

# Delegated decision report

## DECISION UNDER DELEGATED POWERS

### DECISION CANNOT BE TAKEN BEFORE 7 FEBRUARY 2020

Title **2020/21 SCHOOL FUNDING FORMULA & BUDGET SETTING**

Report to **CABINET MEMBER FOR CHILDRENS' SERVICES**

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### EXECUTIVE SUMMARY

1. The Department for Education (DfE) publishes annual changes to school funding arrangements. There have been minor amendments to the national funding formula which allocates funding to the local authority, with a local formula continuing to be used to allocate funding to individual schools. The local authority must set the formula annually, alongside the wider Dedicated Schools Grant (DSG) budget.
2. This report sets out arrangements for the Isle of Wight pre-16 mainstream school revenue funding formula for the 2020/21 financial year, and the setting of the wider DSG budget for approval. The formula has been set following principles agreed by the Schools' Forum during 2019/20 financial year, following consultation with individual schools, and continues to closely mirror the national funding formula used to allocate funding to the local authority.
3. A financially balanced DSG budget is presented as a result of allocations being confirmed in December 2019, increasing the Isle of Wight allocation from £93.52 million to £98.31 million. The amount of money passed to schools through the formula is increasing from £70.65 million to £73.40 million.
4. The DfE must be notified of the proposed formula by 21 January 2020 and subsequent school budget allocations must be confirmed to individual schools by 28 February 2020, applicable from 1 April 2020. The proposed DSG budget is reported to the DfE as part of the Section 251 return submitted in April 2020.
5. While the council is required to consult with schools on the funding formula and budget setting, the final decision is for the local authority to take as the accountable body for the Dedicated Schools Grant.

## BACKGROUND

6. The DfE allocates funding to local authorities using a national funding formula. It has used this formula to calculate notional budgets for all schools, and combined the budget for all schools on the Island to identify the amount per pupil to be allocated to the Isle of Wight in 2020/21. Using the October 2019 census pupil numbers, this has resulted in an increase in funding distributable to schools through budget shares.
7. Schools funding is provided through the Dedicated Schools Grant (DSG), which is made up of four funding blocks: schools, early years, high needs and central school services, with restrictions on the use of funding allocated to each block. The funding formula specifically relates to the schools block and is a significant part of the overall DSG budget also included in this report. The authority has a responsibility to set a balanced DSG budget.
8. The pre-16 school funding guidance for 2020/21 was released in September 2019. There are a few changes in the rules governing the local formula but the DfE has reiterated its intention to move to a 'hard' national funding formula, which allocates funding directly to schools in coming years.

## STRATEGIC CONTEXT

9. The 2019 to 2022 corporate plan emphasises the need for the local authority to work with and challenge schools in financial deficit to ensure a more sustainable position for the schools and the council. The funding formula within the report, results in increases in all funding formula factors, increasing funding for all schools to mitigate risks of individual schools in deficit, contributing to schools delivering budget recovery plans. In turn ensuring a well-educated and skilled community.
10. The DSG budget presented for 2020/21 is financially balanced and contributing to achieving a sustainable position in the medium term.

## DEDICATED SCHOOLS GRANT BUDGET 2020/21

11. DSG allocations for 2020/21 were released by the DfE on 19 December 2019, incorporating the impact of additional funding announcements made by government in the autumn. The actual allocations can be found on the DfE website <https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2020-to-2021> , summarised and compared in the following table.

Block	2019/20 Current Allocation £'000	2020/21 Final Allocation £'000	Change £'000
Early years	6,782	6,911	129
Schools	71,036	74,533	3,497
High needs	15,085	16,253	1,168
Central	619	609	-10
<b>Total DSG</b>	<b>93,522</b>	<b>98,306</b>	<b>4,784</b>

12. The change between years is a culmination of some additional funding added to the early years hourly rates, additional funding adding across national level school funding formula factors, additional high needs funding in the region of

7.5 per cent, and also the financial impact of changes in pupil numbers and characteristics following the October 2019 census.

### EARLY YEARS BLOCK

13. Early years funding has seen a slight increase in the national funding, adding eight pence per hour across national funding rates. The net result for the Isle of Wight is an additional £129,000 early years block estimate for 2020/21 (in the region of 1.9 per cent compared to 2019/20). The final allocation will be updated in July 2020 when the impact of the January 2020 census is confirmed.
14. Schools' Forum approved the level of central funding in November 2019, and this has been budgeted for 2020/21 at the agreed £273,000 with this value remaining compliant with the 95 per cent of funding that must be passed through to providers. The Early Years team is currently consulting with providers on options for the distribution of the additional funding, through changes to structure of rates paid. The outcome will be confirmed in March 2020.

