

Manchester City Council

Report for Resolution

Report to: Schools Forum

Subject: Provisional Dedicated Schools Grant 2020/21 Update

Report of: Directorate Finance Lead – Children’s and Education

Summary

The recently published provisional Dedicated School Grant (DSG) allocations 2020/21 are provided in the report. Final notification of DSG allocations are expected week commencing 16 December 2019.

Schools Finance Regulations sets out that certain amounts can be deducted from maintained school budgets with the approval of the sector representative at Schools Forum.

Recommendations

Schools Forum members are asked to note and comment on:

- DSG 2020/21 provisional funding announcements.
- That the Local Authority is not seeking to request for a block transfer from schools block to high needs.
- Manchester is expected to receive the confirmed DSG 2020/21 notification week commencing 16 December 2019.
- Pressure arising from the 20% reduction to the central schools block historical commitments.

In accordance with Schools Forum powers, maintained school representatives are asked to approve de-delegation for the following:

- Trade Union Duties (£186k which at current pupil levels equates to £4.82 per school aged pupil - section 7)
- Education Services Grant General Duties (£500k which at current pupil levels equates to £12.39 per school aged pupil - section 8).
- Free School Meal checking software (£42k which at current pupil levels equates to £1.05 per school aged pupil – section9).

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Supporting Reports:

23 September 2019	Schools Forum - School Funding Settlement
23 September 2019	Schools Forum - Early Years Block Funding
18 November 2019	Schools Forum – Illustrative NFF to LFF Comparison

1. INTRODUCTION

- 1.1 Following the three year funding announcements in September, the Department for Education (DfE) have recently published provisional Dedicated Schools Grant (DSG) allocations 2020/21, based on October 2018 pupil data. To note, actual DSG allocations received in December will be based on October 2019 pupil data and will vary.
- 1.2 The provisional allocations to the four DSG blocks: schools, high needs, central services schools and early years block is outlined in table one below.

Table one: Manchester's Provisional DSG Allocations

BLOCK	Schools Block	High Needs Block	Central School Services	Early Years Block
2020/21 NFF (provisional)	414,045	88,252	3.503	TBC
2019/20 DSG	409,073	76.941	3.658	41.113
-loss/gain	4,972	11,311	-0.155	TBC

SCHOOLS BLOCK

- 2.1 Schools block funding for a local authority area is calculated bottom up school-by-school on the basis of the National Fund Formula (NFF). Local authority areas above the NFF, like Manchester, receive funding floor protection, which totals c.£26m for Manchester in 2019/20. If the NFF was applied in full with no funding floor protection, Manchester's schools would receive on average £350 per pupil less than they do now.
- 2.2 The recent announcement includes funding for cost pressures, in light of which all authorities will see at least a 1.84% per pupil increase in allocations. At current pupil levels, Manchester's schools block funding is likely to increase by 1.22% (£4.972m) in cash terms.
- 2.3 Tables two demonstrates the percentage changes in per pupil terms on local authorities when comparing the provisional 2020/21 NFF allocations against their respective 2019/20 NFF baselines. Manchester has seen the lowest percentage increase (both in cash terms and on a per pupil basis) when compared against other North West authorities. When compared to other core cities, Manchester has had the second lowest increase on a per pupil basis (Nottingham being lowest).

Table two: Percentage Per Pupil Change in 2020/21 NFF (vs. 2019/20 NFF baseline)

Region	No. of LA	Average Per Pupil Increase 2020/21	Impact Most Favourable	Impact Least Favourable
England	149	4.16%		
Manchester		2.13%		
North West	23	4.26%	Knowsley	Manchester
Core Cities	7	3.65%	Sheffield	Nottingham

- 2.4 The percentage per pupil increase between 2019/20 and 2020/21 NFF allocations for Manchester is estimated at an average of 2.13% by the DfE. However, this average includes an anomalous increase for a newly opened free school, which is excluded to arrive at the more realistic per pupil increase of 1.85%.
- 2.5 Given the provisional schools block allocations for 2020/21, which funds individual primary, secondary and all-through schools' budgets, along with the confirmation of Teachers' Pay and Pension Grants, it is not expected that the recent funding announcement causes significant concern for Manchester schools.
- 2.6 Beyond 2020/21 DfE have reiterated their intention to implement a hard NFF. Manchester could potentially see a sharp reduction in funding levels if the transition to the formula does not include a funding floor protection mechanism. Consideration to Manchester moving closer to NFF is detailed in agenda item 4 of the papers provided to Forum.

