

THE SCHOOLS BUDGET 2020/21

Cabinet Member(s)	Councillor Ray Puddifoot MBE Councillor Susan O'Brien Councillor Jonathan Bianco
Cabinet Portfolio(s)	Leader of the Council Education, Children and Youth Services Finance, Property and Business Services
Officer Contact(s)	Graham Young, Lead Finance Business Partner, Schools/DSG
Papers with report	Schools and High Needs Block Funding 2020/21 Consultation Papers

HEADLINES

Summary	The purpose of this report is to seek Cabinet's approval for the size and distribution of the schools budget for 2020/21, following consultation with school Headteachers, Governors and Early Years providers having regard to the advice of the Schools Forum.
Putting our Residents First	This report supports the following Council objectives of: <i>Our People; Our Built Environment; Financial Management</i> Schools are a key frontline service in the Borough and are the largest service providing investment in residents' children's and young people's future life chances. The distribution of funding to schools supports these strategic aims.
Financial Cost	Funding for schools and school related expenditure is provided through the Dedicated Schools Grant (DSG) and the Pupil Premium and as such has no impact on the Council's budget requirement. However, having considered the DSG Budget for 2020/21, and the views of all relevant stakeholders, a deficit DSG Budget has been submitted for approval, totalling £7,175k. The Department for Education did not approve the Council's disapplication request to transfer the required funds from the Schools Funding Block, which if agreed, would have allowed the Council to set a balanced DSG Budget.
Relevant Policy Overview Committee	Residents, Education and Environmental Services
Ward(s) affected	All

RECOMMENDATIONS

That Cabinet:

1. **Agrees that the total Schools Budget for 2020/21 be set with an overall deficit of £7,175k when compared to the total of the Dedicated Schools Grant provided to the Council (as set out in paragraphs 63 to 65), following the rejection of the Council's disapplication request by the DfE.**
2. **Approve the Primary and Secondary schools funding formula as agreed by schools and the Schools Forum, as set out in paragraphs 27 to 31.**
3. **Approve the Early Years Single Funding Formula, as set out in paragraphs 32 to 41.**
4. **Approve the base rate of funding for the Two Year Old Free Entitlement Offer, as set out in paragraph 42.**
5. **Approve the Early Years Centrally Retained budget as agreed by the Schools Forum, as set out in paragraphs 43 to 47.**
6. **Approve the Central School Services budget as agreed by the Schools Forum, as set out in paragraphs 48 to 53.**
7. **Approve the High Needs budget as agreed by the Schools Forum, as set out in paragraphs 54 to 62.**

Reasons for recommendation

1. Cabinet is the decision making body for school funding issues and decisions are required on the arrangements to allow for final funding allocations to be provided to schools by no later than 29 February 2020.
2. The School and Early Years Finance (England) Regulations 2018 requires the Council to consult the Schools Forum on a range of financial matters prior to making decisions on them. Each year the Council consults with schools on the following years funding and school funding formulas. For 2020/21 budgets, the consultation ended on 8 December 2019 and the responses to this consultation were considered at the Schools Forum meeting on 12 December 2019. Additionally, Schools Forum are required to set and agree the DSG budget for 2020/21, taking into account any accumulated surplus/deficit balances, this was agreed at the Schools Forum meeting on 16 January 2020. The results of these decisions are reflected in the recommendations of this report.
3. The Council and Hillingdon's Schools Forum have undertaken a major review of the DSG Budget over the last few years and have closely monitored the increased growth in the cost of high needs placements and where practical and safe to do so, have made savings to centrally retained budgets to offset the growing pressures. However, the review of the budgets for 2020/21 identified that no further savings could be made without having a detrimental effect on those resources provided to support vulnerable and disadvantaged children and in fact potentially could result in additional costs being incurred should services be ceased. The only option available to the Council to set a balanced in year DSG Budget for 2020/21 was to consult with schools on a proposed transfer of £7,175k (equivalent to 3.1%) from the Schools Funding Block. However, even if schools and Schools Forum had agreed to this, the final decision rests with the DfE, as the Secretary of State has to sign off all requests, which exceed 0.5% of the total Schools Funding Block.

To set a balanced in-year DSG budget, Council submitted its disapplication request to the DfE on 30 November 2019, requesting approval for the 3.1% transfer from the Schools Funding Block to the High Needs Block. On the 4th February the Council were informed that the Secretary of State had not approved this request.

