

Leicester  
City Council

**WARDS AFFECTED**  
All

Schools Forum

30 January 2020

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## 2020/21 Dedicated Schools Grant

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### Report of the Head of Finance, Children's Services

#### 1. Summary/Purpose

1.1 The purpose of this report is to:

- Inform Schools Forum of the DSG allocation, the Schools Block budget for 2020/21 and the final de-delegated amounts.
- Obtain approvals for the use of the Growth Fund, the use of Central School Services Block funding and Early Years Block central expenditure.
- Update Forum on the High Needs Block funding announcements from the DfE and the budget implications.

#### 2 Recommendations

2.1 Schools Forum is recommended to:

- i. Note the 2020/21 DSG settlement.
- ii. Note the full implementation by the DfE of the national funding formula (NFF).
- iii. Note the continued use of the NFF for the local formula.
- iv. Note the MFG (minimum funding guarantee) of +1.84% and zero capping of gains per pupil.
- v. Note the distribution of the per pupil and total funding changes.
- vi. Approve the recommended Growth Fund funding rates and use of uncommitted balances.
- vii. Note the final de-delegated sums.
- viii. Approve the expenditure to be funded from the Central School Services Block (£1.885m).
- ix. Approve the central expenditure to be funded from the Early Year's Block.
- x. Note the increase in the hourly rates for early years' providers.

### **3. Report**

#### **DfE DSG Allocation 2020/21**

- 3.1 The DSG settlement for 2020/21 was released by the DfE in December 2019 for the Schools Block (SB), the Central School Services Block (CSSB), the High Needs Block (HNB) with an initial allocation for the Early Years Block (EYB).
- 3.2 The allocation of Schools Block DSG is based on the number of pupils from the October 2019 census. The overall number of pupils (Year R to Year 11) has increased from the October 2018 census by 745 pupils from 52,439 to 53,184, a 1.42% increase compared to 2.27% in the prior year. However, primary school numbers have reduced for the first time in many years by 50 or 0.15%. Secondary school numbers have increased by 795 or 4.14%.
- 3.3 This is the third year of using the National Funding Formula (NFF) to calculate the Schools Block funding. In the first two years, transitional arrangements were in place to restrict the total funding allocated by capping gains. These restrictions have been removed this year and so the funding allocation reflects the full impact of the NFF as detailed in the following two paragraphs.
- 3.4 The DfE have calculated primary and secondary school funding rates (the schools block unit of funding) using the 2019/20 APT (Authority Proforma Tool) data and National Funding Formula rates. In calculating the funding rates the DfE have removed any capping on gains at an individual school level. In their calculations for the previous year, 2018/19, the DfE capped gains at no more than 6% compared to the 2017/18 baseline data.
- 3.5 For 2020/21, the DfE have also applied a minimum increase at an individual school level of 1.84% compared to the 2019/20 NFF allocation baseline data. The +1.84% is based on the forecast GDP deflator and is intended to protect pupil led per pupil funding in real terms. In the previous year 2019/20, the minimum increase was 1.0% compared to the 2017/18 baseline.
- 3.6 The final funding rates per pupil calculated by the DfE are £4,314 (£4,098 in 2019/20) per primary pupil, an increase of 5.3% and £5,672 (£5,440 in 2019/20) per secondary pupil, an increase of 4.3%. This gives a weighted average increase of 4.7% and a total Schools Block allocation of £263.9m as per table 1 below.
- 3.7 The teachers' pay grant and teachers' pension employer contributions grant will both continue to be paid separately from the NFF in 2020/21.
- 3.8 The Central School Services Block (CSSB) is intended to fund services or expenditure which was previously classified as either historic commitments or those which were funded by the former Education Services Grant. The funding has been calculated by the DfE using a rate of £32.61 per pupil (£32.73 in 2019/20) plus an allowance for historic commitments, which in our case is legacy premature retirement costs.
- 3.9 The initial Early Years Block allocation of £24.298m includes funding for the universal 15 hour entitlement and the additional 15 hours for 3 and 4-year old children of eligible working parents. It also includes funding for the 15-hour entitlement for disadvantaged 2-year olds, the early year pupil premium and the disability access fund. The allocation is based on the January 2019 census data. The hourly rate for 3 and 4-years olds used in the allocation has increased by 1.75% to £4.64 and the 2 year old rate has increased by 1.54% to £5.28.
- 3.10 The High Needs Block (HNB) funding allocation has increased significantly by £6.4m following the DfE announcement of additional funding for SEND in December 2020.

