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INITIAL REPORT ON SCHOOLS BUDGET STRATEGY 2020-21

Report of the Director of Children's Services

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1. Purpose

- 1.1 To give a preliminary outline of the issues relating to the 2020-21 Schools Budget.

2. Summary

- 2.1 This paper assesses the resource from the Dedicated Schools Grant that may be available in 2020-21. It then reviews the estimated pressures in the Schools Budget and the difference between these and the potential resources available.

3. Recommendations

- 3.1 Forum is asked:
- (a) To note the list of budget pressures and savings.
 - (b) To endorse the approach of providing for inflation as a budget pressure in each block
 - (c) To endorse the use of up to £3.2m of the DSG carry forward to support the schools, early years and central services block budgets in 2020-21.
 - (d) To support the approach that the budgeted spend for high needs should be set at the level of the high needs block.
 - (e) To support the approach that the budgeted spend for schools, early years and central services should be set at the level of the relevant DSG blocks plus an allocation of carry forward as outlined in section 8.2.

- (f) To agree to establish a small working group of primary and secondary school Forum representatives, to work with officers to develop proposals for allocating the amount of headroom in the schools' block budget.

4. Background

- 4.1 The usual government funding announcements for the coming financial year have not yet been made. However, some information is available at a national level and this indicates that there will be a substantial increase in funding for schools in 2020-21 (and subsequent years). Using the national information, tentative projections of DSG for 2020-21 have been prepared, although the DfE has not published any information at local authority level.

This paper initially reviews the DSG resources that may be available and then considers the budget pressures and budget strategy.

5. Dedicated Schools Grant (DSG)

5.1 2020-21 DSG

The tentative projection of 2020-21 DSG is as follows:

Schools Block	£m
Primary 99,652 FTE pupils @ £4,107.59 per pupil	409.331
Secondary 69,737 FTE pupils @ £5,343.88 per pupil	372.667
Premises & Mobility	11.126
Growth	5.806
Sub total Schools Block	798.930
Central School Services Block	5.889
169,389 FTE pupils @ £34.76 per pupil	
Early Years Block	
3 and 4 Year Olds	
Universal Entitlement 18,744 PTE pupils @£3,121.80 per pupil	58.517
Additional Hours 7,200 PTE pupils @£3,121.80 per pupil	22.477
Nursery Schools Supplementary funding	1.769
2 Year olds 2,197 PTE Pupils @ £3,255.26 per pupil	7.152
EY Pupil Premium	0.691
EY Disability Access Fund	0.236
Sub total Early Years Block	90.843
High Needs Block	129.016
Total DSG	1,024.678

The figures include the funding for academies and for post 16 places in both special schools and colleges.

Particular points to note in connection with the 2020-21 DSG projection are:

- Schools block:

The projected funding rates per pupil for primary and secondary have been derived by uplifting the 2019-20 funding rates by 5%. These unit funding rates have been multiplied by estimated pupil numbers for October 2019, to give the projected amounts shown above. There are separate allocations for premises, mobility and growth, which have been assumed for the moment to be at the same levels as in 2019-20.

- Central School Services block (CSSB)

The projected funding rate per pupil for the CSSB is 1.8% higher than in 2019-20. This has been multiplied by the estimated October 2019 pupil numbers to derive the projected allocation.

- High Needs block:

It is currently assumed that there will be an increase of £14m in Hertfordshire's high needs block, as compared to 2019-20, (which equates to 2% of the national high needs budget increase of £700m).

- Early Years block:

The projected funding rates per pupil for 2020-21 have been uplifted by 1.8% compared to 2019-20. The projections shown are based on estimated January 2020 pupil numbers. (The early years block allocations will be updated when the actual January 2020 pupil numbers are available.) It is assumed that the supplementary funding for nursery schools will continue.

5.2 Carry Forward of DSG

5.2.1 As reported in the paper on the final DSG for 2019-20, the total DSG being carried forward to 2020-21 is £14.687m. This will be increased or reduced by any under or overspend during 2019-20.