The DfE issued an updated DSG Conditions of Grant document for 2019/20 including updated conditions relating to DSG deficits and how these can be funded. This strengthens the previous direction that such deficits should not be financed from General Reserves and goes further to state that on a statutory basis a deficit must be carried forward to be dealt with from future DSG income. At this stage the detailed guidance on how this can be delivered in practice, expected to come from CIPFA and necessary to provide External Audit assurance, has not yet been issued.

Alternative options considered / risk management

4. Cabinet could decide to recommend that the Schools Forum reconsider the proposed Primary and Secondary schools funding formula, the Early Years Single Funding Formula and the High Needs Funding Formula.
5. The recommended Schools Budget 2020/21 contains a contingency for in year growth for expanding schools and for the diseconomies of scale funding for the three Basic Need Primary Academy schools. There is also some contingency for future growth in the placement of children with Special Educational Needs.
6. The recommended Schools Budget no longer contains a general reserve to cover unforeseen costs and does not provide surplus resources to offset the cumulative deficit accruing on the Dedicated Schools Grant Budget in 2019/20.

Policy Overview Committee comments

7. None at this stage.

SUPPORTING INFORMATION

8. The Government have confirmed the 'hard' implementation of the Schools National Funding Formula will be further delayed until at least 2021/22. Therefore, in 2020/21 the 'soft' implementation of the formula will continue with local authorities and Schools Forum still having the ability to set a local funding formula.
9. The schools block will continue to be ring-fenced in 2020/21 but local authorities will be able to transfer up to 0.5% of their schools block funding, with the agreement of Schools Forum. If a local authority wishes to transfer more than 0.5% to address funding pressures in other blocks then approval must be sought from the Secretary of State.
10. The Government have confirmed that the Early Years National Funding Formula (EYNFF) will continue in 2020/21. 2020/21 will also see the continuation of the additional 15-hour

free entitlement for 3 & 4 year olds of eligible working parents which was introduced from September 2017.

11. The number of schools converting to Academy status, following the introduction of the Academies Act 2010, has slowed down, where the current picture in Hillingdon is that 46 schools are now academies (20 primary, 19 secondary, 1 all-age, 5 special and the Pupil Referral Unit). The Council is not currently aware of any schools with a plan to convert in 2020/21.
12. The following sets out the arrangements that the DfE are making to the schools funding system for 2020/21:
 - i) Funding has been provided for at least a 1.84% per pupil increase for each school in 2020/21 through the national funding formula.
 - ii) The minimum per-pupil levels will be set at £3,750 for primary schools and £5,000 for secondary schools.
 - iii) Minimum Funding Guarantee (MFG) protection can now be set at between +0.5% and +1.84% per pupil.
 - iv) The DfE has guaranteed at least an 8% overall increase in High Needs funding in 2020/21 to reflect some of the growth being seen in the number of pupils with SEN.
 - v) Pupil Premium rates have been retained at the 2019/20 rates.
 - vi) Universal Infant Free School Meals (UIFSM) rate will stay at £2.30 per meal.
 - vii) A continuation of the additional funding for early years, through the early years pupil premium to provide nurseries, schools and other providers of Government funded early education with additional funding of £302.10 per eligible child for disadvantaged three and four year olds.

Early Years (3 and 4 Year Old Provision)

13. Early Years Funding provides funds for schools, Private, Voluntary and Independent Nursery providers and Childminders for 3 and 4 year old placements.
14. From April 2017 the Early Years National Funding Formula (EYNFF) was implemented with a new requirement on the amount of funding that local authorities must pass to providers. In 2020/21 local authorities must plan to spend at least 95% of the Early Years funding they receive directly on providers, with at least 90% of this being paid through a universal base rate. It is proposed that for 2020/21 no changes are made to the Early Years funding formula in Hillingdon. The formula is made up of the following factors:
 - A base rate per hour for all pupils set at 91% of the funds available to providers (maintained at £4.92 per hour per pupil),

- Deprivation funding, based on the Income Deprivation Affecting Children Index (IDACI), set at 7% of the funds available to providers,
 - The remaining 2% paid through an additional needs supplement, payable to those providers with an above average IDACI ranking,
 - Maintained Nursery School supplementary funding (only applies to McMillan Nursery).
15. The Free Entitlement offer for three and four year olds increased to 30 hours per week from September 2017, for those children whose parents are both working and meet other specific criteria. Previously Schools Forum have agreed to continue to fund the additional 15 hours at the same rate as the universal free entitlement and there is no proposal to change this in 2020/21.