**TABLE 1 – DEDICATED SCHOOLS GRANT ALLOCATIONS**

Dedicated Schools Grant	2020/21 DSG funding as at December 2019	2019/20 DSG funding as at December 2018
Pupil numbers	53,184	52,439
	<b>£m</b>	<b>£m</b>
Schools Block	263.912	248.856
Central School Services Block (CSSB)	1.885	1.905
Early Years Block	24.298	23.930
High Needs Block*	56.919	50.487
<b>Total DSG</b>	<b>347.014</b>	<b>325.178</b>

*\*These figures are prior to academy recoupment and deductions for direct funding of high needs places by ESFA*

## 2019-20 Budgets

### Schools Block DSG

- 3.11 The City Council Executive approved the use of the NFF as our local formula from 2018/19 onwards to calculate individual school budgets. The main reason for adopting the NFF as our local formula was that the government were intending to remove local formulae by 2020/21 and move to a single ‘hard’ national funding formula to determine every school’s budget. Whilst the implementation of this has been delayed, the government has confirmed its intention still to do so, and that they would provide further information in 2020.
- 3.12 The DfE have increased the NFF rates for AWPU (age weighted pupil unit), lump sum, prior attainment, EAL (English as another language) and IDACI (income deprivation affecting children index) by at or around 4%. FSM (free school meal) factor has been increased by inflation and the lump sum increased from £110,000 to £114,400.
- 3.13 The DfE have allocated funding for mobility based on a new formula rather than on historic spend. The mobility factor allocates additional funding to schools with greater than 6% of pupils who first join on a non-standard date.
- 3.14 Funding for property rates is still lagged and based on the previous year’s APT allocation with no inflationary uplift. The same applies for the split site funding. PFI funding, whilst paid on a lagged basis has seen an inflationary increase.
- 3.15 We have used these revised NFF rates in our local formula. As noted above the DfE have included a minimum increase of at least 1.84% in school per pupil funding. We have reflected this in our own formula by setting the MFG (minimum funding guarantee) at +1.84%, which is the maximum allowable.

- 3.16 This is the first year of the full implementation of the NFF by the DfE, without any funding restrictions being applied through gains capping and so similarly no capping of gains has been applied in the local formula. This means that schools who gain more than the MFG of +1.84% will see the full and final impact of the NFF in their budgets this year.
- 3.17 There are 23 primary schools and 10 secondary schools that need the MFG. For these schools it is unclear whether the DfE will continue to provide the funding necessary in 2021/22 to continue with this protection. If the funding is not made available, then we will need to consider to what extent and through what mechanism we could continue to provide transitional protection, and this will be investigated with the DfE.
- 3.18 The DfE allocation for the Growth Fund of £2.28m (£2.5m in 2018/19) is based on the same methodology as in the previous year but unit rates have increased by 4% in line with the NFF rate increases. The formula looks at the gross increase in pupil numbers between the 2018 and 2019 census dates across small geographical areas in the city known as middle layer super output areas (MSOA) which are used by the Office of National Statistics. The funding rates in the new formula are £1,425 for primary schools (previously £1,370) and £2,130 for secondary schools (previously £2,050) per annum. We have used a rate for secondary schools of £2,603 pa in 2019/20 and funded primary schools based on individual bids at standardised marginal costs (resulting in average per pupil funding of £1,315 per pupil for primary schools).
- 3.19 In January 2019, Schools Forum agreed to use the DfE funding rates for growth in primary and secondary schools from 2020/21, rather than the amounts/methodology used in 2019/20. It was also agreed that any unspent Growth Fund would be ring-fenced for growth requirements in future years.
- 3.20 The forecast for unspent Growth Fund at the end of March 2020 is £1.46m. In 2020/21 there are new forecast commitments for existing schools of £1.44m (funded at the revised 2020/21 rates). The Growth Fund allocation is also being used to fund the ongoing filling of year groups for the new schools Avanti and Castle Mead which requires a further £1.11m. The total in-year funding requirement is therefore £2.55m, £0.27m more than the DfE allocation, which will be financed from the unspent fund in 2019/20. This is summarised in table 4 below. The forecast uncommitted funds of £1.19m will be available for use in 2021/22.

