



# Northumberland County Council

## Wellbeing and Community Health

### Agenda Item 8

## SCHOOLS FORUM

16 January 2019

### Setting the Dedicated Schools Grant (DSG) 2019/20

#### 1. Purpose of the Report

To inform Schools Forum of the estimated overall DSG for 2019/20 and the proposed allocation of funds to Schools for 2019/20.

#### 2. Recommendations

That the Schools Forum notes the report and agrees, where appropriate, all of the specific recommendations set out below.

#### 3. Background

Schools Forum has previously received reports outlining developments in relation to the National Funding Formula (NFF). Latest Information from the Department for Education (DfE) has confirmed their intention to move to a National Funding Formula (or "Hard" Formula) though the earliest this can now happen is from 2021/22, subject to agreement in the next Comprehensive Spending Review. This means that local authorities (LA) will no longer have any discretion in the values of the individual factors used to distribute funding to schools.

For the financial years 2019/20 & 2020/21 local authorities retain some discretion in setting the funding formula, thereby giving the opportunity to implement the national formula gradually. This allows local authorities to mitigate the impact of significant changes in the respective formula funding factors, as authorities move from local to nationally determined formula values.

The DSG remains as a ring-fenced grant subject to formal grant conditions. As in 2018/19 the DSG is split into four blocks and each block will be determined by a separate national funding formula:

- **The Schools Block** which is based on pupil numbers taken from the October 2018 census with funding calculated by separate Primary and Secondary units of funding plus an amount, based on historical information, for growth, premises and mobility.

The minimum funding guarantee (MFG) for schools will continue but LA's will have discretion to set a local MFG between 0.5% and minus 1.5% per pupil.

- **The High Needs Block** which is calculated by:
  - i) A basic entitlement per pupil, using pupils who attend special schools and academies in the LA,
  - ii) A historic spend factor, providing 50% of the LA baseline. This will be maintained a cash flat level.
  - iii) The remaining amount of overall funding is distributed to the LA using proxy indicators – 2-18 year old population, deprivation, health and disability and low attainment.
  - iv) Import/export adjustments are made to ensure LA's are fully funded for those pupils that they provide places for. Northumberland is a net exporter and therefore has a deduction made to its High Needs Block. This will be adjusted in January 2018
- **The Central Schools Service Block.** This was introduced in 2018/19, comprising of funding for ongoing statutory responsibilities of LA's and a cash sum for historic commitments.
- **The Early Years Block** has been based on a national funding formula since April 2017 will ultimately be based on the pupil numbers taken from the Schools, Early Years and Alternative Provision census date from January 2018. The allocation will be updated based on January 2019 & January 2020 censuses. The allocation is an estimate only.

The estimated DfE's allocation of the whole DSG for 2019/20 for Northumberland before any recoupment deductions for academies is £232,522,072 (£228,757,448 in 2018/19). This has been calculated by the DfE as set out in **Annex 1**.

#### 4. **Early Years Block**

Since April 2017 the Early Years Block has been subject to a National Funding Formula. The Early Years National Funding Formula hourly rate funding rate as remained unchanged since 2017/18 at £4.30 per hour (3 and 4 year old rate).

The "pass through" level of funding (i.e. the % that must be paid directly to providers) is 95% of 3 and 4 year old funding in 2019/20, the same % as in 2018/19. Historically Northumberland County Council (NCC) has retained less than 5% centrally.

The indicative budget for the Early Years Block for 2019/20 is £16,468,404, including the £149,766 indicative allocation for the 3 and 4 year old Pupil Premium and £83,640 for Disability Living Allowance. This is shown in **Annex 1**. It includes an initial allocation of £10,417,814 for 4244.13 part time equivalent (pte) 3 and 4 year olds and an allocation of £3,226,214 for 1316.28 pte 3 and 4 year olds of working parents eligible to access the additional 15 hours free childcare. In addition there is an initial allocation of £2,590,971 for 874.1 pte disadvantaged 2 year old children.