Early Years (Two Year Old Free Entitlement Provision)

16. This new provision came into force on 1 September 2013 and was extended further on 1 September 2014, to cover the 40% most disadvantaged families across the country.
17. The DfE strongly recommended that all councils put in place a simple funding formula for the two year old free entitlement offer, which Hillingdon followed, having only a base rate of funding, which has been set at £6.00 per hour per pupil. Schools Forum agreed to maintain this formula and level of funding in 2020/21.

Primary and Secondary Schools

18. The Schools Block provides funding for Primary and Secondary schools (including academies and free schools) and a limited range of retained budgets. The DfE's paper; Schools Revenue Funding for 2020 to 2021, sets out how local authorities and schools forums should plan for the local implementation of the funding system for the 2020/21 financial year. The final DSG has been determined based on the October 2019 census data.
19. All primary and secondary schools will be funded based on the approved and agreed funding model, this includes maintained, all academies, free schools, studio colleges and university technical colleges. For 2020/21, the funding will still be provided as is currently the case (i.e. maintained schools will receive funding from the local authority through the DSG and all other schools will receive funding directly from the Education and Skills Funding Agency (ESFA)).
20. The DfE have announced that implementation of the 'hard' National Funding Formula will be further delayed and therefore the local authority and Schools Forum will still be involved in the determination of the funding allocations to schools in 2020/21.
21. Within the Schools Block, the Government has provided for at least a 1.84% per pupil increase for each school in 2020/21 through the National Funding Formula. The Schools Block will be ring-fenced, however, local authorities will be able to transfer up to 0.5% of their schools block funding out, with agreement of Schools Forum, to offset ongoing funding pressures in the High Needs and Early Years blocks. In Hillingdon 0.5% equates

to approximately £1.2m. If a local authority wishes to transfer more than 0.5% then approval must be sought from the Secretary of State.

22. In order to set a balanced DSG budget, it was determined that a 3.1% funding transfer from the schools block would be needed in 2020/21 to cover the projected pressures in the High Needs block. This takes into account the additional high needs funding announced for 2020/21.
23. The Local Authority submitted a disapplication request to the DfE on 30 November 2019, requesting approval for the 3.1% transfer and as noted above this was rejected by on the DfE on the 4th February.
24. Following consultation with stakeholders in November 2019, and a further review of the DSG Budget for 2020/21, Schools Forum, after careful consideration, agreed not to transfer funds from the Schools Funding Block. As a consequence of this decision, the Council are unable to set an in year balanced DSG Budget for 2020/21, as there are not sufficient funds remaining in the retained budgets to deliver such a substantial level of savings.

Dedicated Schools Grant Funding 2020/21

25. The Education and Skills Funding Agency (ESFA) published the draft authority level DSG allocations for the schools, central school services, early years and high needs blocks on 19 December 2019. The following table sets out the published baseline DSG budget for 2020/21, compared to the 2019/20 DSG allocation updated in November 2019

Funding Block	DSG Budget 2019/20 £m	DSG Budget 2020/21 £m	Change in Budget £m	Increase %
Schools	218,654	231,467	12,813	5.9%
High Needs	40,484	45,773	5,289	13.1%
Central Services	2,818	2,604	-214	-7.6%
Early Years	25,343	25,672	329	1.3%
Total DSG Budget	287,299	305,516	18,217	6.3%

26. In determining the final distribution of the DSG funds available, it is usually a requirement that predicted year end balances are built into the final determination. For 2019/20, there is an in-year deficit on the DSG, which for month 9 is estimated to be £5.1m. When added to the DSG opening deficit balance of £8.5m, which was carried forward from 2018/19, it is projected that there will be a cumulative deficit of £13.6m carried forward to 2020/21. Given the on-going pressures in High Needs and the Central Schools Services Block it will not be possible to set an in-year balanced DSG budget for 2020/21 without a transfer of funds from the Schools block. There is, therefore, no scope to contribute towards reducing the brought forward cumulative deficit.

Proposals for Use of DSG in 2020/21

Schools Block

Transfer of Schools Block funds

27. The Schools Block will continue to be ring-fenced in 2020/21, however, local authorities will be able to transfer up to 0.5% of their schools block funding to address funding pressures in other areas with agreement of Schools Forum. In November 2019, schools were consulted on proposals to transfer funds over and above 0.5% to address the on-going pressures in High Needs. The first proposal was the transfer of 1.6% from the schools block, as was agreed in 2019/20. The second proposal was a further transfer of 1.5% which would cover in full the projected High Needs in-year deficit in 2020/21. Schools Forum were not in support of any schools block transfer and the decision from the Secretary of State to reject the Council's disapplication request was consistent with this position.

