

<b>Schools Forum</b>			
<b>REPORT TITLE</b>	<b>Dedicated Schools Grant (DSG) 2019/2020 Update</b>		
<b>KEY DECISION</b>	<b>No</b>	<b>Item No.</b>	<b>5</b>
<b>WARD</b>	<b>N/A</b>		
<b>CLASS</b>		<b>Date</b>	<b>17<sup>th</sup> October 2019</b>

## 1. Purpose of the Report

- 1.1. This report provides a regular update on the DSG to Schools Forum. The report proposes a more formulaic approach the application of the Early Years 3 & 4 year old funding to better support clarity.

## 2. Recommendations

- 2.1. Schools Forum is recommended to:

- 2.1.1. Note the contents of this report and to agree the formalisation of the formulaic approach to the three and four year old funding entitlement.
- 2.1.2. Agree the application of the final settlement for 2018/19 of £186k to the deprivation factor within the three and four year old entitlement funding to provide transitional support
- 2.1.3. Support a review of the Deprivation Factor (2020/21) for consideration by the Schools Forum.
- 2.1.4. Agree that the Head of Early Years brings an annual report to Schools Forum.

## 3. DSG 2019/20

- 3.1. Table 1 below shows the updated July 2019 DSG position.

Timing	2019-20 DSG allocations, prior to recoupment and deductions for direct funding of high needs places by ESFA					2019-20 DSG allocations, after deductions for academies recoupment and direct funding of high needs places by ESFA				
	2019-20 schools block (£million)	2019-20 central school services block allocation (£million)	2019-20 high needs block allocation (£million)	2019-20 early years block (£million)	2019-20 total DSG allocation (£million)	2019-20 schools block (£million)	2019-20 central school services block allocation (£million)	2019-20 high needs block allocation (£million)	2019-20 early years block (£million)	2019-20 total DSG allocation (£million)
July	£209.65	£5.42	£51.50	£24.53	£291.09	£178.18	£5.42	£50.73	£24.53	£258.85
Dec	£209.65	£5.42	£51.61	£24.21	£290.88	£209.65	£5.42	£50.88	£24.21	£290.15
<b>Increase/Decrease</b>	£0.00	£0.00	<b>-£0.11</b>	£0.32	£0.21	<b>-£31.47</b>	£0.00	<b>-£0.15</b>	£0.32	<b>-£31.30</b>

**Table 1**

3.2. At this stage the overall DSG position is expected to be on target with the settlement.

#### 4. Schools Block

4.1. Overall at gross level, the allocation for Lewisham remains at £209.65m. The net position is adjusted for recoupment with regards to the amount the ESFA will top slice to fund Lewisham academy schools.

#### 5. Central School Services Block

5.1. There is no change to this element. This budget remains at £5.42m

#### 6. High Needs Block

6.1. There is an overall reduction in our gross allocation of £108k. This is the adjustment for high needs places between “exported” places (children placed in other LAs) and “imported” places (children from other LAs placed in Lewisham schools).

6.2. The net position shows a further adjustment of £42k reflecting ESFA adjustments for academy schools.

6.3. The overall impact for the LA is predicted to be net neutral.

#### 7. Early Years Block

7.1. Overall Lewisham has received an increase in its allocation of £320k. Variance is shown in Table 2:

Timing	2019-20 Early Years National Funding Formula (EYNFF) LA hourly rate for 3 and 4 year olds (£ / hr)	2019-20 Part time equivalent (PTE) 3 and 4 year old child numbers for universal entitlement funding for 2019-20 (PTE)*	2019-20 initial funding allocation for universal entitlement for 3 and 4 year olds (£millions)	2019-20 PTE 3 and 4 year old child numbers for additional 15 hours entitlement for eligible working parents for 2019-20 (PTE)*	2019-20 Initial funding allocation for additional 15 hours entitlement for eligible working parents of 3 and 4 year olds (£millions)	2019-20 LA hourly rate for 2 year old entitlement (£ / hr)	PTE child numbers for 2 year old entitlement funding for 2019-20 (PTE)*	2019-20 initial funding allocation for 2 year old entitlement (£millions)	2019-20 Initial funding allocation for Early Years Pupil Premium (£millions)	2019-20 Initial funding allocation for Disability Access Fund (£millions)	2019-20 Initial allocation for maintained nursery school supplementary funding (£millions)	2019-20 total early years block (£millions)
July	5.62	4,820.54	£15.44	1,657.90	£5.31	£6.50	855.43	£3.17	£0.08	£0.08	£0.44	£24.53
Dec	5.62	4,860.98	£15.57	1,560.45	£5.00	£6.50	811.88	£3.01	£0.10	£0.08	£0.44	£24.21
Increase/Decrease	0.00	-40.44	-£0.13	97.45	£0.31	£0.00	43.55	£0.16	-£0.02	£0.00	£0.00	£0.32

Table 2

7.2. Headline movement within the EY block is shown in Table 3:

Movement- EY Block	£
	-
3 & 4 year old 15 hours	£129,546
3 & 4 year old additional 15 hours	£312,171
2 year old	£161,353
Pupil premium	-£21,476
Disability Access Fund	£0.00
Maintained Nursery Supplementary Fund	0
Net movement	£322,503

