

**Manchester City Council
Report for Resolution**

Report to: Children and Young People Scrutiny Committee – 5 February 2020
Executive - 12 February 2020

Subject: School Budgets 2020/21

Report of: Strategic Director for Children and Education Services

Summary

Dedicated School Grant (DSG) is a ring fenced grant of which the majority is used to fund individual schools budgets in maintained schools and academies in the city, early years nursery entitlement and provision for pupils with high needs, including those with Education Health & Care Plans (EHCPs) in special schools, special provision and mainstream schools in Manchester and out of city.

This report provides a summary of the confirmed DSG allocation from the 2020/21 settlement announced on the 19th December 2019, and the budget allocation across individual school budgets and Council retained schools budgets which was reported to the Schools Forum on the 20th January 2020.

Recommendations

The Committee and the Executive are each invited to review and comment on the directorate budget report.

Wards Affected: All

Alignment to the Our Manchester Strategy Outcomes (if applicable):

Manchester Strategy Outcomes	Summary of the Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Ensuring sufficient, high quality school places are available and in the right place helps to ensure all children and young people achieve their full potential through regular school attendance and are able to access the jobs and opportunities in the City..
A highly skilled city: world class and home grown talent sustaining the city's economic success	Good school attendance is important as it supports school attainment..

A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Regular attendance at high quality schools helps all children and young people to develop appropriate social skills, self-respect and respect for others.
A liveable and low carbon city: a destination of choice to live, visit, work	Access to good local schools providing a high quality education supports sustainable neighbourhoods and makes Manchester increasingly attractive as a place to work, live and bring up children.
A connected city: world class infrastructure and connectivity to drive growth	Successful services support successful families and schools who are able to deliver continuing growth in the City

Full details are in the body of the report, along with implications for:

- Equal Opportunities
- Risk Management
- Legal Considerations

Financial Consequences for the Capital and Revenue Budgets

The proposals set out in this report forms part of the preparation of the Council's draft revenue and capital budget for 2020/21 to be reported to the Executive for approval in February 2020.

Contact Officers:

Name: Paul Marshall
Position: Strategic Director for Children and Education Services
Telephone: 0161 234 3952
E-mail: p.marshall1@manchester.gov.uk

Name: Amanda Corcoran
Position: Director of Education
Telephone: 0161 234 4314
E-mail: a.corcoran@manchester.gov.uk

Name: Rachel Rosewell
Position: Head of Finance
Telephone: 0161 234 1070
E-mail: r.rosewell@manchester.gov.uk

Background documents (available for public inspection): None

1. Introduction

- 1.1 The Dedicated Schools Grant (DSG) for 2020/21 was received on 19 December 2019. This is a ring fenced grant of which the majority is used to fund individual schools budgets in maintained schools and academies in Manchester. It also funds early years nursery entitlement for two, three and four year olds in maintained school nursery classes, private, voluntary and independent (PVI) nurseries, as well as provision for pupils with high needs including those with Education Health and Care Plans (EHCPs) in special schools, special provision and mainstream schools in Manchester and out of the city.
- 1.2 DSG funding is determined in two stagesL first, the government provides the grant to local authorities for all state funded schools in the city, and then local authorities determine the grant distribution to the local education establishments.
- 1.3 DSG is split into four blocks: schools, central school services, early years, and high needs. Section two of the report provides an outline of the 2020/21 DSG allocation at Local Authority (LA) level and section three sets out the distribution of grant across educational establishments and LA retained budgets.

2. Summary of Dedicated Schools Grant (DSG) 2020/21 Settlement

- 2.1 The 2020/21 DSG notification was received on the 19th December 2019 and totals **£560.304m**. The overall increase in grant since last year is £29.536m. The biggest change in the grant is due to 1.84% per pupil related increase in part of the grant that supports primary and secondary schools and £11.994m uplift in the high needs block.
- 2.2 Table one provides a breakdown of the grant across the DSG blocks and sets out why the grant changed between 2019/20 and 2020/21.

Table one: DSG settlement 2020/21 and 2019/20

BLOCK	Schools	Central School Services	High Needs	Early Years	Total
	£m	£m	£m	£m	£m
2020/21	425.944	3.661	88.918	41.781	560.304
2019/20	409.073	3.658	76.924	41.113	530.768
Difference	16.871	0.003	11.994	0.668	29.536
As a result of:					
Pupil No. increases	10.757	0.086	0.685		11.528

Change in Grant Rates	8.160	-0.083	11.309	0.668	20.054
Growth Fund Decrease	-2.045				-2.045
Difference	16.871	0.003	11.994	0.668	29.536

Schools Block

- 2.3 This block funds primary and secondary school budgets. The schools block allocation of £425.944m has been calculated bottom up on the basis as if the national funding formula (NFF) applied at school level. Local authorities are permitted to use a local ('soft') formula to distribute the aggregated total between each school and academy as is the case in Manchester. The £425.944m will be allocated out to schools in individual budget shares or held for the growth fund.
- 2.4 The budget is based on 79,435 children aged 5-16. The allocation has increased by £16.871m in 2020/21, of which **£10.757m** reflects growth in primary and secondary pupils between October 2018 and October 2019 of 2,071 (2.7%). In addition, £9.625m of the allocation is for premises and the growth fund.
- 2.5 The growth fund allocation changed in 2019/20 from a historical allocation to a new formulaic method based on lagged growth data. Manchester will receive a protected level of funding, but this is £2.045m lower than the 2019/20 allocation. Table two below shows the breakdown of the allocation across 79,435 children aged 5-16.

