

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Deputy Chief Executive - People
and Director of Finance and Resources

to

Education Board

on

22nd January 2019

(Following the 2019/20 funding principles agreed at the Education
Board on the 18th December 2018)

Report prepared by:

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Dedicated Schools Grant budget 2019/20

1 Purpose of Report

To present the 2019/20 Dedicated Schools Grant (DSG) budget.

2 Recommendation

2.1 That the proposed 2019/20 Dedicated Schools Grant Budget be noted, and that this has been set as agreed in accordance with the approved funding principles of the last 18th December 2018 DSG Education Board finance paper.

2.2 Therefore, the Education Board are asked to agree and recommend this budget to Council for final approval within the Council's 2019/20 budget paper on the 21st February 2019.

3 Background

3.1 This report sets out the proposed Dedicated Schools Grant Budget for the financial year 2019/20, to be set by the Council as part of its annual budget cycle in February 2019.

3.2 This report, also follows both previous and detailed DSG Education Board (EB) funding papers considering the 2019/20 budget (in draft form at those times), as presented, and approved for EB recommendation in both the October 2018, and December 2018 board meetings.

3.3 This report now also follows the Department for Education (DfE) DSG 2019/20 funding block announcements made on 17th December 2018, and release of the 2019/20 DfE Authority Proforma Tool (APT) on the 14th December 2018.

- 3.4 The DfE release of the 2019/20 APT, therefore enables the Education Board to also formally set the distribution of the 2019/20 school block funds to Individual Schools, using the updated numbers on roll for each School as per the latest DfE October 2018 school census data, and in line with the previous funding agreement of the Education Board on the 18th December 2018.
- 3.5 This paper, also displays the final 2019/20 DSG funding allocations for de-delegated funds, growth fund, central schools block, early years block (remains DfE provisional) and high needs block (High needs in totality only and remains DfE provisional), as also agreed in the Education Board on the 18th December 2018.

4 Dedicated Schools Grant Allocations 2019/20

- 4.1 The Department for Education (DfE) has set out the following funding blocks for Southend's Dedicated Schools Grant for 2019/20;

| | |
|---------------------------------|-------------------|
| Schools Block | £119.090 M |
| Early Years Block (provisional) | £9.955 M |
| High Need Block (provisional) | £19.416 M |
| Central Block | £1.748 M |
| Total | £150.208 M |

Appendix – “DSG budget 2019/20”, provides a detailed allocation including movement from the latest 2018/19 budget.

- 4.2 For pupil led funding, the 2019/20 schools block is based on a confirmed payment of £3,958.23 per primary pupil for 15,075 number of pupils and £5,254.47 per secondary pupil for 10,899 number of pupils. And for information only the average per pupil funding for selected areas is given below;

| | Primary unit of funding per pupil £ | Secondary unit of funding per pupil £ |
|--------------------|-------------------------------------|---------------------------------------|
| Southend-on-Sea | 3,958.23 | 5,254.47 |
| Thurrock | 3,868.90 | 5,225.69 |
| Essex | 3,842.73 | 5,018.47 |
| London | 4,687.79 | 6,166.56 |
| East of England | 3,929.77 | 5,082.47 |
| South East England | 3,842.93 | 5,007.33 |
| England | 4,098.81 | 5,294.65 |

- 4.3 The DfE Early Years funding rates applied to our DSG funding for 2019/20 are the same as 2018/19, confirmed at £4.40 per hour for 3 & 4 year olds and £5.24 per hour for 2 year olds. The Early years block remains provisional for 2019/20, as 2019/20 DfE allocations for take up of provision will be updated during 2019/20, and a further update in 2020/21, based on the January 2019 and January 2020 early years census data.
- 4.4 The provisional high needs block funding for 2019/20 has increased by £782,000 to £19.416 Million compared to the latest 2018/19 High Need DSG budget, and note both years now include the additional circa. £410,000 for each year announced by the DfE on the 17th December 2018.