Impact of National Funding Formula increases on the Local Funding Formula to Manchester Schools

- 2.7 Local Authorities are able to provide for a per pupil protection, Minimum Funding Guarantee (MFG) calculation, in their formula of between +0.5% to +1.84%; amounts outside of this would need separate approval from the Secretary of State. It is also permissible to limit gains under capping arrangements; capping to be no greater than the amount of MFG.
- 2.8 Given the provisional 2020/21 schools block funding the local authority are seeking to set a minimum MFG of at least +0.5%. The MFG rate will be confirmed once the cost of formula funding using the October 2019 census dataset is known and the DSG settlement is confirmed in December.
- 2.9 The DfE has applied a 4% increase to all core factors of the National Funding Formula, except free schools meal (cost of meal 1.8% to be applied), and premises which remain at historical cost. Manchester's funding levels have seen an average 1.85% per pupil increase and continue to be protected under the funding floor. Schools Forum is asked to note that the Local Authority will seek

to increase funding for: pupils, pupil characteristics, and protection under the MFG as much as is affordable within the formula. This is ultimately dependent on data from the October 2019 census, including numbers on roll and deprivation characteristics, and as yet a figure cannot be confirmed. Further updates will be brought to Forum after final 2020/21 DSG allocations are published in December.

3 HIGH NEEDS BLOCK (HNB)

- 3.1 All local authorities will receive an increase of at least 8% per head for two to eighteen year old population through the funding floor. Above this minimum increase, the formula will be capped at 17%, allowing LAs to see a maximum increase of up to 17% per head of population. Provisionally Manchester's HNB should receive an increase of £11.31m in 2020/21.
- 3.2 The LA is not seeking to transfer from schools block to the high needs block (HNB), based on the provisional 2020/21 DSG allocation. The increase in the HNB allocation is to be used to manage the existing pressures and fund anticipated high needs pupil growth, as set out in section three of this report.
- 3.3 Table three below demonstrates the percentage changes in per pupil terms on local authorities when comparing the provisional 2020/21 NFF allocations against their respective 2019/20 NFF baselines. The table outlines the number of authorities where the funding floor (minimum) and the funding cap (maximum) has been applied.
- 3.4 Manchester's per pupil increase has not been impacted by either the 8% funding floor or 17% funding cap. Manchester's provisional per pupil rate has increased by 14.33%, which is higher than the North West average, and slightly below the average for the Core cities. Manchester's per pupil value has increased from £590 to £674 relative to the 2019/20 NFF baseline.

Table three: Percentage change in per pupil in the funding floor and gains calculation (per capita of 2-18yrs population)

Region	No. of LA	No. of LA uplifted by Funding Floor	No. of LA Capped Funding	No. of LA No Floor or Cap Applied	Average Per Pupil Inc.
England	149	53	32	64	12.01%
Manchester				✓	14.33%
North West	23	6	6	11	12.99%
Core Cities	7	0	4	3	15.14%

- 3.5 Manchester's HNB is projected to overspend by £3.42m 2019/20, giving an expected DSG overspend of £2.46m. The additional £11.31m will fund existing

shortfalls and expected growth in both special schools and education, health & care plans (EHCPs) in 2020/21, detailed in table four below. The DfE three year announcement did not include information on how much of the additional funds will be earmarked for high needs allocation 2021/22 onwards. The DfE have stated at a recent conference the HNB increase has been front-loaded due to the current pressures within this block.

- 3.6 If there is no change to Manchester HNB allocations from 2021/22 onwards, there will be an in-year deficit of c.£4.40m 2022/23. Table four below shows an overview of the financial outcomes for the next three years if no population changes are applied. Schools Forum is asked to note that the local authority is seeking assurance from the DfE that population increases are to be applied to HNB funding allocation 2021/22 onwards.

