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# Dedicated Schools Grant (DSG) Budget 20/21 - Overview

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**Report being considered by:** Schools Forum

**On:** 14/10/19

**Report Author:** Melanie Ellis

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

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## 1. Purpose of the Report

- 1.1 To set out the announcements made in relation to the Dedicated Schools Grant (DSG) 2020/21 and the National Funding Formula, and the proposed timetable setting the 2020/21 budget.

## 2. Recommendation

- 2.1 There is no recommendation at this stage.

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

- 3.1 The National Funding Formula (NFF) is used by the Department for Education (DfE) to calculate the blocks within the Dedicated Schools Grant (DSG) that will be allocated to local authorities in December 2019.
- 3.2 The DSG consists of four blocks:
- (1) Schools
  - (2) High needs
  - (3) Central school services
  - (4) Early years
- 3.3 2020/21 is the third year of the NFF for schools, high needs and central school services. Provisional NFF allocations at local authority level for the schools and high needs blocks will be published in early October 2019, as well as notional school-level allocations. The schools block allocations will also show each local authority's final primary and secondary units of funding (PUFs and SUFs). The early years block of the DSG will be determined by the separate national formula for early years.

## 4. Changes in 2020/2021

- 4.1 In 2020 to 2021, as in previous years, each local authority will continue to set a local schools formula, in consultation with local schools. The government has confirmed its intention to move to a single 'hard' national funding formula to determine every school's budget.
- 4.2 The following key elements of the schools NFF have been confirmed:
- (1) Minimum per-pupil levels of £3,750 primary and £5,000 secondary. Primary will rise to £4,000 in 2021/22.
  - (2) Funding floor set at 1.84%
  - (3) 4% increase to the core formula factors, apart from free school meals which will be increased at inflation, and premises which will be on the basis of actual spend.
  - (4) No NFF gains cap, but local authorities will still be able to use a cap locally.
  - (5) New formulaic approach to mobility factor.
  - (6) Growth funding on same methodology as last year.
  - (7) Teachers pay grant and teachers pension employer contributions grant will both continue to be paid separately from the NFF. Rates will be published in due course.
- 4.3 In 2020 to 2021, while local authorities will continue to have discretion over the design of the majority of their funding formulae, it is intended to make the minimum per-pupil funding (MPPF) levels a mandatory factor in local formulae. Details will be published in November.
- 4.4 Other changes to local authority formulae arrangements in 2020 to 2021 are:
- (1) As schools' funding floor baselines will be based on the NFF allocations in 2019 to 2020, in line with the minimum funding guarantee (MFG) methodology, the 'funding floor factor' will be removed that authorities had the option to use in 2019 to 2020 in order to mirror the protection used in the NFF against 2017 to 2018 baselines.
  - (2) Local authorities will have the freedom to set the MFG in local formulae between +0.5% and +1.84% per pupil, as well as to use a gains cap.
  - (3) Local authorities will continue to be able to transfer up to 0.5% of their schools block to other blocks of the DSG, with schools forum approval. A disapplication will be required for transfers above 0.5%, or any amount without schools forum approval; this now applies to any transfers over 0.5%, even if the minister agreed the same amount in the past two years.

## 5. Consultation

- 5.1 Funding levels and allocations are being announced later than in previous years, giving local authorities less time for modelling and consultation. The DfE will issue the authority proforma tool (APT) and notional NFF allocations in October 2019. This will affect the time authorities have to plan for the local formulae, and as a result local consultations may be shorter or involve fewer meetings than usual. A proposed timetable is included in this report.

## 6. Schools Block

- 6.1 A recent ministerial statement has announced the following in relation to education funding:

- The funding package for 5-16 schools includes £2.6 billion for 2020/21, £4.8 billion for 2021/22 and £7.1 billion for 22/23 compared to 2019/20 bringing the schools budget to £52.2 billion in 2022/23.

- 6.2 The Schools revenue funding 2020 to 2021 Operational Guide was released on 12 September 2019. This has confirmed the following:

- The minimum per pupil funding level for 2020/21 is set at £3,750 for primary schools and £5,000 for secondary schools. The primary level will rise to £4,000 in 2021/22, but there has been no announcement for secondary schools.
- The funding floor will be set at 1.84%, in line with the forecast GDP deflator, to protect pupil-led per-pupil funding in real terms. This minimum increase in 2020 to 2021 allocations will be based on the individual school's NFF allocation in 2019 to 2020.
- Schools that are attracting their core NFF allocations will benefit from an increase of 4% to the formula's core factors. Exceptions to this are that the free school meals factor, will be increased at inflation as it is intended to broadly reflect actual costs, and premises funding will continue to be allocated at local authority level on the basis of actual spend in the 2019 to 2020 APT, with an RPIX increase for the PFI factor only.
- There will be no NFF gains cap, so that all schools attract their full allocations under the formula. Local authorities will still be able to use a cap in their local formulae.
- There will be a new formulaic approach to the mobility factor so that it allocates this funding fairly to all authorities, rather than on the basis of historic spend.
- Growth funding will be based on the same methodology as last year, and will have the same transitional protection ensuring that no authority whose growth funding is unwinding will lose more than 0.5% of its 2019 to 2020 schools block allocation. There will be no capping or scaling of gains from the growth factor.
- The teachers' pay grant and teachers' pension employer contributions grant will both continue to be paid separately from the NFF in 2020 to 2021. The rates will be published in due course.