- 4.5 The high needs block is still provisional until the final funding allocation is expected to be announced in July 2019. The DfE will be updating the final funding allocation in recognition that the authority meets all the high need place funding costs in their home area, regardless of the pupil's own home authority residence (excluding free special schools). Therefore, the home authority will either be compensated in relation to high need place funding, where they support more pupils from outside of their home authority area, than have been required to place home resident pupils in another local authority, or on the contrary, a reduction in the local funding adjustment will occur if the opposite situation is present for the home authority. And, also, in pure DfE high need funding terminology, this is known as the high need import and export adjustment, which is based on the January 2019 school census data and February 2019 R06 Individualised Learner Records (ILR) data, once processed.
- 4.6 However, as these final high need funded adjustments are not expected to be material in size, and this is also in view that the 2019/20 provisional high need funding allocation have already been adjusted for the 2018/19 import and export adjustment, the High Needs funding for distribution to settings in 2019/20 will now be planned on this provisional allocation, and as previously agreed will be presented for recommendation to the Education Board in March 2019 and once considered through the Resource Sub Group.
- 4.7 Ofcourse, whilst the High Needs funding for 2019/20 is a welcome increase, it should remain noted that Southend's High Need DSG funding allocation still remains below an uncapped National Funding Formulae (NFF) allocation. And after considering, as previously referenced the £410,000 additional DSG funding that was announced in December 2018, had this funding also been applied to an uncapped NFF formulae, Southend's allocation for 2019/20 would have likely been £20.111M (or a further £695,000 from the latest 2019/20 funded allocation).
- 4.8 The DfE have allocated a 2019/20 central block amount of £1.748M, which the local authority retains to support universal education related services.

5 Schools Block – Individual School Block (ISB) allocations - £118.144M

- 5.1 As illustrated for each School, in Appendix – “DSG Budget 2019/20 – Individual Schools Budget allocations”, The DfE release of the APT enables the Education Board to formally set the distribution of the 2019/20 school block funds to Individual Schools, using the updated numbers on roll (NOR) for each School as per the latest DfE October 2018 school census data, and in line with the previous funding agreement of the Education Board on the 18th December 2018.
- 5.2 And, note, as agreed at the previous Education Board meeting on the 18th December 2017, individual school budget allocations for 2019/20 have been set, adopting the principles of the National Funding Formulae in full, to ensure each School now receives at least the 2019/20 National Funding Formulae (NFF) basic minimum funding rates per pupil of £3,500 for primary and £4,800 for secondary, and awarding a rounded 0.5% per pupil funding rate growth to all remaining schools above their 2017/18 per pupil led baseline.

- 5.3 Please be reminded, as noted in the December 2018 paper, whilst the NFF provided a further 0.5% growth per pupil, the DfE did not adjust the DSG funding allocations for 2019/20 business rates changes, and the DfE place the expectation that individual school business rate changes are adjusted and allowed for within the local DSG allocation itself. Therefore, what this means in reality, is the 0.5% NFF funded allowance per pupil, could be shown as very slightly more or slightly less for all, as locally, the Individual School budget allocations have been adjusted for the 2019/20 business rate changes. This also then ensures that no individual school is unfairly penalized by business rate increases, and keeps Southend in line with the overarching principles of the adopted NFF.

Other key points for noting in the NFF funding formulae and APT:

- 5.4 Basic entitlement has been set, as per the NFF rates, at;

| | |
|-------------|-----------|
| Primary | £2,756.52 |
| Key Stage 3 | £3,876.05 |
| Key Stage 4 | £4,401.03 |

- 5.5 This Primary to Secondary funding ratio is now set at 1:1.32.

- 5.6 The numbers of children on roll in and registered in the APT has increased by a further 276 children, to now 25,978 (Primary 15,077 and Secondary 10,901) based on the recent DfE October 2018 school census, compared to 25,702 (Primary 15,046 and Secondary 10,656) in the previous years October 2017 census.

