



## Schools Forum

06 November 2019

### Report from the Strategic Director of Children and Young People

## Dedicated Schools Grant Funding 2020/21

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	N/A
<b>Open or Part/Fully Exempt:</b>	N/A
<b>No. of Appendices:</b>	2
<b>Background Papers:</b>	Prior financial reports to Schools Forum.
<b>Contact Officer(s):</b> (Name, Title, Contact Details)	Andrew Ward, Head of Finance – CYP, 0208 937 6462 Dena Aly, Senior Finance Analyst – CYP, 0208 937 2179

### 1. Purpose of the Report

- 1.1. This report provides Schools Forum with information on funding arrangements for the 2020/21 financial year, including the provisional DSG block funding allocations. Schools Forum will need to consider options for the growth fund and whether to consult with all schools on amending the mainstream funding formula.

### 2. Recommendations

- 2.1. Schools Forum is asked to note this report.

- 2.2. Schools Forum is asked to indicate;

- 2.2.1. if it wishes to change the arrangements for funding pupil growth;
- 2.2.2. if it wishes to consult with all schools about allocating additional funds through the formula and if a mobility funding factor should be included.

- 2.3. If a consultation on the funding formula is agreed Schools Forum will need to meet in December to make final decisions ahead of the production of the final funding formula. This will then in turn be presented at the January 2020 Schools Forum, and taken forward into the Council's budget setting process.

- 2.4. Approve the Terms of Reference for the High Needs Sub Group.

### 3. Summary

- 3.1. The provisional funding allocations announced in October indicate that the Schools Block will increase by just under £3.5m, or 1.5%. Under the current arrangements the funding of in-year growth through the rising rolls mechanism would require approx. £1m of additional budget, which would leave the balance to allocate to schools. Additional High Needs funding of £4.8m will increase the

budget towards a more realistic level for in-year expenditure, but this will not, on its own, be enough to cover the DSG deficit anticipated by the start of 2020/21.

3.2. The funding increases in the other blocks are under 2%, which is low given the context of teacher pay rises and other inflationary pressures.

### 3.3. Table 1 – Estimated DSG Block Funding

Block	2019/20 Funding £'000	Estimated 2020/21 Funding £'000	Change £'000	Change %
Schools Block	231,026	234,500	3,474	1.5%
High Needs Block	56,286	61,157	4,871	8.6%
Early Years Block	22,593	22,900	307	1.3%
Central Block	2,374	2,206	(168)	(7.1%)
<b>Total</b>	<b>312,279</b>	<b>320,763</b>	<b>8,484</b>	<b>2.7%</b>

3.4. No announcements have been made regarding the future of the Maintained Nursery School funding, which is only confirmed until the end of the 2019/20 academic year.

## 4. Funding announcements for the Schools Block

4.1. There have been a number of announcements on schools funding as part of the 1 year spending review in September 2019. Nick Gibb, the Minister of State for School Standards provided a School Funding Update as a written statement on the 9th September 2019. It made the following points on Mainstream and High Needs Funding.

4.2. The government is still moving towards implementing a full National Funding Formula, but Local Formulas will remain in place for 2020/21. The total Schools Block set for Local Authorities in 2020/21 is calculated by a National Funding Formula plus any guaranteed minimum funding increases. For context 2019/20 analysis of the detailed national funding formula showed that it allocated less funding to all Brent Primary Schools than the Local Formula.

4.3. For 2020/21, the government has announced;

- a 4% increase to some National Funding Formula factors.
- a minimum per pupil funding levels - £3,750 in the primary phase and £5,000 in the secondary phase
- a positive Minimum Funding Guarantee on pupil funding factors

4.4. The 4% increase to the pupil led NFF factors is a positive step towards matching the current local Brent formula, but from the data released so far it is clear that the 1.5% increase shown in Table 1 above, is driven by a protected minimum increase of 1.84%, less an adjustment to the amount allocated for growth as total pupil numbers have dipped. There is no clear advantage to adopting the NFF locally until such time as the funding catches up with the local funding formula.

4.5. The main change to the operational guidance for local funding formula is that a new mobility funding factor has been created and is available for use by Local Authorities to fund schools facing additional costs as a result of having a more mobile pupil population. Details of how this funding factor works are included in

Appendix 1. Otherwise there are minimal changes to the operation of local funding formulas.

4.6. The minimum per pupil funding levels that were announced will have no impact on Brent funding, as current funding averages £5,084 for primary pupils and £6,366 for secondary pupils.

4.7. It was also announced that the Teachers' Pay Grant and Teachers' Pension Employer Contributions Grant will continue in 2020/21. For clarity, schools will continue to receive these grants, based on set per pupil rates, separately to their funding formula. The rates for 2019/20 are provided below for information. The grants are now a significant source of funding for schools.