### **Summary budget information**

- 3.21 Table 2 summarises the Schools Block DSG funding allocation and distribution:

**Table 2 - 2019-20 DSG schools block funding allocation and distribution summary**

DfE FUNDING ALLOCATION	UNIT OF FUNDING	PUPIL HEADCOUNT	£
Schools Block Primary	£4,314	33,220	£143,329,515
Schools Block Secondary	£5,672	19,964	£113,232,173
			£256,561,688
Growth Fund			£2,281,105
Rates			£3,532,019
Split site			352,333
PFI			1,185,258
<b>2020/21 TOTAL SCHOOLS BLOCK</b>			<b>£263,912,403</b>

**DISTRIBUTED AS FOLLOWS:**

TOTAL DISTRIBUTED BY LEICESTER CITY SCHOOLS FUNDING FORMULA	£262,675,386
Remaining in year growth fund	1,237,017
<b>SCHOOLS ALLOCATION</b>	<b>£263,912,403</b>

3.22 The total funding distributed to schools by the local formula of £262.7m (as per table 2 above) has increased by £16.9m or 6.89% in total compared to 2019/20. Pupil numbers have increased by 1.49% which implies an overall increase due to funding rate increases of 5.4%. Nevertheless, whilst overall funding has increased through the NFF, there is a significant variation in the distribution of this additional funding across schools.

3.23 Appendix A shows the distributional impact of the 2020/21 budget. These changes are further summarised in the table 3 below together with paragraphs 3.24-3.33.

	Primary (x 82)			Secondary (x18 exc 2 new schools)		
	No	Proportion	% change from 19/20	No	Proportion	% change from 19/20
MFG funding per pupil	23	50%	+1.84%	9	50%	+1.84%
	18		+1.90% - +4.72%	9	50%	+2.64% - +16.70%
	41	50%	+5.31% - +15.30%			
Total per pupil funding	4	5%	-1.63% - -0.13%	18	100%	+1.50% - +15.98%
	78	95%	+0.87% - +13.67%			
NOR	44	54%	-11.23% - +0.00%	4	22%	-3.11% - -0.19%
	38	46%	+0.22% - +12.75%	14	78%	+0.06% - +16.70%
Total budget	10	12%	-6.28% - -0.81%	2	11%	-0.66% - -1.03%
	72	88%	+0.23% - +18.37%	16	91%	+0.98% - +21.10%

- 3.24 Per pupil pupil led funding is defined as total funding per pupil less rates, lump sum and any split site funding. This rate is also known as the MFG rate per pupil. It is this measure of funding to which a minimum increase of 1.84% compared to the 2019/20 equivalent is applied. In appendix A chart 1 and 2 show the distribution of the change in MFG rate per pupil for primary and secondary schools and illustrates the range of impacts of the unfettered NFF on schools, alongside any changes in pupil characteristics.
- 3.25 23 primary schools require the 1.84% protection and of these 14 would have seen a reduction in MFG funding per pupil without this protection. The equivalent figures for the secondary schools are 10 and 7 respectively.
- 3.26 50% of all primary schools see their per pupil pupil led funding increase by between 1.84% and 4.72%, with the remaining 50% in the range 5.31% to 15.30%.
- 3.27 50% of all secondary schools see per pupil pupil led funding increase by the 1.84%, with the remaining 50% in the range +2.64% to +16.70%.
- 3.28 Charts 3 and 4 show the distribution of the overall per pupil funding, including the fixed funding for premises related costs. These rates differ from the MFG rate per pupil because of changes in numbers on roll and changes to property rates. If for example numbers on roll increase then the fixed funding per pupil actually reduces, which may result in an overall reduction in per pupil funding.
- 3.29 Less than 5% of primary schools (4 schools) will see a reduction in overall funding per pupil in 2020/21, in the range -1.63% to -0.13%. The remaining schools will see increases in the range 0.87% to 13.67%.
- 3.30 All secondary schools have an increase in overall funding per pupil (excluding the new schools whose figures are distorted by the filling of year groups) in the range 1.5% to 16%.
- 3.31 Charts 5 and 6 take into account the changes in numbers on roll (NOR) and show the percentage movement in total budget between 2020/21 and 2019/20. Charts 7 and 8 show the changes in NOR.
- 3.32 54% (44) of primary schools have a reduction in NOR in 2020/21 but of these 10 schools see an overall reduction in their total school budget in 2020/21 in the range -6.28% to -0.81%.
- 3.33 22% (4) of secondary schools see a reduction in NOR, however of these only 2 (or 50%) see an actual reduction in total budget of between -0.66% and -1.03%.
- 3.34 The final components and value range for primary and secondary total per pupil funding is illustrated in Appendix B together with the distribution by phase. The range of deprivation/EAL funding across the city is the main driver of the variation in funding levels. For primary schools deprivation/EAL funding per pupil ranges from 19% to 59% of AWPU and for secondary schools the range is 21% to 40%.
- 3.35 The forecast movement of the Growth Fund is summarised below in table 4.