- 5.7 As stated above, the total Individual School block allocation in the 2019/20 funding formula is £118,144,433 before de-delegation, (£118,138,895 after de-delegation). And note - this is an increase in the totality of Individual School block allocations of £1,913,633 from the 2018/19 allocation, which is due to both an increase in the NOR and the NFF funding factors considering the schools increased to the 19/20 basic minimum per pupil amount, and the further NFF 1% growth for all remaining schools from their 2017/18 funded per pupil base line (NFF 0.5% applied in 2018/19 and 0.5% applied in 2019/20).

6 Schools Block – Centrally retained de-delegated lines - £5,538 (applicable to maintained schools only)

- 6.1 The de-delegated per pupil funded amounts have been set as agreed in the December 2018 paper, whereby the de-delegation amount for governor subscriptions has been set at £0.00p per pupil, and £1.00 per pupil for staff costs - trade unions duties returning an annual de-delegated sum of £5,538.

7 Schools Block – Centrally retained growth fund - £0.945M

- 7.1 The DSG growth fund amount has been set in accordance with the principles, agreed in the December 2018 paper, where by the 2019/20 DSG amount awarded for growth will be held centrally and distributed to schools who been required by the Local Authority to increase their class sizes.

- 7.2 Following the DfE announcements in July 2018 for DSG updated growth funding allocations, and as referenced, in both the October 2018 and December 2018 DSG EB papers, the now final DfE calculated DSG sum to apply to growth funding in 2019/20 is £945,135. And in summary, this sum is now driven by growth in local pupil numbers between the two most recent annual October school census's using only positive growth within statistically defined middle layer super out areas's (MSOA), multiplied by a DfE defined funding rate of £1,374.76 for each per primary pupil growth and £2,126.06 for each per secondary pupil growth (which includes the DfE defined local area cost adjustment).
- 7.3 And note, as referenced in and agreed in the October 2018 DSG EB paper, the funding methodology for awarding growth funding to schools from Sept-2020, will be presented to the Education Board in March 2020, for any required adjustment from the current funding methodology, and once considered through the Resources Sub Group.

8 Early Years Block (Provisional) - £9.955M in total

- 8.1 As expected, the DfE have provisionally set the 2019/20 Early Years block on the same latest and expected number of Part Time Equivalent PTE* children forecast to access the 2018/19 DSG early years funded provision. This is also includes the same DSG funded hourly rates applicable for each early years provision. The final budgets allocations have also been set, as agreed in the December 2018 DSG EB paper.

PTE* as DfE defined, assumes all children access the full 15hrs per week support over 38 weeks in the year.

- 8.2 Therefore, for DSG 2 year old funding the PTE has been set at 422 children, at an hourly rate of £5.24. And please note, as set in the October 2018 Early Year Education board paper – the core rate Southend passes over to providers is £5.20 per hour, now allowing for a small retained discretionary pot for 2 year old support of £9,622 (which was agreed in the October 2016 Education Board Early years NFF paper).
- 8.3 For the DSG universal 3 and 4 year old entitlement funding the PTE has been set at 2,739 children, at an hourly rate of £4.40. And please note, as set in the October 2018 Early Year Education board paper – the core 2019/20 rate Southend passes over to all providers as statutorily required will be £4.24 per hour, also allowing for the DfE statutory requirement and retention of £0.14 per hour, to fund supplementary provider eligible deprivation funding at £0.44 per hour (at an expected 20% required take up of total PTE), a centrally retained fund for the Special Educational Needs Inclusion fund and additional early years provider training (as set in the December 2018 DSG EB paper of £135,000).
- 8.4 For the DSG 3 and 4 year old extended entitlement funding for eligible working parents, the PTE has been set at 660 children, at an hourly rate of £4.40. And please note, as set in the October 2018 Early Year Education board paper – the core 2019/20 rate that is passed over to providers is also £4.24 per hour, as it has to statutorily mirror the Universal 3&4 year old provider entitlement rate including any additional provider supplement funding.

