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

Report being

considered by: Schools Forum 11th March 2019

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

1. Purpose of the Report

- 1.1 To set out the overall budget for the Dedicated Schools Grant (DSG) for 2019/20, and the final budget position for each of the funding blocks.

2. Recommendations

- (1) To note the DSG funding allocations, detailed in Appendix A.
- (2) Agree an overall deficit budget in 2019/20 of £1,824,646.

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 In 2019/20, the DSG will consist of four funding blocks:

- Schools
- Central Schools Services
- Early Years
- High Needs

3.2 Funding can be transferred between blocks (subject to certain restrictions) however there will be no movement between blocks in 2019/20.

3.3 This report sets out the 2019/20 DSG settlement for each block, as announced by the Government in December 2018. This forms the basis for determining the budget for 2019/20. The early years block is estimated based on the January 2018 census, and a small element of the high needs block is not yet confirmed. Carry forwards from 2018/19 also need to be taken into account, as any under spend of DSG needs to be added to the 2019/20 allocation, and any over spend subtracted.

4. Overall Position

- 4.1 Table 1 summarises for 2018/19 and 2019/20 the estimated DSG funding to be received for each funding block, and the estimated expenditure. Detailed breakdowns on the funding calculation is contained in Appendix A,

TABLE 1	2018/19 Revised Budget £	2018/19 Forecast £	2019/20 Estimate £
Schools Block			
DSG Funding	98,397,000	98,397,000	100,103,000
Expenditure Budget	-98,303,000	-98,303,000	-100,103,000
<i>Difference</i>	94,000	94,000	0
Central Schools Services Block			
DSG Funding	1,243,463	1,243,464	1,108,030
Expenditure Budget	-1,243,463	-1,243,464	-1,108,030
<i>Difference</i>	0	0	0
Early Years Block			
DSG Funding	9,663,324	9,730,898	10,209,506
Expenditure Budget	-9,522,740	-9,166,954	-9,861,023
<i>Difference</i>	140,584	563,944	348,483
High Needs Block			
DSG Funding	19,710,142	19,603,142	19,574,871
Expenditure Budget	-19,776,040	-20,098,580	-21,748,000
<i>Difference</i>	-65,898	-495,438	-2,173,129
TOTAL			
DSG Funding	129,013,929	128,974,504	130,995,407
Expenditure Budget	-128,845,243	-128,811,998	-132,820,053
<i>Difference</i>	168,686	162,506	-1,824,646

This is the final position assuming the proposals for the early years and high needs blocks are agreed (detailed in other reports on the agenda). It is proposed that the high needs block will set a deficit budget and the early years block will have a surplus which will be carry forward into 2019/20.

5. Schools Block

- 5.1 Reports to previous meetings have set out in detail how the funding for this block has been derived. The school funding formula has now been set (as detailed in the January report) using the national funding formula rates and a minimum funding guarantee. No funding from this block is being transferred to other blocks (or vice versa).
- 5.2 It is estimated that there will be an under spend of £94k on this block in 2018/19 due to in year business rate revaluations (schools are funded for rates on a like for like basis). There will be an under spend in the growth fund, but it has been agreed that this will be carried forward and added to the 2019/20 budget allocation towards paying for the set up costs of the new primary school.

Dedicated Schools Grant (DSG) Funding Settlement and Budget Overview – 2019/20

- 5.3 The final funding for 2019/20 has been determined by the October 2018 pupil numbers multiplied by West Berkshire's primary and secondary units of funding.
- 5.4 The sum for growth funding is calculated based on pupil data from the October 2018 census.
- 5.5 The total allocation excluding the growth fund is distributed to schools through the formula, by setting the formula funding rates and a minimum funding guarantee and funding cap on gains. The schools have been consulted on the formula and Schools Forum 09.12.2018 approved a 0% on MFG and 2 % Cap on gains.
- 5.6 The budget has no transfers from other Blocks, though the National Funding Formula does allow for 0.5% of the Schools Block funding, £490k, to be transferred into another Block (specifically High Needs Block). This was not approved by Schools Forum 09.12.2018.
- 5.7 The 2019/20 Schools Block allocation, this does not include the carry forward (£94k) from 18/19, is shown in table below;

Categories	(£'m)
Primary unit of funding (£3.89*13,293)	51.826
Secondary unit of funding (£4.94*9,352)	46.164
Funding through the premises and mobility factors	1.4642
Growth funding	0.5554
Total schools block	100.009

Central Schools Services Block

- 6.1 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.
- 6.3 The grant funding for the CSSB is £976k, leaving a shortfall of £132k. It was agreed at schools forum to balance the block are shown in the table below, with a comparison to 2018/19:

Dedicated Schools Grant (DSG) Funding Settlement and Budget Overview – 2019/20

Central Schools Services Block (CSSB)	2018/19 Budget	2019/20 Budget Requirement
	£	£
Total Budget Requirement	1,243,463	1,108,030
Funding:		
Central Schools Services Block DSG	- 992,560	- 976,226
Early Years Block transfer	- 27,053	
High Needs Block transfer	- 32,850	
One off Council funding	- 191,000	-
Copyright underspend 18/19 & 17/18 cf		- 53,155
Capita 1 underspend 18/19		- 15,000
Release of ESG unutilised grant		- 63,649
Total Funding	- 1,243,463	- 1,108,030

- 6.4 For 2019/20, costs have been brought down by £135k mostly by staffing reductions, however the grant has reduced by £16k. This leaves a funding shortfall of £132k, and it was agreed at schools forum to balance this by using underspends from 2018/19 and releasing unutilised ESG funding from Council reserves.