**Table 4 – Growth Fund**

<b>19/20 Growth fund summary</b>		
		£
Growth Fund set aside		3,856,368
Useage:		
Set aside for new school		(754,115)
Payments made		(1,637,907)
Uncommitted growth fund carried forward (forecast)		<b>1,464,346</b>
<b>20/21 Forecast Growth Summary</b>		
Growth fund balance brought forward 1 April 2020 (forecast)		1,464,346
2020/21 Growth Funding from DfE	2,281,105	
less: set-aside for new schools	(1,111,183)	
Available for in year growth	1,169,922	
Forecast requirements	(1,444,951)	
Funding required from brought forward balance		(275,029)
Forecast growth fund carried forward 31 March 2021		<b>1,189,317</b>

**De-delegated services**

3.36 Decisions on what budgets are to be de-delegated for maintained schools were taken in November 2019. Table 5 below is a summary of those budgets on the basis of the individual schools' current status – ie if academy conversion is planned but not yet happened the table below assumes maintained status.

**Table 5 – De-delegated budgets**

			NOR			
			Primary	20,397		
			Secondary	9,398		
			<b>2020/21 De-delegation</b>			
<b>DE-DELEGATED SERVICES</b>			<b>Primary per pupil</b>	<b>Primary Total (£)</b>	<b>Secondary per pupil</b>	<b>Secondary Total (£)</b>
SEMH Service (Behaviour Support Services)			31.98	652,296		<b>652,296</b>
School improvement						
Primary school improvement			9.00	183,573		<b>183,573</b>
Assessment and moderation			5.00	101,985		<b>101,985</b>
<i>Subtotal</i>				285,558		<b>285,558</b>
Support for underperforming ethnic minority groups & bilingual learners						
Closing the gap			9.00	183,573		<b>183,573</b>
Whatever it takes			7.00	142,779		<b>142,779</b>
<i>Subtotal</i>				326,352		<b>326,352</b>
Union duties			4.16	84,852	6.30	59,207
<b>TOTAL</b>				<b>1,349,058</b>		<b>59,207</b>
						<b>1,408,265</b>

## Central School Services Block DSG

3.37 Table 6 sets out Central Schools Services Block (CSSB) DSG allocation and application.

**Table 6 - CSSB funding**

OCT 2019 PUPIL NUMBERS	53,184
CSSB FUNDING RATE PER PUPIL FOR ONGOING RESPONSIBILITIES	£32.61
CSSB FOR ONGOING RESPONSIBILITIES	£1,734,331
CSSB FOR HISTORIC COMMITMENTS	£151,200
<b>TOTAL 2019/20 DSG CSSB FUNDING</b>	<b>£1,885,531</b>

	2019/20 BUDGET ALLOCATION	
<b>ONGOING RESPONSIBILITIES</b>		
Admissions	£595,000	
Schools Forum	£30,000	
Copyright licensing	£250,242	
Education Functions	£855,289	
		£1,730,531
<b>HISTORIC COMMITMENTS</b>		
PRC		£155,000
<b>TOTAL CSSB</b>		<b>£1,885,531</b>

3.38 The detailed descriptions for ongoing responsibilities elements are set out below. Schools Forum is asked to approve the budget allocations for the ongoing responsibilities totaling £1,885,531 as set out in table 6 above.

3.39 Copyright licensing - the DfE purchase a single national licence managed by the Department for all state funded schools in England, covering 10 individual licences including Performing Rights Society, Copyright Licensing Agency and Newspaper Licensing Company.

3.40 Education functions cover the retained duties element of the old Education Services Grant which LAs used to part fund statutory services they provide to all schools including academies. These cover a wide range of services including educational welfare, management of the LA's capital programme, preparation of the revenue budget, formulation of the local school funding formula, Standing Advisory Committees for Religious Education (SACRE) and elements of the Director of Children's Services' time.

3.41 The historic commitments funding has been reduced arbitrarily by 20% by the DfE for all local authorities. For Leicester this funding covers legacy premature retirement costs which are now slightly more than the funding provided. Schools Forum is asked to approve the historic commitments element of CSSB expenditure item.

