
Dedicated Schools Grant (DSG) Budget 2019/20 - Overview

Report being considered by: Schools Forum

On: 15/10/2018

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Item for: Discussion **By:** All Forum Members

1. Purpose of the Report

- 1.1 To set out the changes to the calculation of the Dedicated Schools Grant (DSG) in 2019/20, and the implications of these changes on the Schools Budget.

2. Recommendation

- 2.1 To note the changes, the timetable, and decisions that will be required in the setting of the 2019/20 Schools Budget.

Will the recommendation require the matter to be referred to the Council or the Executive for final determination?	Yes: <input type="checkbox"/>	No: <input checked="" type="checkbox"/>
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3. Introduction

- 3.1 The Government has now announced the funding arrangements for 2019/20.
- 3.2 2019/20 is the second year of the new National Funding Formula which is a new formula used to calculate the funding allocation for the Schools Block, Central School Services Block, and High Needs Block. The new formula for calculating the Early Years was introduced from April 2017.
- 3.3 This report summarises how each block will be calculated in 2019/20, and the likely impact of the estimated funding allocations on the 2019/20 budget. Actual Primary and Secondary units of Funding (PUF and SUF) have been published, which will be used to calculate the actual Schools Block allocations in December 2018. Provisional allocations have been announced for the High Needs and Central Services Block and the actual allocations for 2019/20 will be announced in mid December.

4. Schools Block

- 4.1 The Government has announced that the National Funding Formula (NFF) will be operated as a “soft” formula for an additional year ie 2020/21. This means that the local authority will still receive Schools Block DSG and will determine locally how this is then allocated to schools.
- 4.2 The schools block funding for 2019/20 is calculated as follows:

- The national funding formula at the national rates is run for each school. This is based on the latest available pupil characteristics data.
- An area cost adjustment (ACA) is added to the total sum for each school.
- The gains cap will increase to 6.09% against the baselines (the baseline is the 2017/18 formula allocation plus formula funding for the pupil numbers in resource units added back in). Note that this is a compounded figure.
- The funding floor will increase to ensure that all schools will attract at least a 1% gain per pupil against the 2017/18 baselines. This is not a guarantee per year.
- The minimum funding guarantee (MFG) will continue and Local Authorities have the flexibility to set a local MFG of between minus 1.5% and plus 0.5% per pupil.
- For primary schools, the minimum per pupil funding level in 2019/20 is set at £3,500, and for secondary £4,800.
- The allocations for every school in the local authority are added up and divided by the October 2017 pupil numbers. This produces a Primary Unit of Funding (PUF) and a Secondary Unit of Funding (SUF).
- In December 2018, the PUF and SUF will be multiplied by the October 2018 primary and secondary pupil numbers to produce the schools block DSG allocation.
- A sum for growth funding will be calculated based on pupil data from the October 2018 census. This is a new approach and the amount allocated per LA will not be published until December.

4.3 The total allocation excluding the growth fund is then distributed to schools through the formula, by setting the formula funding rates and a minimum funding guarantee and funding cap on gains. The method of distributing the funding will need to go out to consultation with all schools and be agreed by Schools' Forum in December, before being approved by the Council's Executive in January.

4.4 With the agreement of Schools' Forum, and subject to consulting with all schools, up to 0.5% of the total schools block funding can be transferred to the high needs budget or other funding blocks. Secretary of State approval is required for transfers above this limit or where the Schools' Forum has opposed the transfer.

4.5 Overall, the West Berkshire increase in cash terms from the 2017 baseline is 1.8% per pupil or £1.7m (based on the same pupil numbers as the 2017 baseline), but the final allocation will be determined by the October 2018 census.

4.6 It will be impossible for the local authority to replicate exactly the national funding formula rates to schools for the following reasons:

- The minimum funding guarantee in the school formula can be set between 0% and -1.5%.

- The funding rates (PUF and SUF) have been determined using October 2017 census data, whereas actual allocations to schools use October 2018 census data. This will create a surplus or shortfall to be adjusted for.
- The amount of funding being received for the business rates element of the formula is based on historical amounts, whereas the funding allocated to schools will need to be the actual 2019/20 amounts – this is likely to be significantly more and will be reflected in the Authority Proforma Tool to be submitted to ESFA.
- The amount of funding to be received for growth is based on 2018 pupil data and will not be known until December 2018. If the estimated requirement for 2019/20 is greater, this will need to be funded.
- If there is a significant shortfall in high needs funding, up to 0.5% could be transferred from the schools block allocation.