5.2.2 Thus the total estimated carry forward available for 2019-20 is as follows:

	£m
Estimated carry forward available for 2019-20	
Remaining balance of carry forward from 2018-19	14.653
Additional 2019-20 DSG carry forward to 2020-21	0.034
Carry forward of DSG to 2020-21	14.687
2019-20 variance identified so far:	
- Underspend from the end of Summer term 2019 monitor £1.7m	(0.800)
- Exclude from this the £2.5m additional DSG from the retrospective early years DSG adjustment (already included in DSG carry forward figure)	
= overspend of £0.8m	
Total	13.887

5.2.3 A paper to the November 2018 Forum meeting reviewed the level of DSG that it is prudent to retain in reserve as a contingency and recommended that this amount should be set at £10m. The Forum supported this approach.

5.2.4 Use of DSG carry forward in 2019-20

The Authority has allocated £9.5m of carry forward to support the Schools' Budget, in 2019-20. This carry forward has been used as follows:

Use of carry forward DSG in 2019-20	
	£'m
Schools block-	
Supporting school budget shares (an element of the primary, KS3 and KS4 AWPUs)	3.165
Falling Rolls Fund	1.500
Growth Fund (net of prior year adjustments for under/over estimates of pupil numbers)	0.444
Herts Grid for Learning (funded from de-delegated budget)	0.040
High Needs block-	
Additional high needs DSG received in 2018-19	2.862
Early Years block-	
Early Years Transition Project during 2019-20	0.360
Central services block-	
Historical commitments -school family workers	0.891
Integration Team	0.069
Appeals	0.089
Herts Grid for Learning	0.080
Total	9.500

- 5.2.5 It is currently estimated that the carry forward available in 2020-21 will only be around £4m above the recommended reserve level of £10m. The need for this recommended reserve has been reinforced by the high level of overspending across a range of high needs budgets. In addition certain commitments have already been made against the £4m potentially available amount of carry forward. These commitments are £600k for the early years transition project (£360k in 2020-21 and £240k in 2021-22) and £248k for de-delegated budgets.
- 5.2.6 A number of the costs supported by carry forward in 2019-20 are one off or are not expected to be funded from carry forward in 2020-21. Of the remaining items, the Forum has previously indicated that the first call on any available carry forward would be continuing to fund the budget for family support workers of £0.9m. It is also intended to continue to use carry forward to support an element of the Growth Fund (£0.4m) and the Falling Rolls Fund. (It is anticipated that a review of the Falling Rolls Fund will be reported to the Forum in November. However, for the moment it is intended to retain the budget at its current level of £1.5m, pending the review and in the light of the uncertainty at this stage about school funding arrangements for 2020-21.)
- 5.2.7 There is insufficient resource available to maintain the level of carry forward support for school budget shares that has been in place in recent years. In the

light of this, the overspending on high needs, and the substantial additional resource that will be available in the schools' block DSG, it is intended to discontinue the use of carry forward to support budget shares.

- 5.2.8 The Authority was granted an MFG exception in 2019-20 to exclude the £3.2m of carry forward resource supporting school budget shares from the MFG calculations. The purpose of this was to facilitate the phasing out of carry forward support for budget shares in the future, although the DfE has given no previous guarantees on MFG exceptions for 2020-21.
- 5.2.9 It is therefore intended to apply for an MFG exception for 2020-21 to exclude the element of the 2019-20 budget shares funded by carry forward from the MFG baseline, (which will be used to calculate MFG protection in 2020-21).