Schools Funding Formula Factors

28. At the Schools Forum meeting on 12 December, Schools Forum members voted to distribute the additional Schools Block funding by increasing pupil led factors by 4% (except for the free school meals factor which will be increased by 1.84%) in line with the changes to the NFF. Age Weighted Pupil Unit (AWPU) will then be the balancing factor for any surplus funds, as in previous years.

Minimum Funding Guarantee (MFG)

29. For 2020/21 there is a requirement that the MFG will need to be set at between +0.5% and +1.84%. The proposal is that Hillingdon will set this at +0.5%, which will ensure that every school will receive a minimum of 0.5% increase in per pupil funding in 2020/21.

30. On review of the 2019/20 school funding formula it is apparent that there are a few schools that have received historic over-protection through the MFG. The Schools Revenue Funding Operational Guide does allow for technical adjustments to the calculation of the MFG where over protection would otherwise occur. It was therefore considered that a disapplication request should be submitted to the ESFA to re-baseline the MFG for 2020/21. The ESFA rejected this application in January 2020, on the basis that it would have an adverse unexpected impact on schools and therefore the over-protection will continue in 2020/21 and beyond.

Growth Fund Contingency

31. A review of the Growth Fund Contingency requirement, which provides funding for expanding schools, diseconomies funding for new Basic Need Academies and funding for significant in-year growth, estimates that the budget in 2020/21 should be £1,775k. This is an increase of £321k from the previous year.

Early Years Block

32. Early Years funding rates were published on 31 October 2019 with increases in the funding rates for 2 years olds and 3 & 4 year olds for most local authorities. The following funding rates will be used to generate the Hillingdon Early Years Block funding in 2020/21;

	2019/20 £ (per hr)	2020/21 £ (per hr)	Increase £ (per hr)	Increase %
2 Year olds	5.92	6.00	0.08	1.4%
3 & 4 Year olds	5.83	5.91	0.08	1.4%

33. The Early Years Single Funding Formula for the provision of the 15 hours free entitlement for 3 & 4 year olds will be calculated based on 5/12ths of the January 2020 census numbers and 7/12ths of the January 2021 census numbers. The allocation is therefore draft as there will be further adjustments in July 2020 and July 2021. It is worth noting that approximately two thirds of this funding is delegated directly to schools for three and four year old provision.

34. There are a number of requirements on how local authorities are able to allocate Early Years funding to providers. These requirements are intended to ensure that funding provided is fairly distributed to providers. Schools Forum has not proposed to make any changes to the calculation of the Early Years funding formula.

Universal Free Entitlement - Base Rate

35. Local authorities are required to pass 95% of early years funding directly to providers. There is a requirement to set a universal base rate for all providers, and additionally the guidance states that the level of supplements should be capped at 10% of the total funding given to providers, with the remaining 90% distributed through the base rate. Given the limits on supplements, the Hillingdon base rate is set at 91% of available funding as used in 2019/20.

Universal Free Entitlement - Funding Supplements

36. The Government allows supplements up to a maximum of 10% of the total funding passed to providers. Local authorities will continue to be required to have a mandatory deprivation supplement but will have discretion over the metric used. The following sets out what Hillingdon uses in the early years funding formula;

Deprivation Supplement

37. In 2019/20 the deprivation factor within the Hillingdon early years formula was 7% with IDACI as the distribution driver, as this appears to be the best indicator of deprivation for 3 & 4 year olds. The proposal is that for 2020/21 this is retained at the same percentage.

IDACI Threshold Supplement

38. IDACI is a measure of deprivation based on the home postcode of the child. Each postcode is given a rank from 0 to 1, with 0 being least deprived and 1 the most. Analysis of the IDACI dataset for 3 and 4 year olds accessing the free entitlement indicates that the average IDACI rank for Early Years settings in Hillingdon is 0.2. The highest ranking that a setting has is 0.365. There are clear links between deprivation and additional need, and this is currently the most robust data set held to distribute additional needs funding. It is therefore proposed to retain the 2% supplement to distribute additional resource to those providers with an average IDACI rank which is higher than 0.25.

Maintained Nursery School Supplementary Funding

39. The Government recognises that maintained nursery schools have additional costs and has confirmed that it will continue to provide supplementary funding to local authorities for maintained nursery schools in 2020/21. The supplementary funding for Hillingdon in 2020/21 is £230k and the proposal is that this will be passed to McMillan Nursery school in full to reduce the impact of the removal of the lump sum as a supplement for maintained nursery schools.