4.7 Another report on this agenda gives further details of the proposals for the school formula.

5. Central Schools Services Block

5.1 The Central Schools Services Block consists of the centrally retained services that were previously funded from the Schools Block, i.e. admissions, licences, servicing of Schools' Forum, Education Welfare, asset management, and statutory & regulatory duties.

5.2 A new formula is in place to determine funding allocations to local authorities, and the details were set out in previous reports. As the funding being received does not cover the ongoing costs in this block (a shortfall of £335k), proposals to balance this block were brought to the January 2018 meeting of the Schools' Forum.

5.3 The proposals agreed were as follows:

- (1) Transfer of funding from the early years block and high needs block towards paying for the central services that are carried out on behalf of settings in these blocks (£60k).
- (2) Staff savings in the Education Welfare Service (£30k).
- (3) Asset management to be funded from the Council's capital programme (£54k).
- (4) Some statutory & regulatory duties (for strategic planning of the education service and finance support for education services) to be met from the Council's revenue budget (£191k).

5.4 Although the Council's Executive has agreed to meet the statutory and regulatory duties costs in 2018/19, this is a one year only decision and there will be a requirement to find significant savings in this block next year. In addition, the funding for this block will reduce by about £25k in 2019/20.

5.5 In setting the budget for this block it has been assumed there will be no carry forward from 2018/19. There may be a small under spend, and if so this will improve the position.

5.6 The funding yet to be confirmed for CSSB is £992,560. This assumes no transfers in from other Blocks.

6. Early Years Block

6.1 The new Early Years formula was introduced in 2017/18 with new funding rates to local authorities, and a revised simplified formula for allocating funding to providers was also brought in. All providers have to be on the same base rate by 2019/20.

6.2 The funding will, as always, be based on two consecutive years of January census data, and be finalised three months after the close of the financial year to which it relates. The requirement to manage shortfalls or surpluses on an annual basis due to the mismatch between funding received based on the January census, and allocations to providers based on actual provision of nursery hours during the year, continues to be a challenge.

6.3 The provisional DSG allocation 2018/19 is based on the January 2018 census and allows for the estimated full year effect of the introduction of 30 hours provision for three and four year old children of working parents. In order to set the budget for 2019/20, the January 2018 census data is being used, and in calculating the funding the assumption is being made that there will be no change to this data in January 2019.

6.4 The 2017/18 budget was set with a deficit to be repaid over three years (i.e. by 2019/20). The current year position it is estimated that a small deficit will be carried forward to 2019/20.

6.5 Therefore it has been agreed that the funding rates for 2018/19 to providers is to be increased slightly and when all providers are on the same base rate in 2019/20 the budget will be balanced.

6.6 In 2019/20, 5% of funding can be set aside for centrally retained services, which can include services to support early year's children with high needs, and transfers to other funding blocks.

2019/20 estimated DSG	£9,609,428
Less deficit carried forward	-£37,000
Less expenditure based on 2018/19	-£9,656,614
Planned Deficit	£84,186

This assumes there are no transfers of funding to the Central Schools Block.