6. Risks and uncertainties

- 6.1 There are an unprecedented number of uncertainties in respect of the 2020-21 budgets at this stage, in particular:
- The actual levels of DSG available for each local authority area.
 - The impact of any changes that the DfE make to the funding regulations or guidance when they are published.
 - The DfE response to any MFG exceptions or other dis-applications requested.
 - The pupil data from the October 2019 and January 2020 censuses.
 - The impact on schools costs in future years of the recent government announcements on teachers' pay and the impact of other pay awards.
- 6.2 The DfE has indicated that the Teachers' Pension Grant will continue in 2020-21. We are currently assuming that the teachers pay grant allocated in 2019-20 will also continue in 2020-21.

7. 2021-22 and Later Years

The DfE has announced a three year funding settlement for schools covering the period 2020-21 to 2022-23. The national funding increases announced are as follows:

	£ billion			
	2019-20	2020-21	2021-22	2022-23
School funding total	44.4	47.6	49.8	52.2
of which teachers' pension grant (1)	0.9	1.5	1.5	1.5
School funding total excluding pension grant	43.5	46.1	48.3	50.7
of which Spending Round 2019 cash uplift compared to 2019-20 funding levels (2)	n/a	2.6	4.8	7.1

- (1) The rise in pensions funding from £0.9 billion in 2019-20 to £1.5 billion from 2020-21 onwards reflects that in 2019-20 the government begins paying pensions compensation from September 2019, when the costs start to accrue. From 2020-21 the funding covers the full year cost.

- (2) The core 5-16 schools budget, excluding pensions compensation funding, in 2019-20 is £43.5 billion. Spending Round 2019 cash uplift compared to 2019-20 funding levels is calculated by comparing the schools funding total for years 2020-21 onwards, excluding the pensions compensation funding, to this baseline.

8. Budget Strategy for 2020-21

8.1 Budget pressures and savings

Annex A summarises the overall budget position, showing the budget pressures and savings that have been identified, split by DSG block (schools, central services, early years and high needs). Annex B gives further information about each item. The “headroom” figure for each block is calculated as the resource available after taking account of budget pressures and savings.

8.2 Allocation of resources

- 8.2.1 In view of the ring fencing of the schools block and the use of national funding formulae to calculate all the DSG blocks, it is not proposed to move any of the 2020-21 DSG between blocks when setting the 2020-21 budget (i.e. budgeted spend on each block will be at the level of the relevant DSG block plus any use of carry forward).
- 8.2.2 As outlined above, it is proposed that there will be a limited use of carry forward in 2020-21, to fund the items shown in the table below.

Proposed use of carry forward 2020-21

	£'m
Early Years Transition Project	0.360
Growth Fund	0.400
Falling Rolls Fund	1.500
School family workers	0.891
Total use of carry forward	3.151

Commitments against the carry forward for subsequent years are:

	£'m
Early Years Transition Project	0.240
Use of underspend from de-delegated budgets	0.248
Total	0.488

8.3 Budgets for each DSG block

- 8.3.1 This section of the paper reviews the budgets for each of the blocks. The projections indicate that for the schools and high needs blocks there would be sufficient resource to fund inflation. It is therefore proposed to provide for inflation as a budget pressure across the Schools Budget.

8.3.2 Central Services

It is currently assumed that the increase in the unit funding rate for the CSSB will be the minimum 1.8% identified by the DfE to cover basic inflation. In addition to inflation there is a budget pressure for the Integration Team. For the moment the budget does not pre-empt the conclusion of the work on charging for the administration of admissions appeals. It is projected that a saving will be required to balance the central services budget and the saving is yet to be identified.

8.3.3 High Needs

The high needs sub group of the Forum met on 5th September and a separate paper on this agenda provides notes of the meeting. The sub group reviewed projections for the high needs budget for 2020-21 and the budget pressures identified at that meeting have been included in annexes A and B of this paper. Two changes have been made to the budget position considered by the sub group:

- the pressure for independent placements has been increased by £1m, to allow for an increase in costs in 2020-21 above the overspend forecast in 2019-20.
- The £70k additional budget for Safe Space in 2019-20 remains in place pending review.