## 7. Central Schools Services Block (CSSB)

- 7.1 The government has not yet confirmed the level of CSSB funding for 2020/21. Provisional NFF allocations will be published in October.
- 7.2 Responsibilities held by local authorities for all schools are funded from the CSSB, with the agreement of schools forums. This covers Statutory and Regulatory duties, Education Welfare, asset management and other duties such as licences, admissions and servicing of Schools' Forum.
- 7.3 In 2019/20, the CSSB DSG funding was £976k, compared to a budget requirement of £1.1m. The shortfall of £135k was funded from previous underspends and unspent ESG grant. Any shortfall for 2020/21 is not yet known.

## 8. Early Years Block

- 8.1 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 are now on the same rates.
- 8.2 No announcement has been made as yet regarding the funding for 2020/21, and initial block allocations are expected in December 2019.

## 9. High Needs Block (HNB)

- 9.1 As part of the education funding announcement the Government has pledged an extra £700 million for children with Special Educational Needs and Disabilities (SEND) in 2020/21.
- 9.2 The funding floor will be set at 8% so each local authority can plan for an increase of at least that percentage, taking into account changes in their 2 to 18 population (as estimated by the ONS). This will be based on local authorities' high needs allocations in 2019 to 2020, including the additional £125 million announced in December 2018.
- 9.3 The gains cap will be set at 17%, allowing authorities to see up to this percentage increase under the formula, again calculated on the basis of per head of population.
- 9.4 Operational aspects of the funding and allocations will remain largely unchanged, but the operational guide has not yet been published.
- 9.5 Provisional NFF allocations at local authority level for the HNB will be published in early October 2019.

## 10. DSG balances

- 10.1 The DfE will require a report from any local authority that has a cumulative DSG deficit of more than 1% at the end of the financial year – in this case as at 31 March 2020. It is highly likely that West Berkshire will exceed this threshold.
- 10.2 Recovery plans need to be discussed with the schools forum and should set out the authority's plans for bringing the DSG account back in balance within a timely period (three years).

10.3 A range of evidence should support the recovery plans including:

- (1) Breakdown of specific pressures locally that have led to the deficit (ie demand).
- (2) Assessment of local factors that have caused the increase in costs, a plan to change the pattern of provision where necessary and to achieve greater efficiency and better value for money.
- (3) A detailed recovery plan showing how the authority intends to bring the DSG back into balance. This should show how the additional 2020/21 funding is intended to be spent and why it has not been sufficient to bring the authority back into balance.
- (4) Details of any previous movements between blocks, what pressures those covered and why those transfers have not been adequate to counter the new pressures.

## 11. Timetable for Setting the Budget

11.1 A draft timetable has been put together but due to the delay in the funding announcements, there are only two Heads Funding Group and Schools Forum meetings to review the formula and consultation. The proposed timetable for setting all the elements of the DSG budget is set out below:

Date	Deadline	Who	Item
13.9.19		DfE	Operational guidance published
Oct to Nov 2019		DfE	NFF illustrative allocations published and APT issued
Oct to Nov 2019		LA	Modelling of new primary & secondary school formula (once received national formula rates from ESFA)
1.10.19	24.9.19	HFG	
16.10.19			School Admin (finance staff) briefing
14.10.19	8.10.19	SF	
Nov 2019		LA	High needs and Early years initial budget proposals worked on by officers
26.11.19	19.11.19	HFG	Review school formula options and make recommendation to Schools' Forum. Review high needs budget proposals.
3.12.19	27.11.19	Corporate Board	Draft formula proposals
9.12.19	3.12.19	SF	Agree formula for consultation with schools. 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.
4.12.19 – 18.12.19	10 working days		Consultation with schools
Mid Dec 2019		DfE	DSG funding allocations and APT containing census data for final formula issued
Mid Dec 2019		LA	Updating by officers of formula and the funding rates in light of actual DSG funding
19.12.19	12.12.19	Operations	Final formula proposal based on final funding

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		Board	allocation (subject to consultation responses).
8.1.20	2.1.20	HFG	Review funding formula consultation responses and final formula calculations and make a recommendation. Review budget proposals for central schools, high needs, and early years in light of funding announcement.
16.1.20	7.1.20	Executive	Approval of School Formula
20.1.20	14.1.20	SF	Review HFG recommendations, final calculations and final formula. Review budget proposals for central schools, high needs, and early years. Agree budget strategy and determine any further work.
21.1.20	21.1.20	LA	Deadline for submission of final APT to ESFA
21.1.20 to 18.2.20	18.2.20	LA	Finalisation by officers of central schools, high needs, and early year's budget proposals.
25.2.20	18.2.20	HFG	Review final proposals and make recommendation to Schools' Forum.
29.2.20	29.2.20	LA	Statutory deadline for providing primary and secondary maintained schools with funding allocation
9.3.20	3.3.20	SF	Agree final budgets.