Additional 15 hours Free Entitlement

40. Hillingdon has received £4,637k to fund the additional 15 hours free entitlement for eligible children in 2020/21. This funding will be adjusted to reflect actual numbers accessing the entitlement and therefore this funding will be earmarked in full for the delivery of the additional 15 hours free entitlement.

Disability Access Funding

41. The Government introduced a new targeted early years Disability Access Fund in 2017/18, to enable a fixed lump sum payment of £615 per eligible child per year to be paid to early years settings that are providing a free entitlement place for 3 & 4 year olds. The funding is ring-fenced with the purpose of aiding access to places for those children with a disability. Funding will be passed straight to providers with eligible children and the provider is then responsible for the use of the funding. The Hillingdon allocation of this funding in 2020/21 is £92k.

Two Year Old Provision

42. The funding rate to local authorities for disadvantaged two year olds has increased to £6.00, which is now in line with the rate paid to providers so there is no proposed change to the hourly rate of £6.00 per hour. The current budget for Two Year Old provision is £2,217k, and based on the current numbers there is no proposed change to the current base budget for this.

SEN Inclusion Fund

43. All local authorities were required to establish SEN inclusion funds for 3 & 4 year olds in their local funding systems from April 2017. The SEND Advisory service work with early years providers to determine how best this funding is distributed with the focus on children with lower level or emerging SEN. It is proposed that the £200k allocated to the SEN inclusion fund is retained and that this is taken from the early years block. The SEN inclusion funding will be included in the 95% pass through to providers and therefore does not count in the 5% that local authorities can centrally retain in 2020/21.

Early Years Centrally Retained

Provision for Vulnerable Children Placements

44. The £139k budget for the placement of vulnerable early years children is again projected to underspend in 2019/20, due to a lower than expected number of referrals being made for additional funding. However, it is recognised that identification of the children is ongoing and therefore there is no proposal to reduce this budget in 2020/21.

Family Information Service

45. The Family Information Service (FIS) team helps parents to access the free early years provision that they are entitled to for their children. This relates to the universal entitlement to free early education for all three and four year olds and also covers the entitlement to free childcare for the most disadvantaged two year olds. The FIS consists of the FIS Manager, 4.0 (FTE) FIS Officers and a Parental Childcare Advisor and the proposed budget for 2020/21 is £252k.

Early Years Advisory Service

46. The Early Years Advisory service provides targeted support, advice and guidance to all early years settings (including schools and Private Voluntary and Independent Nursery providers). Given the need to find savings within the centrally retained DSG, a savings target was allocated against this budget in 2019/20 giving a budget of £195k. The majority of this saving has been achieved through vacant posts whilst a full review of the Education service is on-going.

Early Support Team

47. The Early Support team consists of 3.2 (FTE) Home Portage Visitors who support parents and carers helping to build resilience within families with children and young people with additional needs or disabilities. The proposed budget for this team in 2020/21 is £146k.

Central School Services Block

School Admissions

48. The School Placement and Admissions team has seen a continued increase in individuals accessing the service provided. This increased workload resulted in resources being over stretched in 2019/20 and Schools Forum therefore agreed in October 2019 to fund an increase in the team.

The changes were an additional 1 FTE post on a temporary basis along with the grades of two Senior Officer posts being increased to reflect that they are taking on more complex tasks. This has resulted in an additional budget requirement of £35k in 2020/21, increasing the budget to £340k.

Non-statemented LAC placements

49. There is a continuing pressure linked to the number of looked after children who have been placed out of borough in residential provision. The DSG only funds the education element of these placements, but there is an on-going pressure resulting in a requirement to increase the current budget for these placements to £508k.

Pupils Out of School

50. The local authority currently commissions fifty places at the in-borough alternative provision setting. The historic trend is for numbers at the start of the academic year to be below this number before gradually building up. However, current numbers are projected to be in excess of the commissioned number, resulting in an additional cost pressure and a requirement to increase the current budget. As a result of this, the local authority are working with the provider to review the number of commissioned places.

Support Service Costs

51. A proportion of the total support services costs for central services at the Local Authority are charged to the DSG under a nationally agreed model, which has historically been capped at the current rate. It is not proposed to amend this budget for 2020/21, though this area will be subject to on-going review.