The estimated high needs block DSG for 2020-21 includes a substantial uplift of £14m, compared to 2019-20. However, due to the large number of pressures across the high needs budgets, the estimated headroom available is only £1.2m

The high needs sub group reviewed the proposed new initiatives set out in the high needs budget paper to the February 2019 Forum meeting. The sub group concluded that the priority item from that list is additional resource for complex needs. It is therefore proposed that the high needs headroom should be allocated for complex needs.

8.3.4 Early Years

It is anticipated that the increase in the unit funding rate for the early years will be the minimum 1.8% identified by the DfE to cover basic inflation. Projected inflation is higher than this and the budget is balanced by a saving yet to be identified.

8.3.5 Schools

It is currently projected that there will be sufficient resource to fund both inflation and an amount of headroom, for allocation to schools through budget shares. The section below considers this in more detail.

9. Primary and secondary funding formula

- 9.1 The DfE has indicated that it will not publish its national funding formula data or indicative local authority level DSG allocations until early October. Therefore, we do not yet know, for example, what the level of the MFG will be, what the

balance will be in the NFF between primary and secondary or what level of transitional protection will operate in the NFF.

- 9.2 The DfE has previously confirmed that a “soft” NFF will operate in 2020-21, whereby school and academy budget shares will continue to be determined using each local authority’s funding formula rather than by the NFF. However, we understand that the DfE is intending to make one aspect of the NFF – the guaranteed minimum amount per pupil – compulsory in local authority funding formulae. Thus, any schools whose formula budget share (including the lump sum, additional needs and London fringe allocations) is less than the guaranteed minimum amount per pupil would receive additional funding. The guaranteed minimum amounts per pupil for 2020-21 will be £5,000 for secondary and £3,750 for primary. (The government has said that the primary amount will rise to £4,000 per pupil in 2021-22.) Introducing the guaranteed minimum amounts per pupil in general tends to benefit schools which are large and have relatively low levels of additional needs.
- 9.3 Given the current political uncertainty it is unclear whether the guaranteed minimum amount per pupil will be implemented in the final 2020-21 regulations. The Authority sees the introduction of a guaranteed minimum amount per pupil as a departure from a needs’ led funding approach and would only implement it if obliged to do so.
- 9.4 We do not yet have enough information to formulate proposals for the allocation of the headroom in the schools block budget. A considerable amount of work will need to be done in October and November to prepare proposals for the next Forum meeting on 27th November. It would be helpful if a small working group of primary and secondary representatives from the Forum could be established to work with officers in drawing up proposals. It is hoped that this small group will be able to be flexible on meeting dates etc, so that it will be possible to respond to developments as they arise.

10. Conclusion

- 10.1 An update on the 2020-21 budget will be provided at the November Forum meeting. This will take account of the further government funding announcements and include proposals for the allocation of the schools’ block headroom in primary and secondary school budget shares.
- 10.2 Forum is asked to agree the recommendations in section 3 of this paper.

Schools Budget 2020-21

1 One Off Items

1.1 Additional High Needs DSG received in 2018-19

The 2019-20 budget included this one-off resource which will not be available in 2020-21.

1.2 Integration Team

The additional posts in the team funded from carry forward for part year in 2019-20 will be included in the base budget in 2020-21.

1.3 Herts Grid for Learning

The costs funded in 2019-20 were transitional and one off.

2. Additional Responsibilities (Funded)

2.1 Barnfield College

Barnfield college, Luton has been incorporated into West Herts College. In 2020-21, the high needs places at Barnfield College will be treated as part of the overall West Herts college provision and included in Hertfordshire's high needs budget figures.

3. Budget Pressures 2020-21

3.1 The budget pressures so far identified are shown in annex A, with explanations of each item below. Further work will be done to refine the costs of each pressure.

3.2 Demography

This constitutes the impact of changes in pupil numbers (excluding growth in free school numbers) on AWPU and other pupil led funding in the schools and early years budget shares. The pupil numbers used in the calculation will be updated when the autumn term 2019 census data is available.

