority's carry out on behalf of pupils in state-funded maintained schools and academies in England.

The Central Schools Services Block (CSSB) is split into funding for historic commitments and funding for ongoing responsibilities. The ongoing responsibilities element is based on a formula, with unit values being cash flat for 2020/21. The Historic Commitments element of the allocation has been reduced by 20% compared to 2019/20, as the DfE indicate that they will continue to 'unwind' historic commitments over time. The reduced allocation attributable to the Historic Commitments funding has been partly offset by an increased ongoing responsibilities allocation due to higher pupil numbers in 2020/21.

The total Lancashire's CSSB allocation for 2020/21 is £6,386,525. This is over £0.2m less than was allocated for this block in 2019/20.

In Year Adjustments

The DSG allocation notified is prior to in year adjustments for:

- Academies recoupment from the schools block;
- Deductions for high needs places in academies and non-maintained special schools;
- Post 16 places;
- Deduction for national copyright licences;
- Updates to the funding for three and four year olds;
- Updates to the funding two year olds;
- Updates to the early years supplementary funding for maintained nursery school
- Updates to the early years pupil premium;
- Updates to early years Disability Access Fund.

Forecast total DSG income for 2020/21

The Lancashire DSG allocations for 2020/21 across the 4 funding blocks are shown below:

<u>Forecast DSG Income</u>	£m's
Schools Block	781.518
High Needs Block	135.479
Early Years Block	80.468
Central Schools Services Block	6.387
Gross Total forecast DSG Income	1,003.852
Total deductions for direct high needs payments made by the ESFA	-7.880
Net Total forecast DSG Income	995.972

The equivalent Gross DSG income figure for 2019/20 was £947.933m. The 2020/21 figure is over £55m higher than the previous year, for the reasons set out under each funding block above.

Other Funding Streams

DfE announcements in December 2019 indicate that information on other funding streams, for example, Pupil Premium Grant (PPG), will be made in the New Year. As these other funding streams are passported to schools, they do not impact on the 2020/21 Schools Budget setting process.

SCHOOLS BUDGET 2020/21

The latest Individual School Budgets (ISB) across all phases has been constructed using the final datasets made available from the ESFA and our latest local Early Years and High Needs data.

This Schools Budget estimate has been calculated following the outcome of consultations with schools and early years providers and discussions with the Schools Forum.

Budget Summary

The table below summarises the budgets to be allocated from each of the DSG funding blocks

Forecast DSG Expenditure	£m's
Schools Block	779.518
High Needs Block	127.137
Early Years Block	82.468
Central Schools Services Block	6.387
Additional High Needs places to be paid direct by ESFA	0.462
Total forecast DSG Expenditure	995.972

Further details about each block are provided below.

Schools Block

Following a consultation with schools and the Schools Forum as part of the 2018/19 Schools Budget setting cycle, it was agreed to use the Government's National Funding Formula (NFF) methodology as the local Lancashire funding model.

The NFF methodology will continue to apply in 2020/21 for calculating allocations to Lancashire schools, and will incorporate the changes to the formula introduced nationally, including:

- New Minimum Pupil Funding Levels:
 - Secondary schools £5,000 per pupil;
 - Primary Schools £3,750 per pupil;
- A 4% increase for most NFF factors;
- Implementation of the formulaic Mobility factor.

As supported by responses from schools in a consultation held in the autumn term 2019, the Minimum Funding Guarantee (MFG) has been included in the formula at +1.84% and there is no cap on funding gains.

A 2020/21 growth fund requirement, which is used to support Local Authority initiated school expansions, of circa £2m has been included for 2020/21.

The calculation reveals a 2020/21 Schools Block expenditure requirement of £779.518m.

The recent school consultation also provided support for the transfer of any Schools Block headroom that may be available to be transferred to help support pressures in other funding blocks.

The 2020/21 Schools Block requirement provides headroom of circa £2m, which represents approximately 0.26% of the Schools Block. This is below 0.5% of the Schools Block, and can therefore be agreed by the Schools Forum on 14 January 2020, without the need for approval from the Secretary of State.

The headroom figure is generated from Lancashire's 2020/21 Growth Fund Allocation from Government, less our local estimate of the requirement from April 2020.