Table four: Three year overview of pressures against increase in HNB allocations

	2020/21 £000	2021/22 £000	2022/23 £000
Additional HNB Allocation	11,311	11,311	11,311
Growth: Current and Future			
Mainstream EHCPs	1,853	2,573	3,341
Special School Places (includes funding increase for inflation)	3,712	3,906	4,398
Post 16 Places	1,780	3,254	5,064
Out of City Places	1,055	1,927	2,912
TOTAL: Growth	8,429	11,660	15,715
Recovery Balance	2,464	0	0
Balance (Surplus)/Deficit	-418	349	4,404

4. EARLY YEARS BLOCK (EYB)

- 4.1 September's announcement included an additional £66m nationally for early year's provision. DfE plan to use this additional sum to fund increases to early years hourly funding rates for all authorities on the two year old offer and for the vast majority of regions on the three & four year old entitlement. Manchester saw increases of 1.6% and 1.7% to the two and three & four year old rates, respectively. Table five below shows the impact of this provisional increase on Manchester's early years block funding level.

Table five: Estimated hourly increase to Manchester's EYB funding level

	2019/20 (£ / hour)	2020/21 (£ / hour)
Two year old offer	5.30	5.38
Three & four year old offer	4.87	4.95

- 4.2 Provisional EYB allocations for 2020/21 have not yet been released by the DfE. However, based on the Spring 2019 census data updated with the increased rates (as in table five above), the estimated EYB is £41.761m, shown in table six below. This is an estimated increase of £0.65m compared to current 2019/20 EYB funding.

Table six: Estimated 2020/21 DSG EYB allocation

Early Years Funding Stream	Spring 2019 Census (PTE)	£m
Disadvantaged two year olds	2,516	7.716
Universal entitlement for three and four year olds	9,470	26.720
Additional entitlement for three and four year old children of eligible working parents	2,172	6.128
Supplementary funding for Maintained Nursery Schools	-	0.338
Early Years Pupil Premium (EYPP)	-	0.726
Disability Access Fund (DAF)	-	0.133
		41.761

- 4.3 In 2019/20, Manchester received a total of £338k for the Maintained Nursery Schools supplementary funding grant, this is passported equally to the two MNSs, which equates to roughly 32% of Manchester MNSs' total early years block allocations. The DfE has confirmed that in 2020/21, the MNS supplementary grant will be allocated to local authorities at their 2019/20 rate.

5. CENTRAL SERVICES SCHOOL BLOCK (CSSB)

- 5.1 The CSSB funding is made up of two parts; historic commitments based on lagged actual cost, and on-going responsibilities where funding is formula driven (90% via a per pupil rate and 10% deprivation). The provisional 2020/21 CSSB allocation shows a reduction of £155k, broken down as follows:
- Historic commitment reduced by 20% = £72k
 - On-going responsibilities - per pupil allocation reduced by 2.5% = £83k
- 5.2 The historic commitment funding covers the commitment for unsupported borrowing against a school's capital scheme of £358k per year, the scheme runs

until 2032/33. The 20% reduction 2020/21 creates a pressure for the CSSB. Beyond 2020/21 it has not been confirmed whether the 20% reduction in the funding for historic commitments will continue. In the past, the DfE have repeatedly stated that they expect such commitments to be wound up sooner rather than later. Given the risk of further reductions to this part of the DSG, options need to be developed and considered given that the repayment of borrowing continues until 2033.

- 5.3 Seven of the North West authorities, and two of the core cities, including Manchester received the maximum loss of -2.50% per head for on-going commitments in the CSSB, as demonstrated in table seven below.

Table Seven: Percentage change in per pupil rate CSSB

Region	No. of LA	No. of LA <u>Max Gain</u> +1.94%	No. of LA <u>Max Loss</u> -2.50%	No. of LA <u>No max gain or Loss</u>	Average Per Head Change
England	149	62	43	44	0.09%
Manchester			✓		-2.50%
North West	23	12	7	4	0.36%
Core Cities	7	4	2	1	0.44%

- 5.4 The on-going responsibilities element of the CSSB funding covers: Admissions, Schools Forum, Copyright licenses and responsibilities LAs hold for all schools. The indicative reduction of £83k is a result of the per pupil rate change from £42.62 to £41.58 based on October 2018 pupil numbers on roll (NOR). It is expected that c.2k pupil increase in the October 2019 census will mitigate the drop in the per pupil rate for 2020/21.
- 5.5 Beyond 2020/21 it is expected that the 2.5% per pupil downward adjustment to the on-going responsibilities of the CSSB will continue for another 10 years. Manchester's on-going expected pupil numbers increases will offset part of the impact of reduced per pupil amount in the short term. Further modelling will be undertaken to assess to what extent the reduction will need managing in the future.