### SCHOOLS BLOCK

15. The vast majority of schools block funding is managed through the local school funding formula in budget share allocations to schools. The proposed local funding formula for mainstream Isle of Wight schools and academies is included in appendix B, alongside 2019/20 values for comparison.
16. The formula is significantly shaped through consultation with the Schools' Forum and the wider schools' community, and the following key principles, assumptions and decisions are a culmination of meetings and engagement since July 2019.
  - a) The main approach is to mirror the national funding formula as closely as possible, to minimise future turbulence when a hard formula is implemented whereby government directly manages the distribution of funding to schools.
  - b) Premises related factors are based on future year estimates, for example the rates charges for individual schools.
  - c) The lump sum fixed amount paid to all schools, and the mobility factor which assesses the level of pupil movement, have been set to the national values.
  - d) The minimum funding guarantee protection exists to protect schools from significant changes in per pupil funding year on year. The range of protection is determined by the DfE and the Schools' Forum supported the lowest level of protection (+0.5 per cent) to move towards eliminating historic funding arrangements as quickly as possible.
  - e) Overall balancing of the formula is done with proportionate minor increases or decreases to match the allocation.
17. Other elements of the schools' block budget presented in appendix A are driven by specific decisions by the Schools' Forum covering a local growth fund,

services that are de-delegated from maintained schools and contributions to central education functions.

### TRANSFER BETWEEN BLOCKS

18. DfE operational guidance issued in September 2019 still permits the transfer of funding between DSG funding blocks under strict criteria. This can be up to 0.5 per cent of the school's block with the Schools' Forum approval and requires an annual decision from forum regardless of previous years. The local authority can also apply to the DfE using a disapplication process to seek permission for transfers above 0.5 per cent. Transfers in recent years have utilised the 0.5 per cent flexibility to mitigate significant pressures on the high needs block.
19. Past transfers and government funding allocations have not been sufficient to meet high needs demand and cost increases and the local authority took the decision to apply for a transfer of 1.5 per cent of schools' block funding to enable setting a balanced high needs budget, making a contribution to the existing DSG deficit which is currently forecast in the region of £2.2 million for the 2019/20 year end.
20. The response from the DfE is awaited which is a specific decision from the Secretary of State and has been slightly impacted by the general election. The budgets and formulae presented in the appendices include both the recommended basis incorporating a 1.5 per cent transfer, and should the request be declined the 0.5 per cent formula values and budget would be enacted.

### HIGH NEEDS BLOCK

21. The high needs block within the DSG has been subject to significant debate nationally and locally in relation to the overall level of funding versus increasing demand. The Isle of Wight received the minimum amount of increases in the new 2020/21 allocation (in the region of 7.5 per cent). Despite various initiatives and efficiencies, a transfer from the schools' block is still required to achieve the balanced budget which is presented in appendix A.
22. Despite additional government funding, an underlying high needs budget shortfall remained in the region of £0.8 million. The proposed 1.5 per cent transfer would enable a balanced 2020/21 high needs budget and a possible contribution in the region of £0.3 million towards the wider DSG deficit. The presented budgets apply similar principles and assumptions and should the 1.5 per cent transfer be declined, a specific set of initiatives have been identified and discussed with the Schools' Forum as a contingency to continue setting the required balanced budget, but this backstop does not mitigate the current DSG deficit.

### CENTRAL BLOCK

23. The central block of DSG funding is the smallest element of the grant, and most budgets have already been agreed by the Schools' Forum in November 2019. The remaining copyright licences budget is set by DfE data which has been received. The reduction in this block funding was minimal and has been

absorbed through the wider review of budgets in this area completed in the autumn.

## OVERALL DSG BUDGET

24. Overall final proposed budget allocations are summarised from appendix A in the following table compared to the notional allocations received in December. The transfer from the schools' block to the high needs block is to be £1.118 million, but should the DfE application fail, the 0.5 per cent transfer of £373,000 will be enacted.

Block	DfE Notional Allocation £'000	Budget Allocation 1.5% £'000	Net Difference 1.5% £'000	Budget Allocation 0.5% £'000	Net Difference 0.5% £'000
Early Years	6,911	6,911	0	6,911	0
Schools	74,533	73,415	-1,118	74,160	-373
High Needs	16,253	17,371	1,118	16,626	373
Central Services	609	609	0	609	0
<b>TOTAL DSG</b>	<b>98,306</b>	<b>98,306</b>	<b>0</b>	<b>98,306</b>	<b>0</b>

25. This total budget includes recoupment which will be deducted at source from the Isle of Wight DSG allocation and paid to academies directly. The amount is £20.3 million if the 1.5 per cent transfer is approved by the DfE, leaving a remaining net budget responsibility for the local authority of £77.7 million.