All these allocations are indicative and are based on the January 2018 census, but they will be further revised in the light of the January 2019 and January 2020 census



## 6. Schools Block

The 2019/20 Primary unit of funding (per pupil figure) is £4,087.98 (£4,069.91 in 2018/19) and the Secondary unit of funding is £5,042.49 (£5,101.63 in 2018/19), giving a per pupil allocation of £175,509,320. The addition of a fixed amount in respect of Growth, Premises and Mobility of £5,214,370 gives a total Schools Block of £179,723,690 as set out in **Annex 1**. This figure is £200,997 less than the equivalent 2018/19 figure but is £759,633 higher than the provisional figure previously reported following representations made to the DfE.

As agreed by Schools Forum at the meeting on 21 November 2018 and the subsequent consultation with schools, a transfer 1% of the Schools Block to the High Needs block has been made, this reduces the amount available to the Schools Block to £177,926,453, compared to £178,125,440 in 2018/19 though we do have 3 less schools than at this time last year, following the closure of Acklington CofE First School, Netherton Northside First School, and Belford St Marys CofE Middle (Belford) in July 2018

At this stage we are attempting to maintain formula funding values in line with those used in 2018/19 though this will be subject to affordability after the impact of any data changes are fully assessed and agreement of figures with the DfE. Proposed figures are shown in **Table 1** below.

A 0% MFG is being proposed with no capping or scaling, dependent on final overall allocation values.

It is proposed that for any changes required, values will be adjusted in line with the previously agreed principles of moving towards NFF values in a phased approach, while looking to deliver stability to schools year on year in relation to their funding.

Table 1

**PROPOSED FORMULA FUNDING VALUES FOR 2019/20** (all values £)

		<b>NFF Values</b> <i>(source : Schools Block National Funding Formula : technical note Sept 2017)</i>	<b>2018/19 Final Values</b>	<b>2019/20 Proposed Final Values</b>	
AWPU	Primary	2,747	2,807	2,807	
	KS3	3,863	3,863	3,863	
	KS4	4,386	4,580	4,580	
Lump Sum	Primary	110,000	110,000	110,000	
	Middle	110,000	110,000	110,000	
	High/Secondary	110,000	110,000	110,000	
Deprivation - Free School Meals	Primary	440	757	757	
	Secondary	440	777	777	
Deprivation – FSM6	Primary	540	540	540	
	Secondary	785	785	785	
Deprivation – IDACI:	Primary	Band F	200	200	200
		Band E	240	240	240
		Band D	360	360	360
		Band C	390	390	390
		Band B	420	532	532
		Band A	575	575	575
	Secondary	Band F	290	290	290
		Band E	390	390	390
		Band D	515	515	515
		Band C	560	560	560
		Band B	600	725	725
		Band A	810	810	810
Low Attainment	Primary #	1,022	1,050	£518.44	
	Secondary	1,550	1,550	1,550	
EAL	Primary	515	515	515	
	Secondary	1,385	1,385	1,385	
Sparsity (max)	Primary	25,000	25,000	25,000	
	Middle	n/a	52,000	52,000	
	Secondary/All Through	60,000	60,000	60,000	

# Changes to the low prior attainment performance measure, and a consequent increase in the number of eligible pupils has meant that it is necessary to reduce the level of the Formula Value from £1,050 to £518.44 – there is no reduction to the overall amount of funding distributed using this measure.

**Note 3:**                    **The budget for the Schools Block to be set provisionally at £177,926,453, including a proposed amount of £873,590 in respect of de-delegation.**

**Note 4:**                    **School budget shares be provisionally constructed based on the formula values shown the final column of Table 1, subject to any adjustments required once the Secretary of State's decision is known.**

## **7. De-Delegation**

There are five services, the funding for which is included within the formula:

- Determination of FSM Eligibility
- Core Behaviour Support Services
- EAL
- Trades Union Facility Time
- Contingency Fund for School Restructure and Re-organisation costs

The Regulations permit that these services be centrally retained by the de-delegation of the funding from maintained schools (but not from academies) with the specific approval of the relevant members of the Schools Forum. Academies however, are free to purchase these services, either through a SLA or on a Pay As You Go basis. Special Schools and the PRU are not affected by the de-delegation, but can also participate through the SLA or on a Pay As You Go basis.