Early Years Block

- 7.1 The Government require that all providers be on the same local universal formula rates by 2019/20 so there will be no minimum funding guarantee or funding caps in 2019/20.
- 5.2 West Berkshire has introduced a single base rate. Using last year's calculations, going forward this will be a base rate of £4.30 with a quality supplement of 0.66p per hour.
- 5.3 The deprivation supplement based upon the current arrangements with the funding being linked to the early year's pupil premium, with an increase in the supplement from 0.47p to £1.47. The hourly rate to providers for 2 year olds will increase from £5.45 to £5.65
- 7.2 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.
- 7.3 The provisional DSG allocation received in December is based on the January 2018 census and therefore assumes no change to hours of early year's provision, other than 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 census data.

Dedicated Schools Grant (DSG) Funding Settlement and Budget Overview – 2019/20

7.5 The proposed budget for this block is shown in table below with details on the proposals are set out in another report.

	2019/20 Yr 1 Budget
	£
Funds Delegated to Early Years Providers	
PVI Providers (90036)	6,344,848
Nursery classes in Mainstream Schools (90037)	1,323,979
Maintained Nursery Schools (90010)	917,912
2 Year Old Funding (90018)	652,969
Pupil Premium Grant (53%) and deprivation funding	131,455
Total Delegated Funds	9,371,163
Centrally Managed Funds	
Central Expenditure on Children Under 5 (90017)	266,300
Pre School Teacher Counselling (90287)	60,690
SEN Inclusion Fund (90238)	90,000
Disability Access Fund (90053)	23,370
SSRs	49,500
Total Centrally Managed Funds	489,860
TOTAL EXPENDITURE	9,861,023
Early Years DSG Block Funding In Year (see below)	-9,645,562
Transfer to Central Schools Services Block	
IN YEAR NET POSITION	215,461
Early Years DSG Block Funding carried forward	-£563,944
OVERALL NET POSITION	-348,483

8 High Needs Block

8.1 The latest estimate of expenditure in the High Needs Block budget for 2019/20 is set out in the table below. The figures are based on all services continuing at current staffing levels and contract costs, with no change in the funding rates for top ups and the current/known number and funding level of pupils.

8.2 As demands in terms of number of pupils and levels of provision continue to grow and impact on this block, plans will need to be address the deficit going forward. Savings have been identified as set out in another report on this agenda. These savings will not clear the deficit and a strategy to bring spend down to the annual funding allocation will need to be developed over the coming months.

Dedicated Schools Grant (DSG) Funding Settlement and Budget Overview – 2019/20

8.3 The Department of Education announced in December 2018 an additional £381k of high needs funding for 2018-19 and 2019-20 in recognition of the cost pressures that Local Authorities are experiencing on the high needs block. This has been included in the forecast figure.

8.4 The proposed budget for this block is as follows:

	2019/20 £
Place Funding	6,086,000
Top Up Funding	12,119,960
PRU Funding (Top Ups Only)	1,089,100
Other Statutory Services	1,467,980
Non Statutory Services	857,670
Support Services Recharges	127,290
Total Expenditure	21,748,000
HNB DSG Allocation - confirmed	-18,921,309
HNB DSG Allocation - provisional	-768,000
Additional high needs funding	-381,000
Transfer to Other Blocks	
HNB DSG Overspend from previous year	495,438
Total DSG Funding	-19,574,871
Shortfall	2,173,129

4.5 There is a forecast shortfall of £2.17m in the 2019/20 HNB which may change as the budgets continue to be finalised.

6. Conclusion

9.1 Setting a balanced DSG budget remains a challenge, particularly the high needs block, where difficult decisions have had to be taken which will impact on all schools. A key part of the decision making has been to ensure that the deficit doesn't actually grow and plans are being made to manage the overall deficit in 2019/20.

9.2 The challenge will be no easier for 2020/21, where no additional funding is expected yet costs and demand continue to rise.

7. Appendices

Appendix A – DSG Funding Calculation 2019/20

Block Categories	(£'m)
Schools block	100.009
Central school services block allocation	0.976
High needs block allocation	18.509
Early years block	9.646
Total DSG allocation	129.140

School Block

	(£'m)
Primary unit of funding (£3.89*13,293)	51.826
Secondary unit of funding (£4.94*9,352)	46.164
Funding through the premises and mobility factors	1.4642
Growth funding	0.5554
Total Schools block	100.009

CSSB

	(£'m)
CSSB unit of funding (£s)	43.11
CSSB pupils (headcount for Primary and Secondary)	22,645
Total CSSB block	0.9762

Early Years

	(£'m)
Initial funding allocation for universal entitlement for 3 and 4 year olds	6.622
Initial funding allocation for additional 15 hours entitlement for eligible working parents of 3 and 4 year olds	2.051
Initial funding allocation for 2 year old entitlement	0.655
Initial funding allocation for Early Years Pupil Premium	0.035
Initial funding allocation for Disability Access Fund	0.024
Initial allocation for maintained nursery school supplementary funding	0.258
Provisional Total Early Years block	9.646

High Needs Block

	(£'m)
Actual 2019-20 high needs NFF allocation	17.103
Basic entitlement factor, ACA-weighted (unit rate * Actual number of pupils)	1.818
Import / Export adjustments (based on January 2018 school census and February R06 2017/18 ILR.)	0.768
2019-20 Additional high needs funding	0.381
Deduction to High Needs Block for direct funding of places by ESFA	-1.561
Provisional Total High Needs block	18.509