Table two: Schools Block Allocation

Schools Block	
Guaranteed Unit of Funding	
Primary	£4,669.73
Secondary	£6,209.31
Numbers on roll – 79,435	
Primary	49,960
Secondary	29,475
	£416,319,124
Funding growth	£5,345,089
Premises	£4,279,605
Total	£425,943,818

2.6 The Spending Round in September 2019 indicated increases in school funding and following consultation with Schools Forum in November 2019 and January 2020, Schools Forum endorsed the Council's proposals to increase funding for pupils, pupil characteristics, and protection under the MFG as much as is affordable within the formula.

Central School Services Block

2.7 The central school services block allocation is £3.661m and supports the Council's role in education. It comprises two elements:

- 'On-going Responsibilities' - funding for this is determined by number of pupils and deprivation
- 'Historic Commitments' (previously known as Combined Services) - funding for this is based on past actual costs.

2.8 'On-going Responsibilities' - This funds the admissions service, copyright licenses, servicing of Schools Forum and the duties local authorities have for both maintained schools and academies. The per pupil amount for 'On-going Responsibilities' has reduced by 2.5% which equates to a per pupil reduction of £1.07 to £41.58 per pupil. The impact of the reduction in the rate per pupil has been off-set by an increase in Manchester's pupil numbers, demonstrated in table three below.

2.9 'Historic Commitments' are time-limited and expected to reduce over a period of time. The DfE has suspended a planned 20% reduction in funding in 2020/21 where local authorities can demonstrate an on-going borrowing commitment. Manchester has evidenced the on-going commitment for unsupported borrowing against a school's capital scheme of £358k per year, which runs until 2032/33.

Table three: Central Schools Service Block

Central Schools Service Block	2019/20	2020/21	Difference
Historic Commitments (£m)	358,000	358,000	0
On-going responsibilities:			
Unit of Funding (£)	42.65	41.58	(1.07)
October census number on roll	77,364	79,435	2,071
Total Ongoing (£m)	3,299,575	3,302,907	(3,332)
Block Total (£m)	3,657,575	3,660,907	(3,332)

High Needs Block

- 2.10 The high needs block allocation is £88.918m and provides funding for children and young people with special educational needs and disabilities (SEND) from early years to age 25. The DfE has allocated an additional £0.7bn to the high needs block nationally. Manchester's additional high needs block grant allocation is £11.994m, an increase of 15.59% compared to 2019/20.
- 2.11 This block of funding is for those pupils or students who require provision that would not normally be available within the delegated resources of a mainstream school. It is also for pupils who would require additional targeted resources in order to meet their needs in a mainstream setting or placement in a specialist setting, such as a SEND resource unit or a special school. It enables both local authorities and providers to meet their statutory duties under the Children and Families Act 2014. High needs funding is also intended to support good quality alternative provision (AP) for pre-16 pupils who cannot receive education in schools.
- 2.12 The Council continues to work with special schools and intends to re-base funding based on a child's primary diagnosed need to one where the level of all the needs of the child are taken account of. This will also allow the Council to equalise funding rates across all of the special schools. Following consultation in October 2019, 12 out of 13 schools agreed with the proposed change. In January 2020, Schools Forum endorsed the proposed change to the formula. Based on the proposed revised formula the average increase per special school per place is 2%.

Early Years Block

- 2.13 The early years block funding is £41.781m, this reflects the 2020/21 early years national funding formula (EYNFF) rates for all local authorities published in November 2019. Both the two year old rate and the three and four year old rate for Manchester have increased by 8p per hour from 2020/21. This is an increase of 1.64% for three and four year olds and 1.51% for two year olds and will be passed on in full to providers. However, this increase does not reflect the increase in the national living wage for April 2020 of 6.2% and for that reason is not expected to support financial sustainability for providers that are in difficulty.

3. Dedicated Schools Grant Allocation with Manchester

- 3.1 DSG funding is provided in two stages: first, the government provides the grant to a local authority as set out in section two above, and then the LA determines the grant distribution to the local educational establishments. The proposals for local allocation set out below have consulted on with Schools Forum, who endorsed the proposals at their meeting in January 2020.

Schools Block

- 3.2 The schools block funds individual primary and secondary (mainstream)

schools' budgets. Funding is currently based on a local funding formula. This formula applies to all primary and secondary schools and academies. Individual school funding is determined by pupil numbers, pupil characteristics, a lump sum and premises related factors.

- 3.3 No change to Manchester's individual schools formula for primary and secondary schools is proposed. Manchester schools will receive a 1.84% increase on funding for pupils and pupil led characteristics. Premises factors have not been uplifted by in line with allocations from the DfE. The lump sum continues to be funded at £41k above the rate the Council has been funded as part of the local formula. Protection of plus 1.84% per pupil compared to last year's budgets has been provided. This ensures that all schools will receive an inflationary increase compared to what was received last financial year on a per pupil basis.