De-delegation is an integral part of the way in which these services are funded and any changes would require a significant change of the way of working with schools. Schools Forum agreed to de-delegate from all phases during all years since 2013/14 when the de-delegation regime was first introduced, and it recommended that these are agreed again for 2019/20 using the cash values set out in **in Table 1 above**. Cash Values are at the same level as 2018/19 (& 2017/18) for all de-delegated budgets, with the exception of the Trade Union Facility Time figure, for which a 3.2% increase from £3.15 to £3.25 is requested, in line with RPI inflation.

**Recommendation 2:**    **Schools Members of the Schools Forum representing maintained mainstream schools agree on a phase by phase basis to the de-delegation in respect of the five services listed above for 2018/19 using the funding values as set out in the final column of Table 1.**

## **8. Central Schools Services Block**

This block was newly created in 2018/19, and comprises of funding for ongoing statutory responsibilities of the Council and a cash sum for historic commitments. The allocation for this block is £3,127,611, a figure £35,413 (1.1% lower than the 2018/19 allocation. As with the High Needs Budget, the overall budget will be set at £3,127,611, in line with the allocation, with the details of the budget being provided to the February Schools Forum meeting

**Note 5:**                    **The budget for the Central Schools Services Block will be set at £3,127,611 as set out in Annex 1**

DEDICATED SCHOOL GRANT (DSG) ALLOCATION 2019/20								
		Pupils	Unit Value		Funded			
					Hourly Rate			
<b>Schools Block</b>	Main Primary	23,375	4,087.98	95,556,533		Contingency	453,828	
	Main Secondary	15,658	5,042.49	78,952,787		Trade Union Facility time	73,747	
	Growth, Premises and Mobility			5,214,370		EAL	47,160	
					<b>179,723,690</b>		FSM Eligibility	17,409
	1% to High Needs Block				-1,797,237		Behaviour Support	281,446
					<b>177,926,453</b>			<b>873,590</b>
	Proposed De-delegation			-873,590				
				177,052,863				
<b>Central School Services Block</b>	Pupil nos	39,033	33.27	1,298,628				
	Historic Commitments			1,828,983				
				<b>3,127,611</b>				
<b>Early Years Block</b>	3/4 Year Olds	4,250.4342	2451.00	10,417,814	4.30			
	3/4 Year Olds - Additional 15 hours	1,316.2847	2451.00	3,226,214	4.30			
	2 Year Olds	874.1467	2964.00	2,590,971	5.20			
	Disability Access Fund			83,640				
				16,318,639				
	3/4 'Pupil Premium	495.75	302.1	149,765	0.53			
			<b>16,468,404</b>					
<b>High Needs Block</b>	2018-19 allocation			33,202,367				
	<b>HN deductions</b>							
	<b>Mainstream Academy Pre 16</b>	12	6000	-72,000				
	<b>Mainstream Academy Post 16</b>	28	6000	-168,000				
	Special Academy Pre 16	169	10000	-1,690,000				
	Special Academy Post 16	38	10000	-380,000				
	Special Schools Post 16	118	10000	-393,294				
	Mainstream Post 16	16	6000	-32,000				
	FE and ILP	81	6000	-486,000				
	Total Deductions to HN Block for Direct Funding of Places by ESFA			-3,221,294				
<b>TOTAL 2019/20 DSG</b>				<b>232,522,072</b>				