## Early Years Block (EYB)

3.42 The DfE have increased the hourly funding rates by 1.75% for 3 and 4-year olds and 1.54% for 2 year olds. These increases will be passed on in full to providers.



- 3.43 The EYB is under pressure from significantly increasing claims for SEN top ups paid out of the SEN fund. In 2018/19 there was an 18% increase from £0.77m to £0.9m.
- 3.44 Centralised expenditure of up to 5% of the final 3 and 4-year old allocation is allowable. In previous years, children centre teachers have been funded as centralised expenditure. This was stopped in 2019/20 as it was no longer affordable given the significant SEN expenditure, and the 5% threshold.
- 3.45 Financial administration, data management, audit and monitoring of the 2, 3 and 4-year old early years block is classified as central expenditure and the costs associated with this are forecast to be £0.2m in 2020/21. Schools Forum are requested to approve this central expenditure.
- 3.46 The Early Education Development team of the council has statutory duties to provide advice, guidance, support and training to established and prospective early years' providers; there is also a duty to secure sufficient high quality childcare places in the city and ensure that information about early years' providers is accurate and accessible to parents, carers, families and professionals.
- 3.47 Moreover the team provides additional support over and above the statutory minimum through an enhanced universal offer of professional development opportunities (eg a termly programme of training and quality forums), development of tools and resources (such as an online quality improvement framework) and training and an accessible communication network (such as electronic mailouts, childcare professionals webpages, workforce newsletter and termly EYFS network).
- 3.48 The team focus particularly on local priorities of readiness for school and national initiatives such as the early years' professional development programme in order to support children's speech, language and communication skills. The council is funding all of this additional work from its own general fund currently. For 2020/21 the council is asking Forum to approve in principle, a contribution from the EYB as part of further central expenditure. The contribution would only be possible if there is firstly sufficient funding available and that secondly the 5% threshold is not exceeded. The extent of the contribution is likely to be small (£50k - £100k) but we would inform Forum when figures are known following the EYB out-turn in 2021.

### **High Needs Block (HNB)**

- 3.49 The DfE announced a significant increase in High Needs Block (HNB) funding for 2020/21 nationally and for Leicester the increase is 13% or £6.4m. However this will *only* address the existing funding shortfall of at least £5m, with a residual of approximately £1m left for further growth. No allowance has been made in the additional DfE funding for growth in subsequent years and DfE representatives have indicated that there is unlikely to be any further increase in the foreseeable future.
- 3.50 Direct costs for places charged to the HNB have increased by 9%, 8% and 11.5% in the years 2016/17, 17/18 and 18/19. This translates to £3.1m, £3m and £4.7m. Numbers of pupils up to the age of 25 with Educational Health Care (EHC) plans have increased over the same period by 12%, 15% and 13.8%.

- 3.51 Pupils within mainstream schools with high level needs are given a non- statutory assessment for funding on a temporary basis prior to a full statutory assessment if that becomes necessary. Numbers of pupils either with an EHC plan or with this temporary funding have also increased significantly in recent years.
- 3.52 Forecasting growth in SEN provision is difficult but it is clear that despite the additional funding there remains a significant pressure on the HNB because of future growth which has not been taken account of by the DfE.
- 3.53 A review of special school funding is being undertaken currently; council provided services will be reviewed in 2020 and there will be a consultation on top up funding for SEN pupils within mainstream schools, also in 2020.
- 3.54 There will be no changes to current HNB provision funding rates (including SEN provision funded from the EYB) until these reviews have been completed and consulted upon. Further information will follow in due course.

#### **4. Financial, legal and other implications**

##### **Financial Implications**

- 4.1 Financial implications are included in the main body of the report.