8.5 The DfE have also, set the allocations for both the Disability Access Fund (DAF) expecting 73 Southend children to be eligible, at a funded rate of £615 per child, awarding a total annual DAF fund of £44,895, and a £125,667 Early years pupil premium annual fund expected to target 415 children on a PTE, funded at £0.53p per hour.

9 High Needs Block (Provisional) - £19.416M

9.1 The 2019/20 High Needs block under NFF, has seen much needed and provisional confirmed growth in funding from the DfE of £0.782 Million, compared to the latest 2018/19 budget allocation. Although, as previously noted, we need to be minded this is still below an uncapped NFF amount.

9.2 Again, as previously reported our local DSG High Needs block funding has been under financial pressure for the last 3 financial years (a position also shared nationally), and this is despite local DSG financial savings applied and containment of further funding growth.

9.3 As referenced in the both the October and December 2018 DSG EB papers, this DSG paper now sets the total quantum of funding available for all high need settings in 2019/20, but must also be considerate of the need to restore the DSG deficit balance attributable to high needs.

9.4 Again, as agreed in the October 2018 DSG EB paper, the detail funding allocation for applying high need funding to settings will be presented to the Education Board in March 2019, and once considered through the Resources Sub Group.

10 Central Block - £1.748M

10.1 The central block budgets have been set, in accordance with agreement of the December 2018 DSG EB paper.

10.2 In 2019/20 there is a slight increase adjustment to the funding allocation in the central block of £9,581, which is incorporated within the Education Support Grant (ESG) retained duties. And as noted in the December 2018 DSG EB paper, this is due to the slight increase in the school pupil head count from 2018/19, whereby a proportion of the central block funding is determined by any changes in head count.

10.3 The final amounts are therefore confirmed as;

| | Amount |
|--|-------------------|
| From Central Schools Services Block | |
| CLA/MPA Licences | £122,297 |
| Combined Budgets | £941,288 |
| Schools Admissions | £236,300 |
| Servicing of Schools Forum | £18,700 |
| ESG Retained Duties | £429,143 |
| | £1,747,728 |

11 DSG current anticipated reserve levels as at 1st April 2019

11.1 As previously reported in the December 2018 EB DSG paper (and before the announcement of the additional high needs funding announced on the 17th December). The total forecasted DSG reserve forecast level as at the end of 31st March 2019 (and therefore, expected carry forward to the 1st April 2019) was forecast to be a deficit balance of (£537,000), and the following table also presented the expected individual block allocations within the total DSG forecasted reserve balance:

| Block | Schools – ISB £000 | Schools - growth £000 | Early Years £000 | High Needs £000 | Central £000 | Total £000 |
|---|--------------------------|-----------------------------|------------------------|-----------------------|-----------------|---------------|
| 2018/19 | | | | | | |
| Funding | 116,221 | 699 | 10,452 | 18,223 | 1,738 | 147,336 |
| Outturn | 116,192 | 839 | 10,452 | 18,381 | 1,738 | 147,602 |
| Variance | (30) | 140 | - | 157 | - | 267 |
| Reserves surplus / (deficit) | | | | | | |
| 1 April 2018 | 0 | 0 | 502 | (567) | 0 | (65) |
| 17/18 Early years funding adj. | 0 | 0 | (205) | 0 | 0 | (205) |
| 2018/19 forecast Variance | 30 | (140) | 0 | (157) | 0 | (267) |
| Anticipated transfer in year | (30) | 30 | (56) | 56 | 0 | 0 |
| 31 March 2019 | 0 | (110) | 241 | (668) | 0 | (537) |

And as reported and explained, in both the October and December 2018 EB DSG reports, the expected year end strain position on the high needs block alone was a deficit position of (£668,000). And please continue to note – this is not only a local financial strain position compared to DSG funding allocation but a position recognised nationally.