ESG retained services

52. In the 2015 Spending Review, the DfE announced that ESG funding would cease in 2017/18 and that for those services defined as retained duties previously funded through the ESG, the funding and responsibility would be transferred into the DSG. The Schools Revenue Funding Operational Guide provides the definition of those services deemed to be retained duties. The DSG baseline includes a sum of £754k for retained duties, and it is proposed that this figure is retained in 2020/21 to fund these services.

Copyright Licences

53. The ESFA procures copyright licences centrally for all schools and the cost is then charged to the DSG. The ESFA have informed that the cost for 2020/21 will be £233k, which is a £3k increase to the 2019/20 budget.

High Needs Block

Planned Place Numbers

54. There have been a number of changes to planned place numbers as specified in the table overleaf (there is also funding set aside for estimated growth in Special School places during the year);

Special School	Change in Place Number	Month Change Effective	Change in Funding 2020/21 £
Moorcroft	10	Sep 2020	58,333
Hedgewood	5	Sep 2020	29,167
Estimated Growth	20		200,000
Total Special Schools	35		287,500
SRP	Change in Place Number	Month Change Effective	Change in Funding 2020/21 £
Oak Wood	4	Apr 2020	40,000
Ruislip High	6	Sep 2020	35,000
St Martin's	2	Sep 2020	11,667
SRP Total	27		86,667
Grand Total	62		374,167

55. Academies receive planned place funding directly from the ESFA. This funding is included in the amount recouped from the High Needs block.

SEN Top-up Funding

56. There is no proposal to make any changes to the banded funding model for the distribution of top-up funding in 2020/21. However, it is still on the High Needs sub-group work-plan to review the current model in order to identify opportunities for improving the effectiveness and efficiency of the resource allocation process for children with SEN. The 2020/21 budgets for top-up funding have been increased by £2,746k to reflect current expenditure.

Independent & Non-Maintained Special Needs

57. The Council has seen an increase in the number and total spend on SEN placements in Independent and Non-maintained schools in the last year, predominantly as a result of a lack of capacity within in-borough provision. In the last two years the budget has been reduced to reflect expected savings based on the pupil age profile, but these savings have not been achieved. For 2020/21 the budget has been increased by £2,000k to reflect the

current spend and some projected growth. There has also been an increase in the level of contributions from Health and Social Care towards these placements which has off-set some of the total increase.

Post-16 Special Educational Needs Placements

58. 2019/20 has seen continued growth in the number of post-16 pupils with special educational needs requiring college placements. Currently the budget for post-16 college placements is £3,732k (split between FE Colleges and Independent Specialist Providers). Assuming further growth in numbers from September 2020 the budget has been increased by £1,000k. Further detail on these placements will be reported to the High Needs sub-group throughout the year.

SEN Advisory Service

59. Following a full transformation of the SEND teams in 2019/20, the SEND Advisory Service has been created to provide advice and guidance to educational settings to ensure they are able to meet the needs of most children and young people within their own resources. This realignment of posts has created an additional £90k cost to the DSG, however the expectation is that over time this will be off-set by a reduction in the number of EHCPs issued, through early intervention and support.

2% Threshold

60. The 2% threshold recognises those schools that have a disproportionate number of pupils with SEN and distributes an additional £6k funding for each pupil over the 2%. The threshold was set a number of years ago and when the mechanism was introduced the number of pupils with a Statement of SEN in a mainstream schools was on average 2% of the total school population. Given that the SEN 2019 data indicates that the average percentage of pupils with an EHCP is now closer to 3%, schools were consulted on whether to increase the threshold to 2.5% or 3%.

61. It was agreed at Schools Forum in December 2019 that the threshold would be increased to 2.5% for 2020/21, but that this would be dependent on the decision regarding the transfer of funds from the Schools Block (i.e. if a block transfer is agreed, then the threshold should stay at 2%).

SEN Exceptional Funding and SEN Tuition

62. Over the last year there has been a significant increase in the number of mainstream schools applying for exceptional SEN funding to address the needs of pupils before and during the EHCP process. The increase is a consequence of the increasing complexity being seen in some cases with schools needing additional resource in order to maintain the placement in mainstream provision. This has also had an impact on the number of pupils with SEN accessing specialist out of school tuition. The overall impact of this has resulted in a £250k increase to the budget requirement for 2020/21.