##### **Legal Implications**

- 4.2 There are no legal implications

##### **Report Author**

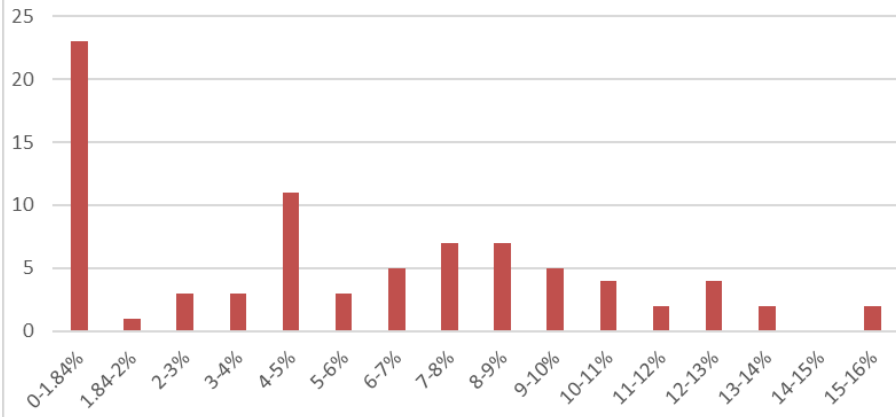
Martin Judson Head of Finance

Appendix A – Distributional impact of 2020/21 school budgets

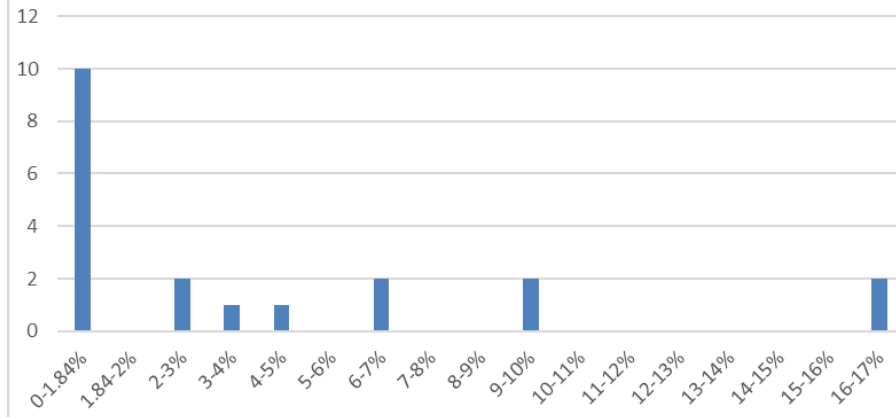
Appendix B – Components of total funding per pupil for primary and secondary schools

**APPENDIX A – DISTRIBUTIONAL IMPACT OF 2020/21 SCHOOL BUDGETS**

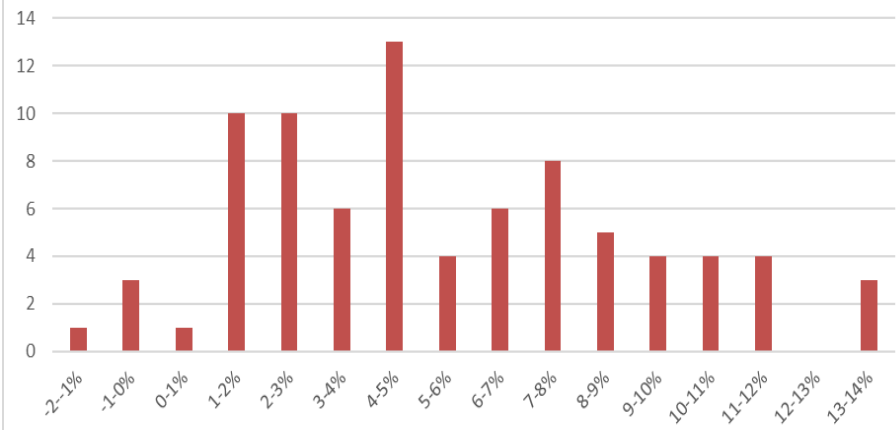
**Chart 1 - Distribution of % change in MFG funding rates per pupil for PRIMARY SCHOOLS in 20/21**



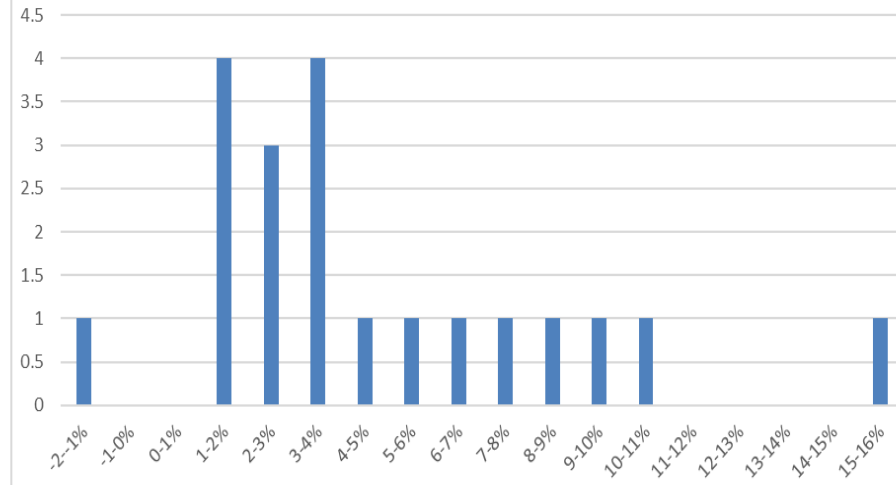
**Chart 2 Distribution of change in MFG funding rates per pupil for SECONDARY SCHOOLS in 2020/21**