3.3 Inflation on Pay and Prices

This is based on the following estimated increases:

- Teachers pay
 - o +2.75% for the Summer Term 2020 (reflecting the September 2019 pay award)
 - o +5% average increase from September 2020
- Non-Teachers Pay and Non-Pay
 - o 2% inflation

3.4 **Additional special school places**

The figure shown is the part year additional place funding relating to the proposed increases of 119 in funded place numbers in September 2020. The changes in place numbers will be discussed with special schools over the coming weeks.

Also shown is the full year effect of the increases in special school places made in September 2019.

3.5 **Special School Top Ups**

This pressure arises from the increase in pupil numbers in Special Schools to meet demand.

3.6 **Special Unit Places**

To provide for an additional 48 places in special units from September 2020.

3.7 **Post 16 High Needs Provision in Colleges**

To reflect increases in high needs student numbers in Hertfordshire colleges from September 2020 and also provision for the cost of personal care.

Also shown is the full year effect of the 2019-20 budget pressures relating to an increase in the number and complexity of high needs students in colleges and independent specialist providers.

3.8 **Early Years Transition Project during 2020-21**

Schools Forum agreed to set aside funding of £960k, on a one-off basis, to commission from HfL a programme of action to improve transition between nursery and reception provision and potentially other activities, and thereby improve attainment at EYFS. £360k was allocated to 2019-20, with a further £360k in 2020-21 and £240k in 2021-22.

3.9 **Growth in existing free schools**

The DSG will not take account of the additional cohort starting in free schools in September 2020. The Authority will, however, have to fund this cohort and this constitutes a budget pressure.

3.10 **Full Year effect of new free schools opening in 2019-20**

The full year effect of the lump sum for a free school which opened in September 2019.

3.11 **New free schools opening in 2020-21**

One new free school is expected to open in September 2020. This pressure constitutes the estimated pupil led funding and lump sum for this school.

3.12 **Independent Placements**

This pressure includes £2.9m for increases in both the number of placements in independent provision and their average cost.

There is also an increase of £1.5m due to the contribution to social care education costs.

3.13 Additional Welfare and Tuition

The pressure relates to an increased number of pupils with ECHPs, the lack of places available in special schools and increase in exclusions. There has been an increase in the number of children with home tuition packages and funding for teaching assistant support in schools outside of Hertfordshire. In addition, there has been an increasing number of Tribunal decisions requiring additional resourcing in mainstream schools and Applied Behaviour Analysis (ABA) programmes resulting in higher costs.

3.14 Complex Needs in mainstream (ENF)

Higher ongoing commitments for pupils with exceptional needs

3.15 Out county maintained school top ups

An increase in number of placements in schools in other local authorities caused by the shortage of spaces in Hertfordshire schools, particularly in our specialist provision.

3.16 Integration Team

Additional posts in the Integration Team.

4 Savings

4.1 The savings, which have been identified, are outlined below:-

4.2 Rates

There is a saving in rates funding in budget shares due to the conversion of schools from community to academy status

4.3 Amalgamations

Projected reductions in funding through the lump sum factor in 2020-21 relating to the following amalgamations

(a) Meridian, Roysia and Greneway which amalgamated in September 2019.

(b) Redbourne Infants and Juniors amalgamated in April 2018. This results in a reduction in funding through the lump sum protection factor.

4.4 Bulge Classes Leaving

Hertfordshire is applying to the DfE to reduce the budget shares of schools where bulge classes will be leaving in Summer 2020, in order to reflect the reductions in the number of pupils on roll. The saving that would result is shown.

4.5 Safe Space

Additional resource was allocated to the Safe Space project for 2019-20.

4.6 Strategy Development Fund

The balance of the budget for the SEN Strategy Development fund is taken as a saving to fund the high needs budget.

4.7 Saving to be identified

Further savings are required to balance the early years and central services budgets.