Proposed DSG Budget for 2020/21

63. The following table summarises the final DSG Budget by funding block for 2020/21:

Funding Block		£
Schools Block	Income	(231,467)
	Expenditure	231,467
	Net Total	0
High Needs Block	Income	(45,773)
	HN Recoupment	8,624
	HN Recoupment adj	(33)
	Expenditure	43,207
	Net Total	6,025
Early Years Block	Income	(25,672)
	Expenditure	25,547
	Net Total	(125)
Central School Services Block	Income	(2,604)
	Expenditure	3,879
	Net Total	1,275
Grand Total		7,175

64. The following table details the final DSG Budget for 2020/21:

Funding Block	Cost Centre description	Proposed Budget £'000
Schools	Schools Block Funding	(231,467)
Schools	Individual Schools Budget	229,692
Schools	Growth Fund Contingency	1,775
	Schools Block Total	0
Early Years	Early Years Block Income	(25,672)
Early Years	Early Years Single Funding Formula	17,023
Early Years	Early Years Single Funding Formula (additional 15 hrs)	4,637
Early Years	Maintained Nursery School Supplementary Funding	230
Early Years	Disability Access Fund	92
Early Years	SEN Inclusion Fund	200
Early Years	Core Childcare & Early Years (FIS)	252
Early Years	Early Years Advisory Teachers	195
Early Years	Early Support Team	146
Early Years	Provision for Vulnerable Children Placements	139
Early Years	Early Years Overheads	293
Early Years	Early Years Pupil Premium	123
Early Years	2YO Funding	2,217
	Early Years Block Total	(125)
High Needs	High Needs Block Income	(45,773)
High Needs	High Needs Block Academy Recoupment	8,624
High Needs	Estimated HN Recoupment adjustment	(33)
High Needs	Maintained ASB	4,507
High Needs	Top-up funding	24,002
High Needs	Independent placement provision (pre-16)	6,561
High Needs	Independent placement provision (post-16)	1,502
High Needs	FE college top up funding	3,229
High Needs	Hospital Tuition	75
High Needs	SEN Therapies	542
High Needs	2.5% Threshold Mechanism	834
High Needs	Non-statemented pupils - exceptional funding	100
High Needs	Tuition - SEN out of school	275
High Needs	SEN Support Services	1,325
High Needs	High Needs Overheads	255
	High Needs Block Total	6,025
Central Schools	Central Schools Block Funding	(2,604)
Central Schools	DSG Funded Business Support	30
Central Schools	Schools Forum	5
Central Schools	School Placements & Admissions	340
Central Schools	Hillingdon Virtual School	599
Central Schools	Non-statemented LAC placements	508
Central Schools	Education Safeguarding	169
Central Schools	Pupils Out of School	931
Central Schools	Copyright Licences	233
Central Schools	ESG Funded Services	754
Central Schools	Central Schools Block Overheads	310
	Central Schools Block Total	1,275
	Grand Total	7,175

65. The following table details the proposed budget movements between 2019/20 and 2020/21:

Cost Centre description	2019/20 Budget £000	Movement £000	2020/21 Proposed Budget £000
Schools Block Funding	(218,649)	(12,818)	(231,467)
Individual Schools Budget	213,696	8,821	229,692
Growth Fund Contingency	1,454	321	1,775
Schools Block Total	(3,499)	(3,676)	0
Early Years Block Income	(25,343)	(329)	(25,672)
Early Years Single Funding Formula	16,490	533	17,023
Early Years Single Funding Formula (additional 15 hrs)	4,575	62	4,637
Maintained Nursery School Supplementary Funding	230		230
Disability Access Fund	104	(12)	92
SEN Inclusion Fund	200		200
Core Childcare & Early Years (FIS)	245	7	252
Early Years Advisory Teachers	182	13	195
Early Support Team	142	4	146
Provision for Vulnerable Children Placements	139		139
Early Years Overheads	293		293
Early Years Pupil Premium	123		123
2YO Funding	2,217		2,217
Early Years Block Total	(403)	278	(125)
High Needs Block Income	(40,484)	(5,289)	(45,773)
High Needs Block Academy Recoupment	8,529	95	8,624
High Needs Recoupment Adjustment	0	(33)	(33)
Maintained ASB	3,447	1,060	4,507
Top-up funding	21,256	2,746	24,002
Independent placement provision (pre-16)	4,561	2,000	6,561
Independent placement provision (post-16)	1,002	500	1,502
FE college top up funding	2,729	500	3,229
Hospital Tuition	75		75
SEN Therapies	472	70	542
2.5% Threshold	604	230	834
Non-statemented pupils - exceptional funding	32	68	100
Tuition - SEN out of school	93	182	275
SEN Support Services	1,235	90	1,325
High Needs Overheads	255		255
High Needs Block Total	3,806	2,219	6,025
Central Schools Block Funding	(2,818)	214	(2,604)
DSG Funded Business Support	30		30
Schools Forum	5		5
School Placements & Admissions	305	35	340
Hillingdon Virtual School	599		599
Non-statemented LAC placements	188	320	508
Education Safeguarding	166	3	169
Pupils Out of School	327	604	931
Copyright Licences	230	3	233
ESG Funded Services	754		754
Central Schools Block Overheads	310		310
Central Schools Block Total	96	1,179	1,275
Grand Total	0	0	7,175