Central Schools Services Block

- 3.4 This block provides funding for LAs to carry out central functions on behalf of pupils in state-funded maintained schools and academies. The block is split into funding for historic commitments and funding for LA school responsibilities, such as Admissions.

High Needs Block

- 3.5 The 2020/21 high needs block grant allocation totals £88.918m and includes an £11.994m uplift to the block. The breakdown of estimated spend against the additional allocation is provided in table four below:

Table four: High Needs Block growth

	2020/21 £m
Additional HNB Allocation	11.994
Mainstream EHCPs, Special School places, Resource units, Education, Health and Care Plans	5.124
Post 16 Places	1.700
Out of City Places	3.059
Central Services	0.279
TOTAL: Growth	10.162
Recovery Balance (year 1)	1.832
Balance	0

- 3.6 The school population in Manchester has increased significantly since 2008. This has led to an increased demand for places across specialist places and support. Currently, 2.0% of the school population attend specialist provision either within a special school or resource provision within a mainstream setting. Expected growth planned mirrors that of mainstream growth and does not increase the proportion of children attending a special or resource school in Manchester. The Council is expanding the Education and Health Care Plans

Casework service in line with expected growth for EHCPs next year. Manchester's High Needs Block is projected to overspend by £5.332m 2019/20, giving an expected DSG overspend of £3.664m. It is proposed that the deficit is recovered over two year period

Special School Budgets

- 3.7 The Council has undertaken a review of the special schools funding formula to establish an equitable and efficient funding system that aligns funding to individual pupils needs. Special schools places are funded on a £10k place plus top-up based on primary needs of children in their school.
- 3.8 The Council has worked with special schools and has re-classified top-up values based on all the needs of the child instead of the child's primary diagnosed need. This has also allowed the Council to equalise funding rates across all of the special schools. A consultation on the changes has run throughout October 2019 to January 2020. Based on the proposed revised formula, the average increase per special school per place is 2%.

Early Years

- 3.9 Manchester's funding rate per hour for both the universal and additional hours provision for 3 and 4 year olds as well as the 2 year offer is proposed to be increased by 8p on the base rate, in line with the 8p increase received in the DSG settlement.

4. Summary

- 4.1 Table five below sets out the grant breakdown of DSG blocks. The table provides a summary of the split between individual school budgets and those budgets retained centrally by the authority across each of the blocks in 2019/20 and 2020/21.

Table five – DSG individual school budgets and retained school budgets

	Schools	Central School Services Block	High Needs	Early Years	Total
	£m	£m	£m	£m	£m
Retained School Budgets	3.756	3.658	22.761	1.151	31.326
Individual School Budgets	405.317	0	54.163	39.962	499.442
DSG 2019/20	409.073	3.658	76.924	41.113	530.768
Retained School Budgets	2.392	3.661	29.532	1.262	36.847
Individual School Budgets	423.552	0	59.386	40.519	523.457
DSG 2020/21	425.944	3.661	88.918	41.781	560.304

5. Recommendations

5.1 The recommendations appear at the front of this report.

<u>Glossary</u>	
Central Services Block	<p>This is one of four blocks of Dedicated Schools Grant (DSG) allocated to local authorities to carry out functions on behalf of pupils in both maintained schools and academies. There are two distinct elements within this block:</p> <p>the ‘ongoing responsibilities’, comprising of funds previously separately specified by the Department for Education (DfE) and retained centrally (admissions, copyright licenses and servicing schools forum).</p> <p>the ‘historic commitments’ previously known as ‘combined services’.</p>
Early Years Block	<p>The early years block funds all factors relating to three and four-year-olds and disadvantaged two-year-olds in nurseries, private, voluntary and independent settings, and maintained schools.</p>
High Needs Block	<p>The high needs block covers place funding for special schools/academies and units, top-up funding for high needs pupils, alternative provision and education otherwise than at school, and funding for local authority central special educational; needs services.</p>
Minimum Funding Guarantee	<p>The MFG stipulates the minimum amount by which a school’s budget must increase (or maximum decrease) when compared with its budget for the previous year, before allowing for changes in pupil numbers. Some specific items of expenditure (such as rates and resources specifically assigned to individual pupils with special needs) are excluded from the coverage of the MFG. The local authority can modify the operation of the MFG with the approval of the Secretary of State</p>
National Funding Formula	<p>National Funding Formula DfE has published proposals for a new national funding formula for schools, high needs and early years funding. In March 2016 DfE published proposals to make the distribution of schools and high needs funding fairer, and in August 2016 DfE published proposals on early years funding reforms.</p>
Soft Funding Formula	<p>The DfE will moved to a national funding formula at Local Authority level. The DfE use the national funding formula to calculate LAs’ funding allocations, LAs can still determine individual schools’ funding allocations through their local formula.</p>
Schools Block	<p>The schools block will fund all primary and secondary schools pupils that are not funded through high needs or early years blocks.</p>