**4.8. Table 2 – 2019/20 TPG and TPECG funding rates per pupil**

<b>Grant</b>	<b>Primary</b>	<b>Secondary</b>	<b>Special</b>
TPG	£47.95	£70.57	£178.44
TPECG	£92.20	£135.71	£336.53

4.9. The pay grant covers the estimated cost of the teachers' pay rises in 2018/19 and 2019/20, less;

- The 1% increase it is assumed (by the DfE) that schools budgeted for in 2018/19
- The 2% increase it is assumed (by the DfE) that is affordable by schools in 2019/20

4.10. This means that in effect schools will have to meet the balance of the increased cost of teaching staff from their formula funding.

4.11. The Teachers' Pension Employer Contributions Grant is intended to cover the full cost of the increased contributions to be made by schools.

## **5. Schools Block Budget Pressures**

5.1. In the Schools Block there are a number of budget pressures that are evident and have been reported by schools;

- Increased cost pressures, e.g. Teacher Pay rises,
- The cost of providing for increased secondary pupil numbers as funding lags by up to a year,
- The additional costs to schools caused by pupil mobility.

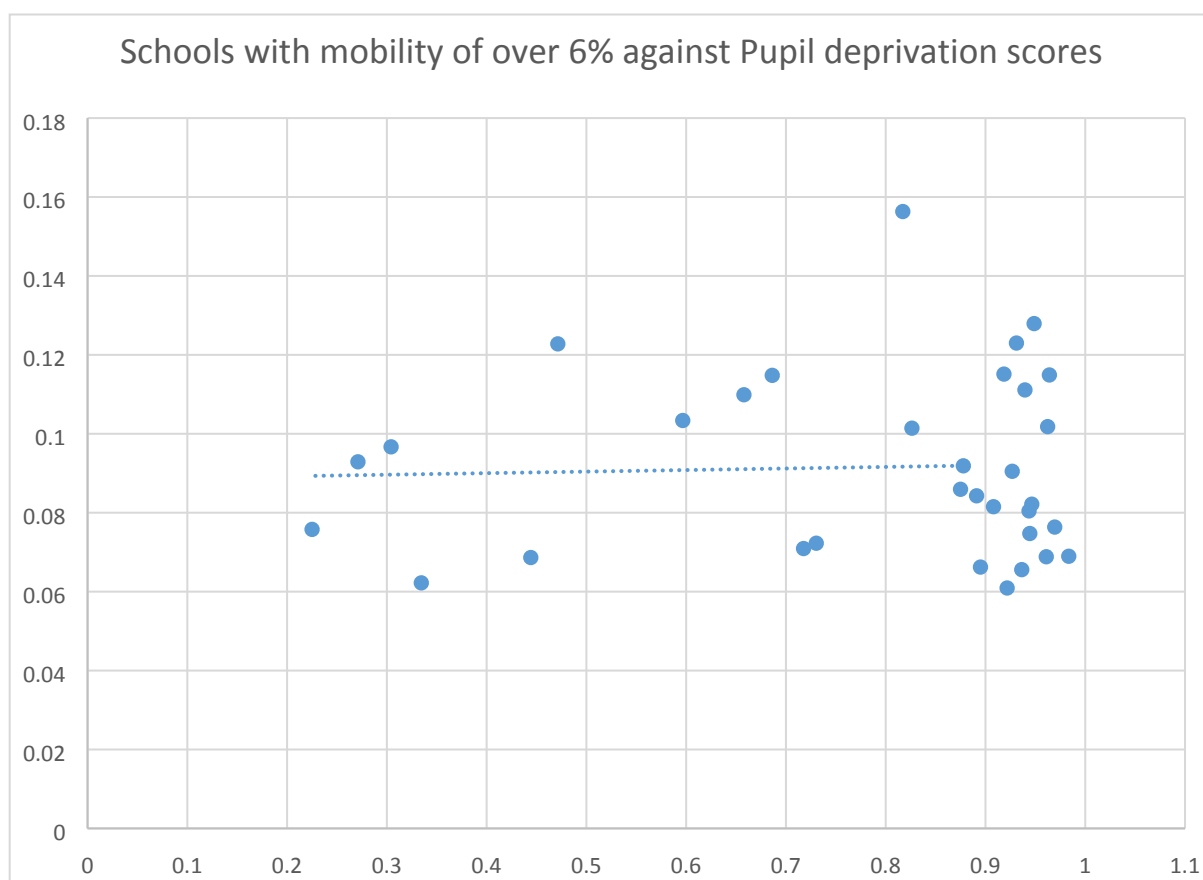
5.2. The increased cost pressures are evident in the projected budget positions of maintained schools. In the summer term of 2019 these schools set a 3-year budget plan, so the following numbers pre-date the recent funding announcements, but they do indicate that 19 schools of the 56 are forecasting a deficit position by the end of 2020/21 and this rises to 25 schools by the end of 2021/22. There is no obvious pattern to suggest which particular type of schools face financial difficulty, and this analysis obviously does not include academies.