# Early Years Funding Consultation for 2019/20

## Background to the consultation

- In 2019/20 the Northumberland Early Years Block (EYB) allocation will be funded at £5.20 per hour for 2 year olds and £4.30 per hour for 3/4 year olds (This is at the national minimum and no increase on previous years)
- Early Years Pupil Premium payments remain at 53p per hour.
- Central costs to support all Early Years provision, sufficiency and financial administration is planned to total 3.9% of the EYB (up to 5% is permitted)
- Local 'supplements' (IDACI payments to support 3 and 4 year old disadvantage) are planned to total 2% of the 3 and 4 year old funding from the EYB. This was set with the early years formula by Schools Forum in February 17.
- The IDACI bands used to allocate the supplements were calculated in January 17 to be- Band A £1.09, Band B £0.86, Band C £0.69.
- Current estimates demonstrate that across 18/19 these bands will pay out approximately 4% of the 3/4 year old funding in the EYB, an overspend of 2% equating to approximately £270K.
- This is because the number of children living in disadvantaged postcodes has been higher than the estimations made when calculating the bands. These children are also attending for more hours than estimated via the universal 30 hours offer. As a result the value of the bands was set too high.
- We need to review the situation.

## Objectives

- Support children from disadvantaged backgrounds as effectively as possible
- Passport as much funding as possible directly to providers
- Remove any overspend from the Early Years Block

## Options/solutions

- 1- Roughly half the size of all IDACI band payments
- 2- Reduce the number and size of IDACI band payments
- 3- Replace IDACI payments with a Pupil Premium Plus payment
- 4- A combination of the above (over time)

### Option 1- Roughly half the size of all IDACI band payments

	Current Bands 17/19	Proposed Bands 19/20
Band A	1.09	0.56
Band B	0.86	0.44
Band C	0.69	0.35

### Option 2- Reduce the number and size of IDACI band payments



Current Bands 17/19		Possible New Bands for 19/20	
		Option 2a) 2 Bands Only	Option 2b) 1 Amount in 2 bands
Band A	1.09	0.94	0.72
Band B	0.86	0.69	0.72
Band C	0.69	0.00	0.00

### Ongoing Risks to options 1 and 2

- Although reduced, the risk of overpayment (and underpayment) of the budget is still possible due to the difficulties in accurately predicting which bands children will present in, what entitlement each child will take in each band and any future growth in 30 hours eligibility in IDACI postcodes

### Option 3- Replace IDACI payments with a Pupil Premium Plus payment

All payments by IDACI band would be stopped. Children eligible for Early Years Pupil Premium (EYPP) payments would have these increased to the value of 2% of the 3/4 year old funding in the EYB. This would need modelling each year, but would essentially mean that approximately 20% of the 3 and 4 year old cohort would receive an increase in funding based on actual parental income regardless of their postcode. This would encourage and increase take up of EYPP, which is currently underclaimed (only 70% of expectation in Spring 18) and therefore bring in additional income from the DfE.

Based on 18-19 values children in receipt of EYPP would have this topped up by £0.75 from £0.53 to £1.23 per hour.

### Modelling these options shows the following outcomes-

Based on a typical term 17/18	Percentage change in funding				
	Increase in funding	Remaining the same	0-5% cut	5-10% cut	10-15% cut
Option 1	0	60	35	5	0
Option 2a	0	60	35	4	1
Option 2b	0	60	34	4	1
Option 3	19	42	26	9	4

### **Option 4- A combination of the above options (over time)**

Although moving to a Pupil Premium Plus model would effectively target the most disadvantaged children, rather than all children in a particular post code, modelling this indicates some significant drops in funding for some providers. To cushion this effect we could combine 2 of the options to support a smoother change of system.

Example- Option 1 for 19/20 and then option 3 for 20/21. This would eliminate the overspend in 19/20 in a manner which has the lowest impact on providers, give time for all providers to maximise their EYPP claims and then allow for a smoother transfer to the EYPP Plus model from 20/21.

#### **Risks to all options or no change**

- **They all include an overall reduction in additional funding for disadvantaged children**
- **Staying as we are will lead to an overspend in the Early Years block of about £270,000**