7. High Needs Block

- 7.1 The basic structure of the High Needs formula is not changing in 2019/20. The formula uses a number of proxy factors (population, deprivation, low prior attainment, disability living allowance and children in bad health), but with 50% allocated on the basis of historical spend, and a basic entitlement for the number of places in special schools. Under this formula West Berkshire receive less than the current High Needs Block allocation. However in 2019/20 the funding floor will increase so that all Local Authorities will attract at least a 1% gain per head of population against their 2017 – 2018 baselines.
- 7.2 Place numbers at special schools, and import/export adjustments will be excluded from the baseline, and will be an additional allocation, so that any year on year changes can be taken into account in the annual allocation.
- 7.3 The baseline for this block has been determined as follows:
- Total high needs block allocation in 2017/18
 - Less the first £4,000 of resource unit place funding transferred to the Schools Block.
- 7.4 As West Berkshire is on the baseline, funding is calculated as follows:
- Baseline + 1%
 - Add pupil numbers (429 pupils x £4,209)
 - Add import/export adjustment (128 x £6,000)
- This adjustment is to reflect that the DSG funding is based on resident population rather than where pupils go to school/college. If a local authority is receiving more pupils from other local authority areas than are being sent to other local authority areas, (and vice versa) a funding adjustment is made.
- 7.5 The pupil number element will be based on the October 2018 census, whereas the import/export adjustment will use the January 2019 census and February 2019 ILR data – the final allocation being provided *after* the budget for 2019/20 is required to be set. An estimate will therefore need to be made.
- 7.6 The High Needs Block was in deficit at the end of 2016/17. When the budget was set in 2017/18 budget it was agreed to repay the deficit over a three year period ie by the end of 2019/20. Assuming there are no changes to the cost base, the impact of the new funding will be as follows:

	2019/20 budget estimate
2019/20 estimated DSG	£19,676,682
Less revised budgeted overspend in 2018/19	-£546,895
Less 2018/19 budget	-£19,776,040
- Over spend / surplus	-£646,253

This assumes there are no transfers of funding to the Central Schools Block and no transfers from the Schools Block. The National Funding Formula does, however allow for 0.5% of their Schools Block funding to be transferred into another Block with Schools Forum approval. A 0.5% funding transfer would be approx. £485k (without taking rates funding into account). This would go a long way to addressing the deficit position for 2019/20 but does not address the underlying problem of funding within the High Needs Block.

- 7.7 Additional savings will therefore be required to balance the budget.
- 7.8 As in previous years, a place funding review needs to take place, with a deadline of 17th November for submitting changes to ESFA .

8. Timetable for Setting the Budget

- 8.1 The timetable for setting all the elements of the DSG budget is set out below:

September to October 2018	Modelling of new primary & secondary school formula (once received national formula rates from ESFA)
2 October 2018 (reports due 25 th September 2018)	Heads Funding Group review school formula options and make recommendation to Schools' Forum.
18 October 2018	School Admin (finance staff) briefing
15 th October 2018 (reports due 9 th October 2018)	Schools' Forum to agree on formula to go out to consultation with schools.
17 th October – 13 November 2018 (14 working days)	Consultation with Schools
November	High needs initial budget proposals worked on by officers Early years initial budget proposals worked on by officers.
28 November 2018 (reports due 21 November 2018)	Heads Funding Group review consultation responses and make a recommendation. Review high needs budget proposals.
18 December 2018 (reports due 4 December 2018)	Corporate Board – draft formula proposal. (Ahead of Schools' Forum and final funding

	allocation)
10 December 2018 (reports due 4 December 2018)	Schools Forum consulted on school formula final proposals in principle (as prior to final funding). To agree de-delegations and funding/criteria for additional funds. Need to consult and agree to any funding block transfers. Review central schools, high needs, and early years budget proposals
Mid December 2018	DSG funding allocations and APT containing census data for final formula due from DfE
Mid December 2018	Finalisation by officers of formula and the funding rates in light of actual DSG funding
20 December 2018 (reports due 13 December 2018)	Operations Board – Final formula proposal based on final funding allocation
17 January 2019 (reports due 10 January 2018)	Executive – Approval of School Formula
21 January 2019	Deadline for submission of final School Formula APT to ESFA
8 January 2019 (reports due 2 January 2019)	Heads Funding Group review budget proposals for central schools, high needs, and early years in light of funding announcement.
21 January 2019 (reports due 15 January 2019)	Schools' Forum review funding calculation and budget proposals for central schools, high needs, and early years. Agree budget strategy and determine any further work.
22 January to 20 February	Finalisation by officers of central schools, high needs, and early year's budget proposals.
27 February 2019 (reports due 20 February 2019)	Heads Funding Group review final proposals and make recommendation to Schools' Forum.
28 February 2019	Statutory deadline for providing primary and secondary maintained schools with their funding allocation (in practice this is late January).
11 March 2019 (reports due 5 March 2019)	Schools' Forum to agree final budgets.