5.3. The growth funding mechanism and the associated pressure is explored in fuller detail in the accompanying report being considered by Forum. It can be

summarised as an issue of lagged funding, and providing support to growing schools, but this has to be funded by top-slicing the total Schools Block.

5.4. Brent does not currently fund pupil mobility as a factor in the local formula, and schools have reported it as an issue contributing to financial pressures. As above the DfE have produced a funding factor which can be used to address this. Modelling of the newly available funding factor indicates that it would allocate funding to 35 of 60 primary phase schools and 5 of 13 secondary schools. In considering the use of the mobility factor, officers have compared how it relates to the deprivation funding factor, which is the largest factor for funding additional educational need. The chart below plots the mobility data for those 40 schools, expressed as a % of pupils affected, against the proportion of pupils recorded as deprived. The relatively flat line suggests a weak correlation, but it may be the case that mobility costs are not always matched by funding under the current arrangements.

#### 5.5. Chart 1



5.6. There is an estimated £3.5 million which can be allocated via the local funding formula or added to the growth fund in 2020/21. Changing the local funding formula requires consultation with all schools, and if Schools Forum choose to do this then it is recommended that a December meeting is held to make final decisions.

5.7. Options for allocating the estimated £3.5m increased Schools Block in 2020/21;

- Proportionally increase all pupil funding factors in the formula.
- Increase the per head funding allocation – this would require a short consultation with all schools. For information, £1 million would increase per pupil funding by £21 for Primaries and £27 for Secondary schools.

- Introduce a mobility funding factor – this would require a short consultation with all schools.
- Allocate additional funds to the growth fund, or reduce the fund and reallocate resources via the funding formula.

5.8. The Local Authority must engage in open and transparent consultation with all maintained schools and academies in the area, in addition to meeting with the Schools Forum. The consultation must include modelling at individual school level.

5.9. In practice a proportionate consultation for the relatively minor formula changes outlined above, could be achieved by issuing financial modelling to all schools and asking for written feedback ahead of the next Schools Forum.

## **6. High Needs**

6.1. The additional £4.8 million represents an 8% increase in the High Needs Block income, and would be enough to cover the current forecasted imbalance between High Needs expenditure and income. It will not, on its own, be enough to cover the projected DSG deficit, and it will not cover costs in 2020/21 if the number of EHCPs continues to grow.

6.2. It is expected that the transfer of 0.5% of the Schools Block income to the High Needs Block will need to continue in 2020/21.

6.3. The High Needs sub group is a representative group of the Schools Forum which has been meeting with officers to review the situation on High Needs budgets. It meets once every half term, and is a consultative group tasked with informing the budget setting of the High Needs Block budgets for 2020/21.

6.4. The DfE are consulting on changes to the terms and conditions of the DSG. The proposed changes will make clear the position on DSG deficits is that they should be recovered from future year allocations, but not necessarily recovered in single year. Given the forecast position on High Needs expenditure a multi-year recovery plan will need to be developed ahead of the start of the new financial year.

6.5. The Terms of Reference for the High Needs sub group are provided for School Forums' approval in appendix 2.

## **7. Early Years**

7.1. The spending review also announced an additional £66 million for Early Years funding. No further information has been announced on this, but a very broad estimate is that as Brent has around 0.5% of all children in England, Brent would receive around 0.5% of the £66 million, which equates to c.£0.3m. This would increase the Early Years block by 1.3%.

7.2. An Early Years 2020/21 funding report will be brought to Schools Forum in January 2019 once funding rates have been announced by the DfE.

7.3. Schools Forum should also note that within the Early Years Block the council receives a specific allocation of just under £0.8 million to support the 4 maintained nursery schools in Brent. It was announced in February 2019 that this grant would continue to the end of the 2019/20 academic year, but it is not known if it will

continue beyond then. Given the importance of this funding to the maintained nursery schools, this situation will need to be closely monitored.

## **8. Central Funding Block**

8.1. The Central Funding Block has been reduced by £168k for 2020/21. This reflects the DfE expectation that Local Authorities are, over time, unwinding the historic commitments which have always been funded by the DSG.

8.2. This creates a budget pressure in the central block as most of the historic commitments are long term commitments which cannot be rapidly reduced or easily funded by a constrained General Fund. For example, there is a £600k contribution which funds a small proportion of pension strain costs caused by early retirement of teaching and other school staff, and which will not reduce for many years. There are however some reported underspends in the Central block and officers will seek to balance the position for the 2020/21 budget.

## **9. Financial Implications**

9.1. The financial implications have been detailed in the body of this paper.

## **10. Legal Implications**

10.1. There are no legal implications for this report.

## **11. Equality Implications**

11.1. Not applicable.

## **12. Consultation with Ward Members and Stakeholders**

12.1. Not applicable.

## **13. Human Resources/Property Implications (if appropriate)**

13.1. Not applicable.

### **Report sign off:**

**Gail Tolley**

Strategic Director of Children and Young People