**Chart 3 - Distribution of change in overall per pupil funding in PRIMARY SCHOOLS 2020/21**

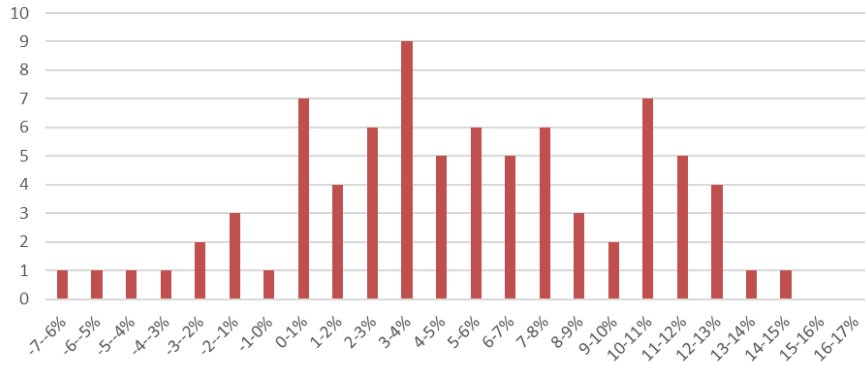


**Chart 4 - Distribution of change in overall per pupil funding in SECONDARY SCHOOLS 2020/21**

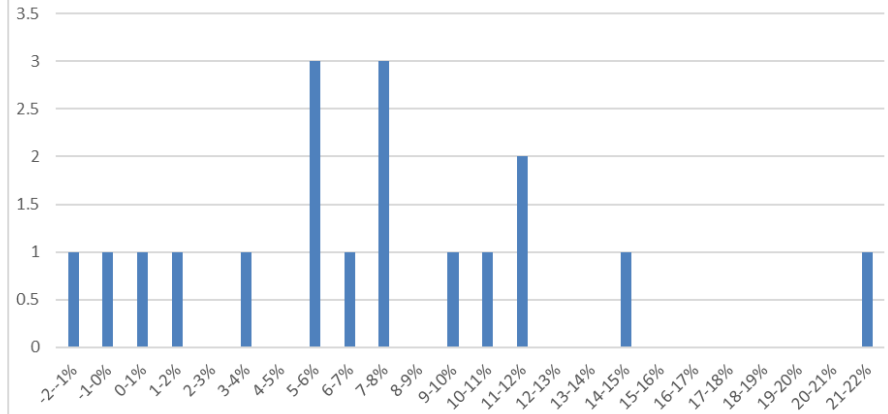


**APPENDIX A CONTINUED**

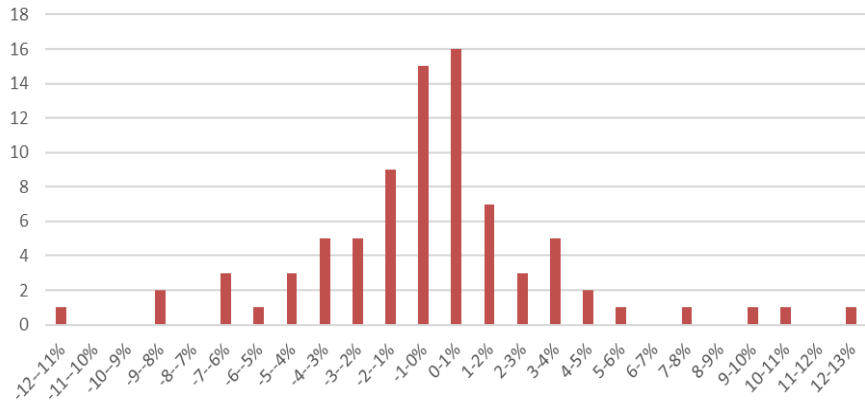
**Chart 5 - Distribution of change in total budget for PRIMARY SCHOOLS in 2020/21**