6. SCHOOLS BLOCK DE-DELEGATION

- 6.1 Schools Finance Regulations set out that certain amounts can be deducted from maintained school budgets with the approval of sector representatives at Schools Forum. Most of the items concerned were previously centrally top-sliced so that the funding was not included in the total available for distribution by formula. The "de-delegation" approach means that the deductions occur after the formula has run and individual schools can see the cost of each element to their budget share.

6.2 The local authority is seeking Forum (maintained school representatives only) approval to de-delegate the following budgets 2020/21 in respect of maintained primary and secondary schools only:

- Trade Union Facility £186k
- Education Services, general duties £0.5m
- Free School Meal (FSM) checking software £42k

7. Trade Union Facility Arrangements

7.1 Facilities time is provided for specific Trade Unions representatives to represent staff in other schools and academies where required and cover for these representatives are reimbursed to the employing school through this budget. This covers the support of staff at all levels of seniority and includes representatives for a range of teaching and support staff from Trade Unions. Based on current academy conversions and current pupil numbers, this equates to a de-delegated budget of £186k, which is approximately £4.82 per pupil, which is a reduction compared to previous financial year at £6.14 per pupil.

7.2 The Union also offers this service on a traded basis to academies, special and nursery schools, at the same rate as maintained schools. Currently forty nine academies (83%), fifteen special schools (94%) and both nursery schools purchase this SLA. The increased take-up from academies 2019/20 compared to the previous financial year has enabled a reduced rate for both maintained and academies.

7.3 Schools Forum members representing maintained schools are asked to approve the de-delegation of the Trade Union budget 2020/21.

8. Education Services general (ESG) duties for maintained schools

8.1 It is proposed that £0.5m is held by the LA to cover statutory general duties which were previously covered through general element of education services grant. Table seven below provides an outline of the contribution to current general rate ESG funded budgets. Based on current academy conversions and estimated pupil numbers, this equates to a budget of £0.5m, which is approximately £12.39 per pupil.

Table seven: Former Education Services grant duties

General former Education Services Grant Duties	£000	
Human Resources advice to maintained schools on the management of staff, pay alterations, conditions of service and composition/organisation of staff, determination of conditions of service	61	Contribution to cost of Schools Humans Resources Manager post.

for nonteaching staff, appointment or dismissal of employee function		
Governor Support Advice to maintained schools around appointment of governors	68	Contribution to Governor Support Team (not funded from other sources of education funding)
Quality Assurance	321	Contribution to cost of Quality Assurance posts. Audit moderation of assessments for National Curriculum monitoring
Asset Management General landlord duties for all maintained schools. General health and safety duty as an employer for employees and others who may be affected (Health and Safety at Work etc Act 1974).	50	Contribution to cost of Asset Management post.
Total	500	

- 8.2 Schools Forum members representing maintained schools are asked to approve the de-delegation of the ESG budget 2020/21.

9. Free School Meal Checking Software

- 9.1 Maintained schools use the online free school meals (FSM) software to check pupils' eligibility to free school meals. The online FSM system has helped schools maximise funding through DSG and Pupil Premium, identifying additional eligible pupils. Manchester in May 2018 secured, at a significant discount, a three-year software licence from Capita for maintained schools, at a total cost £123k. The cost of these licenses 2020/21 is £42k. At this stage, it is estimated to be £1.05 per pupil, but is subject to confirmation of the October 2019 census.

- 9.2 Schools Forum members representing maintained schools are asked to approve the de-delegation of the FSM software budget 2020/21.

10. CONCLUSIONS AND RECOMMENDATIONS

- 10.1 All Schools Forum members are asked to note and comment on:

- DSG 2020/21 provisional funding announcement.
- No request for a block transfer from schools block to high needs.
- Manchester expects to receive the confirmed DSG 2020/21 notification week commencing 16 December 2019.
- Pressure arising from the 20% reduction to the central schools block historical commitments.

- 10.2 In accordance with Schools Forum powers, maintained schools

representatives are asked to approve de-delegation for the following:

- Trade Union Duties (£186k which at current pupil levels equates to £4.82 per school aged pupil – section 7)
- Education Services Grant General Duties (£0.5m which at current pupil levels equates to £12.39 per school aged pupil – section 8).
- Free School Meal checking software (£42k which at current pupil levels equates to £1.05 per school aged pupil – section 9).