11.2 However, in view that the DfE announced on the 17th December 2018, nationally a £250M additional funding for DSG High Needs revenue funding (£125M in both 2018/19 and 2019/20) of which £409,626 additional is applicable for Southend in both the 2018/19 and 2019/20 financial years, and therefore formally recognising the funding pressures related to the national SEND reforms of 2014 for all local authorities, As referenced, in Appendix – “DSG Budget 201920”, allowing for the most recent December DSG 2018/19 expenditure forecast position (and assuming no changes in expenditure forecasts from now until the 31st March 2019) the balance of our local DSG reserve is now a reduced total forecast deficit of (£127,000) rolling into the 1st April 2019 (the start of the 2019/20 financial year).

The following table, now also presents, the updated individual block allocations within the total revised forecast balance, which includes the DSG funding addition of the £409,626 to high needs in 2018/19.

| Block | Schools – ISB £000 | Schools - growth £000 | Early Years £000 | High Needs £000 | Central £000 | Total £000 |
|---|-----------------------------------|--------------------------------------|---------------------------------|--------------------------------|-------------------------|-----------------------|
| 2018/19 | | | | | | |
| Funding | 116,221 | 699 | 10,452 | 18,634 | 1,738 | 147,745 |
| Outturn | 116,192 | 839 | 10,452 | 18,381 | 1,738 | 147,602 |
| Variance | (30) | 140 | - | (253) | - | (143) |
| Reserves surplus / (deficit) | | | | | | |
| 1 April 2018 | 0 | 0 | 502 | (567) | 0 | (65) |
| 17/18 Early years funding adj. | 0 | 0 | (205) | 0 | 0 | (205) |
| 2018/19 forecast | | | | | | |
| Variance | 30 | (140) | 0 | 253 | 0 | 143 |
| Anticipated transfer in year | (30) | 30 | (56) | 56 | 0 | 0 |
| 31 March 2019 | 0 | (110) | 241 | (258) | 0 | (127) |

11.3 This is obviously, a much improved position for the DSG Reserve balances. However, regardless, before the announcement of the additional funding allocation, it is reminded as reported in both the October 2018 and December 2018 EB DSG report, Southend was still targeting a DSG reserve balance recovery by the 31st March 2020, through the continual need to constrain high need funding to settings.

11.4 Therefore of course, given the subsequent announcement of this additional funding, this message position in 11.3, should now be somewhat alleviated to a sensible degree, but bearing in mind our local High Needs block will still close with an expected deficit position of (£258,000). Therefore, it was also sensibly agreed, to consider the application of this new funding and therefore consider what can be applied to settings within the pre-planned 2019/20 high need detailed budget setting paper due for EB in March 2019, and once considered through the Resource Sub Group. A revised forecasted 31st March 2020 DSG

reserve balance will also be updated, as part of the High need 2019/20 detailed budget setting paper in March 2019.

12 Conclusion

- 12.1 The overall position set out for 2019/20 is a balanced DSG budget.
- 12.2 Whilst, the purpose of this paper is to focus on the actual setting of the 2019/20 in year resources for the DSG, it is positive news that the forecasted DSG deficit reserves have now in part been alleviated due to the DfE additional funding announcement on the 17th December 2018, and of course with sensible forward planning, should in turn hopefully allow more funding to be applied to settings during 2019/20 for Special Educational Needs (SEND). This is also in view, given SEND funding has been actively but considerably constrained for the last 2 financial years to aid DSG reserve balance recovery.
- 12.3 And again, it has to be noted, the effective consideration and somewhat heightened consideration of DSG resources over the last two financial years that is clearly shown in both this and previous recent DSG papers (and in part driven by considerable funding pressures on high needs), has also only been made possible by the constructive and collaborative partnership working of the local authority, education board and resource sub group.
- 12.4 And as previously noted, it of course remains unfortunate, due to the current absence of any government funding announcements from 2020/21, we cannot further forward plan with any certainty the allocation of DSG resources beyond 2020/21 at this time.

13 Appendices

Appendix – DSG Budget 2019/20 – Individual Schools Budget allocations (to be released by the 15th January 2019)

Appendix – DSG Budget 2019/20