High Needs Block

The High Needs Block expenditure for 2020/21 is estimated in the table below:

	Place funding £m	Top-up funding £m
Delegated to Schools	34.765	57.646
FE Colleges		7.000
HNB costs on a commissioned basis		27.726
Total	34.765	92.372

The total forecast HNB expenditure in 2019/20 is some £127.137m.

This estimate takes account of demand led pressures in the block and offers some level of increase for school specific rates and Weighted Pupil Number (WPN) values, and still provides a balanced budget.

Early Years Block

Following discussions with the Schools Forum's Early Years Group, it is intended to passport the additional 8p per hour for 2, 3 and 4 years olds that has been made available by the Government, directly to the 2 year old and the 3&4 year old base rates.

Other elements of the Early Years National Funding Formula calculations continue at 2019/20 rates, including

- Ring-fenced supplementary funding for Maintained Nursery Schools (MNS)
- Early Years Pupil Premium (EYPP)
- Early Years Disability Access Fund (DAF)
- SEN Inclusion Fund

Based on Government allocations, the Early Years Block faces the most significant challenges in 2020/21. As such, it is proposed to use £2m of the Schools Block headroom to support early years.

This headroom would be utilised to provide:

- a further local increase to the 3&4 year old base rates of 8p per hour, in addition to that provided by the increased Government funding;
- support to enable the increased Government funding for 2 year olds to be passed on in full, as the current 2 year old base rate is being subsidised from the 3&4 year old allocation in 2019/20;
- an increased of £200k to the SEN Inclusion Fund from April 2020, to provide a higher budget to support early years pupils with high needs.

This would provide the following base rates for 2020/21:

- Early Years Block 2 year olds - £5.08 per hour (compared to £5.00 in 2019/20);
- Early Years Block 3/4 year olds - £4.29 per hour (compared to £4.13 in 2019/20).

It must be emphasised that the transfer of funding from Schools Block Headroom cannot be guaranteed for future years, including the additional 8p per hour generated for the 3&4 year old base rates.

The LA has forecast the Early Years provision as set out below:

	2 year olds £m	3&4 year olds £m
Early Years Block 3/4 year olds		70.411
Early Years Block 2 year olds	10.498	
Early Years Pupil Premium (EYPP)		0.745
Early Years Disability Access Fund (DAF)		0.314
SEN Inclusion Fund		0.500
Total	10.498	71.970

The overall Early Years Block is estimated to be on budget of £82.468m, including the £2m transfer from the Schools Block.

The allocation for 3&4 year olds incorporated the Ring-fenced supplementary funding for Maintained Nursery Schools (MNS) of circa £3.5m

Central Schools Services Block (CSSB)

The estimated CSSB expenditure in 2020/21 is £6.387m

This CSSB is the only Block to face a reduction in 2020/21 compared to 2019/20. This is due to the DfE's decision to reduce the Historic Commitments element of the budget by 20% from April 2020, as part of their intention to cease all 'historic' funding over time.

In consultation with the Schools Forum, Lancashire has already been reducing our historic commitments, which have mainly been DSG contributions to combined budgets, in order to comply with the DFE requirements.

Due to the preparatory decisions that have been taken, only minor adjustments are needed to the expenditure for 2020/21 to enable the budget to remain in balance with the reduced CSSB allocation. However, careful consideration will be needed around the CSSB in future years, as DfE implement further reductions in the Historic Commitments budget.

Additional High Needs places to be paid direct by ESFA (£0.462m)

Lancashire's Gross DSG allocation is reduced by the ESFA based on an estimated value of allocations that the ESFA make directly for High Needs places and for academies recoupment. For 2020/21 this figure was estimated at circa £7.8m by the ESFA.

However, the LA has commissioned further High Needs places at establishments that are directly funded by the ESFA (e.g. academies and post 16 providers) and it has been estimated that a further £462k will be deducted from our 2020/21 DSG allocation to take account of these places. This reduction in income has been built into our forecast budget calculation.

Calculation of the final 2020/21 funding position

	£m's
Net Total forecast DSG Income 2020/21	995.972
Total Forecast DSG Allocations 2020/21	995.972

Recommendations from the Schools Forum meeting to be held on 14 January 2020 will be provided for the Cabinet as Appendix 'B'.