## CONSULTATION

26. The school funding regulations require that mainstream schools are consulted on any proposed changes to the funding formula. A consultation ran from 4 November to 14 November 2019. The DfE acknowledged that this year the window for consultation was shorter due to later release of indicative allocations and modelling tools. Despite this, there was a significant improved response rate of 24 schools (52 per cent) compared to only 12 schools the previous year.
27. The consultation mainly considered the approach to the formula, factors used, and the relative proportions of funding allocated to each factor. Ninety-five per cent of respondents agreed in using the same general principles in setting the 2020/21 formula as were used in setting 2019/20.
28. Schools' Forum was initially consulted on the approach to the formula in July 2019 and again on specific elements following the wider schools' consultation in November 2019 and was supportive of the formula basis and methodology recommended within this report.
29. The local authority responsibility to set the wider dedicated schools grant budget, has contributing elements agreed by the Schools' Forum and the group has been involved in shaping the budget. The group rigorously monitors the overall budget at each meeting.
30. Although contained within the overall dedicated schools grant budget setting, a transfer of funding from the schools' block to the high needs block was not supported by schools' in the consultation, or subsequently by the Schools' Forum. To ensure the strategic sustainability of the high needs budget and initiate the longer-term recovery of the dedicated schools grant deficit, the local

authority took the decision to apply to the DfE to progress a transfer against the wishes of the Schools' Forum.

31. Indicative budget scenarios were presented to schools' in November as part of the consultation. At that point the growth element of DSG funding had not been confirmed. The final December 2019 allocations have confirmed that the cost of the additional transfer will be offset by the final confirmed growth funding, resulting in a minimal difference in the distributable funding compared to the consulted estimates. This was part of the reasoning in the local authority supporting the 1.5 per cent transfer going against the original school consultation responses.

#### FINANCIAL / BUDGET IMPLICATIONS

32. The Dedicated Schools Grant is a strictly ring-fenced grant for education purposes. The grant conditions require local authorities to utilise the grant for the purposes set out in the School and Early Years Finance (England) Regulations.
33. The local authority is responsible for setting the local school funding formula and presenting a balanced Dedicated Schools Grant budget, following significant consultation and shaping of the formula and budget by the Schools' Forum and the wider schools community.

#### LEGAL IMPLICATIONS

34. The School and Early Years Finance (England) Regulations set out the statutory arrangements for school and early years funding.
35. The regulations prescribe the timescale for publishing school budgets, the formula factors which can be used to calculate school budgets and the costs which can or cannot be met by the local authority from the ring-fenced Dedicated Schools Grant funding.

#### EQUALITY AND DIVERSITY

36. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
37. An equality impact stage 1 initial screening was completed on 27 November 2019 which concluded no negative impact on those with protected characteristics as a result of changes for 2020/21, particularly as schools are protected from losing per pupil funding through the minimum funding guarantee element of schools funding.

#### PROPERTY IMPLICATIONS

38. There are no property implications as a result of these proposals as they relate purely to the distribution of Dedicated Schools Grant revenue funding.

Individual schools pay for general property running costs from the devolved funding provided through the Dedicated Schools Grant.

39. The Children's Services asset management team is responsible for overseeing any landlord duties that impact on schools, and also the strategic management of schools' capital funding which is outside the scope of this report.

## OPTIONS

40. The following options are available for consideration:

**Option 1)** to approve the 2020/21 school funding formula and wider Dedicated Schools Grant budget allocations detailed in appendix A and B, final values dependent on permission from the DfE.

**Option 2)** to require further formula options and alternative schools grant budgets to be developed, requiring a period of consultation to be carried out with schools.

## RISK MANAGEMENT

41. Due to the outstanding response from the DfE on whether the 1.5 per cent transfer from the schools' block is to be permitted, there is a risk that the alternative school funding formula values and an alternative budget will need to be enacted. Close contact with the DfE is being maintained and should the request be denied, the revised formula and budget values are drafted and included in this report to ensure regulation deadlines to be met.

## EVALUATION

42. The school funding formula is set following significant consultation with the Isle of Wight schools' community directly and through its consultative group the Schools' Forum over a period of months while detailed guidance and procedures are released by the DfE. The recommended option is in line with government intentions for a clear transparent school funding formula alongside a financially balanced budget for 2020/21.

## RECOMMENDATION

43. Option 1) - to approve the 2020/21 school funding formula and wider Dedicated Schools Grant budget allocations detailed in appendix A and B, final values dependent on permission from the DfE.

## APPENDICES ATTACHED

44. [Appendix A – 2020/21 Dedicated Schools Grant budget.](#)
45. [Appendix B – 2020/21 school funding formula factors.](#)

## BACKGROUND PAPERS

46. Schools' Forum January 2020 paper B – Schools Budget 2020/21

<https://www.iow.gov.uk/azservices/documents/1584-Paper-B-Schools-Budget-2020-21.pdf>

47. Schools' Forum January 2020 paper C – School Funding Formula 2020/21  
<https://www.iow.gov.uk/azservices/documents/1584-Paper-C-School-Funding-Formula-2020-21.pdf>
48. Department for Education – pre-16 schools funding operational guidance 2020/21  
<https://www.gov.uk/government/publications/pre-16-schools-funding-local-authority-guidance-for-2020-to-2021>

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Decision

Signed

Date

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