Financial Implications

This is a financial report dealing with funding issues affecting schools. The financial impact on Schools Delegated Funding, is that schools will see an increase in per pupil funding when compared with 2019/20 following the significant increase in the Schools Block funding. It should be noted that school budgets are protected by the Minimum Funding Guarantee level of 0.5% of per pupil funding.

The DSG has competing demands across the four funding blocks (Early Years, Schools, High Needs and Central School Services), with particular pressures in High Needs, where any increase in funding has not been sufficient to meet the cost of High Needs growth relating to the actual growth in pupil numbers along with complexity of need experienced over the period. The implementation of the ring fenced arrangement between the relevant funding blocks has resulted in a shortfall of funding in the High Needs block with a balanced budget only possible through transferring 3.1% of Schools Block funding. As noted in paragraph 3 of this report the Secretary of State refused the Council's disapplication request to affect this transfer.

The proposals in this report do not provide any additional resources that can be used to offset the cumulative deficit accruing on the DSG, which at Month 8 stands at a deficit of £13.6 million.

It is expected that the implementation of the 'hard' National Funding Formula will have a significant impact on the ability of Schools Forum to set a balanced budget in future years as the restrictions on the transfer of funds from the School Block will remain, at a time where there is an expectation that the cost of high needs placements will continue to grow.

As the Council has undertaken a major review of the funds centrally retained and made significant savings over the last few years, there is very limited, if no option to reduce the budgets further to cover the £7,175k budget deficit.

The proposals contained within this report do not affect the General Fund proposals that are considered elsewhere on this agenda, as the School Budget is funded from the ring-fenced Dedicated Schools Grant.

RESIDENT BENEFIT & CONSULTATION

What will be the effect of the recommendation?

The approval of the recommendations as set out in this report will enable the distribution and confirmation of the funding arrangements for schools for 2020/21, including the final individual school budget shares, which have to be distributed to schools on or before 29 February 2020.

Consultation Carried Out or Required

The Council is required to consult with the Schools Forum on any changes to the school funding formula and the Early Years Single Funding Formula as prescribed in the Schools Forums (England) Regulations 2012, which are covered in this consultation paper. The Schools Forum has a limited range of decision making powers with regards to school funding. In most aspects

the Schools Forum role is to advise the Council on decisions that rest with Cabinet, such as the school budget.

The main role of the Schools Forum is to consult with schools on proposed changes to funding arrangements, including any changes to the school funding formula. For 2020/21, the consultation with schools revolved around the transfer of funds out of the Schools Block and proposed changes in High Needs funding. The formal consultation ended on 8 December 2019.

CORPORATE CONSIDERATIONS

Corporate Finance

Corporate Finance notes that the Schools Budget is wholly funded through the Dedicated Schools Grant and that the Department for Education have been clear that they do not expect local authorities to finance deficit from the General Fund. As a result, the attached budget proposals and cumulative deficit, which could potentially reach £20,827k by 31 March 2021, are assumed to not impact on the Council's broader budget proposals and ultimately be funded by the Government.

The Council and Schools Forum have worked collaboratively on development of the 2020/21 budget, which despite previously securing significant savings in the centrally managed areas of the budget continues to show a material deficit for the forthcoming financial year. In order to make good this shortfall the Council submitted a disapplication request to the Government, which would have allowed up to 3.1% funds to be transferred from the Schools Block, and thereby eliminated the £7,175k budget deficit. This was not approved by the DfE, however at the same time they issued revised DSG Conditions of Grant which reiterated the position that such deficits and overspends should not be financed from general reserves.

In view of there being no transfer from the Schools funding block to the High Needs Funding block this draft budget includes a 4.1% uplift across all individual schools budgets.

Legal

The Borough Solicitor confirms that this budget has been set in accordance with the Schools and Early Years Finance (England) Regulations 2018.

BACKGROUND PAPERS

NIL