**Table 3**

- 7.3. It should be noted that with there is a general expectation that EY funding is spent for the purpose intended. The funding of the three and four year old entitlement within the wider EY block is governed by rigorous guidelines. It is suggested to Forum that the current adaption of three and four year old funding formula needs to be adjusted to better meet these conditions.
- 7.4. Local Authorities must ‘passthrough’ 95% of EY funding to providers, thus with they have the ability to retain 5% for central EY activity. The passthrough element includes the basic hourly rate and the applied deprivation factor; the set-aside EY Inclusion Fund allocated through agreed protocol to support individual children and a contingency.
- 7.5. Lewisham currently retains only 3.8% for central EY activity as it has been set on a historic basis.
- 7.6. EY central activity not only facilitates the collection of headcounts and financial processes to get the money out to settings, it also delivers a range of activity to ensure that children access their free entitlements in high quality provision. This includes information for parents to increase take-up (a key priority); quality improvement framework to support settings to improve practice, inclusion and outcomes; ensuring delivery on priorities such as health, mental health; underachieving groups; parenting support and transition to school. We propose that the Service Manger for Early Years reports annually to forum on the allocation of EY central funds.
- 7.7. The deprivation factor should be calculated within the formula as a percentage of the three and four year old funding element within the EY block. In Lewisham it has historically been calculated as a percentage of the entire EY block. This is not the correct application. In 2018/19 the deprivation factor was £864k.
- 7.8. A recommended formulaic approach which will better meet funding guidelines and enable budgets to flex in line with movement in take-up is outlined here and in Table 4:
- 7.8.1. Lewisham is funded at £5.62 per child
  - 7.8.2. Our basic hourly rate to settings is set at £5.00 per hour as agreed by Schools Forum. This accounts for 89% of the available funds.
  - 7.8.3. 5% of funds for central EY activity equates to 28p per hour.

7.8.4. 2% (or £0.12) would be required to maintain the EY Inclusion Fund at circa £450k as discussed previously with Forum. Based on the current projected numbers, this is equivalent to £443k

7.8.5. Proposal for 1% (or £0.05) contingency to deal with any volatility in numbers which would have an impact on all associated budgets.

7.8.6. Proposed 3% (or £0.17) for deprivation factor. This would deliver a budget of £627k.

7.9. The DFE has awarded an increase for 2018/19 of £186k. It was previously agreed at Forum that any unallocated additional funds would be put in the EY Inclusion Fund.

7.10. Schools Forum will note that the revised deprivation figure will leave a gap of £237k between the 2018/19 figure of £864k and the £627k. For 2019/20, it is proposed that the £186k additional funding is used to support the deprivation factor to keep this in line with prior year positions, with contingency meeting the remainder. This would mean that there are no unallocated funds available for the EY Inclusion fund.

7.11. With Forum's agreement, going forward, the three and four year old funding formula would deliver the three and four year old entitlement budget as outlined in Table 4.

%	<b>£5.62</b>	Split	Purpose
89%	£5.00	£18,463,548	Hourly rate
3%	£0.17	<b>£627,761</b>	Deprivation
2%	£0.12	£443,125	EY Inclusion Fund
1%	£0.05	£184,635	Contingency
5%	£0.28	£1,033,959	LA retained central EY activity
	£5.62	£20,753,028	
		<b>Total Hours</b>	<b>Total Funding</b>
PTE	4,861	2747707	£15,442,111
	1,658	945003	£5,310,917
	<b>Total</b>	<b>3692710</b>	<b>£20,753,028</b>

7.12. The current method of applying the deprivation factor is very cumbersome and works on the basis of:-

- I. identification of number of pupils in IDACI 21%
- II. exclude settings where the number is less than 5
- III. weighting based on banding structure to recognise number of pupils with IDACI
- IV. enhanced threshold of £271.20 for every child if the number of pupils is greater than 20.

7.13. Whilst it can be appreciated that the method aims to best target need, it is overcomplicated, funding is not 'following the child' in smaller settings and it actually excludes funding to some settings which are small and potentially most likely to benefit from funding.

7.14. It is proposed that a paper be presented to the December meeting of schools forum to lay out a less complicated, more transparent and equitable funding model for Early Years.

## 7.15. Supplementary Factor for Maintained Nursery Schools (MNS)

- 7.15.1. Schools Forum should note that the MNS supplementary factor is currently noted at £441k for 2019/20. This is a protection arrangement to fund MNS in addition to the above £5.62 hourly allocation to the LA. This is allocated to between the two nursery schools as an enhancement of £2.70 per hour on a place-filled basis. The funding can only be allocated across the two MNS. Options will be considered with the relevant schools to consider if it is possible to simplify the method to enable the MNS to have more upfront stability. Lewisham is currently awaiting information from the DfE regarding 2020/21 funding arrangements including the detail supporting supplementary funding.

## 8. Further Information

- 8.1. Should you require any additional information regarding the items contained in this report please contact:

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