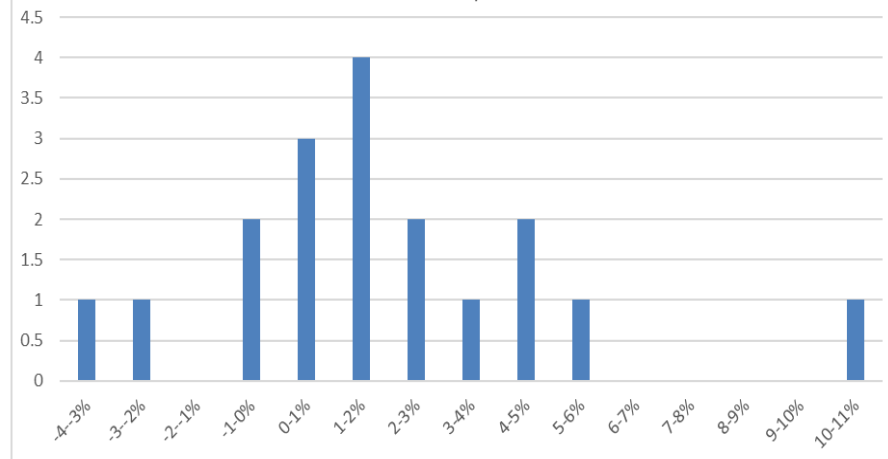
**Chart 6 - Distribution of change in total budget for SECONDARY SCHOOLS in 2020/21**



**Chart 7 - Distribution of change in NOR for PRIMARY SCHOOLS 2020/21**

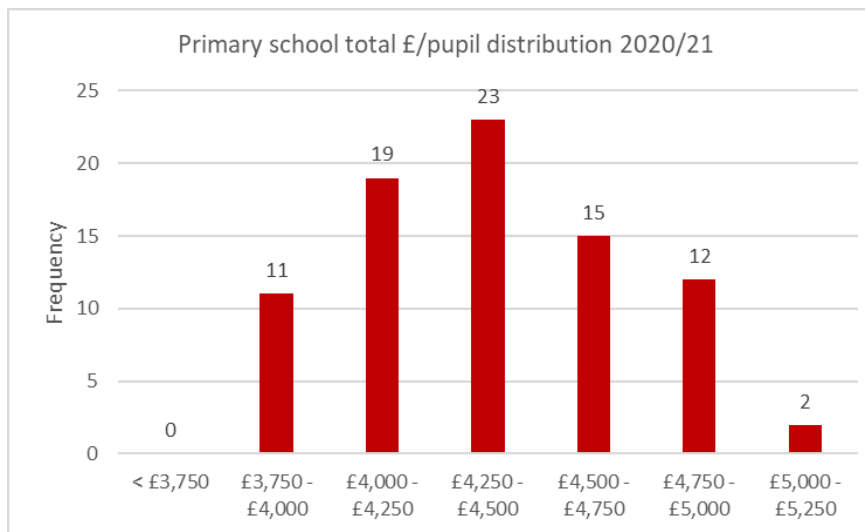
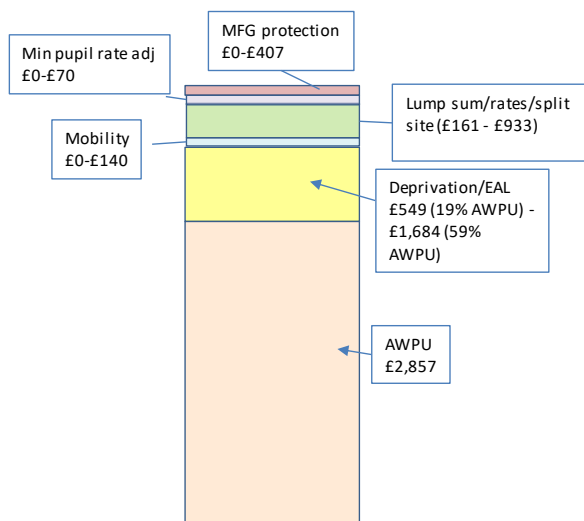


**Chart 8 - Distribution of change in NOR for SECONDARY SCHOOLS 2020/21**



## APPENDIX B – COMPONENTS OF PRIMARY AND SECONDARY SCHOOL TOTAL PER PUPIL FUNDING AND DISTRIBUTION BY PHASE

### FUNDING COMPONENTS FOR PRIMARY SCHOOLS



### FUNDING COMPONENTS FOR SECONDARY SCHOOLS

