

SCHOOLS FORUM

Meeting date: 13th January 2021

**From: Dan Barton
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DEDICATED SCHOOLS GRANT BUDGET 2021-22

1.0 EXECUTIVE SUMMARY

- 1.1 *This report informs the Schools Forum of the 2021-22 Dedicated Schools Grant (DSG) budget. The total Dedicated Schools Grant budget to be allocated in 2021-22 is £412.667m. This is to fund all schools (both maintained and academies), and also covers both early years (including PVI providers) and high needs provision.*
- 1.2 *The DSG settlement for 2021-22 includes the roll in of the Teacher Pay Grant (TPG) and Teachers Pension Employers Contribution Grant (TPECG) which was previously paid separately to schools.*
- 1.3 *The Schools Forum is asked to note the Dedicated Schools Grant budget for 2021-22, the proposed allocation of the Schools Block, the reduction against the Central Schools Services Block and the proposed increase in the basic hourly rate for 2 and 3-4 year olds through the Early Years Funding Formula and approve the Early Years block centrally retained expenditure, the Growth Fund and Central Schools Services Block budgets for 2021-22.*

2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

- 2.1 *Ensuring that Cumbrian schools are funded appropriately is supportive of the Council Plan outcome that ‘People in Cumbria are healthy and safe.*

3.0 RECOMMENDATION

- 3.1 *The Schools Forum is asked to note:*

- *the Dedicated Schools Grant settlement for 2021-22;*
- *the proposed increase in the basic hourly rate for 2 and 3-4 year olds;*
- *the proposed allocation of the Schools Block and 0.5% transfer to High Needs Block;*

- *the reduction against the Central School Services Budget.*

3.2 *The Schools Forum is recommended to approve:*

- *the centrally retained Early Years expenditure budget of £0.575m;*
- *the Central Schools Services Block budget of £4.184m;*
- *the growth fund budget of £0.200m.*

4.0 **BACKGROUND**

DEDICATED SCHOOLS GRANT ALLOCATION 2021-22

4.1 Schools Forum at their meeting on 27th November 2020 agreed to recommend to Cabinet that Cumbria should adopt the National Funding Formula (NFF) for 2021-22 as in previous years and that, once the NFF has been applied in full to calculate school budget shares, any surplus balance remaining is transferred to the High Needs Block up to a maximum of 0.5%. The Schools Forum also agreed that after calculating the budget shares on this basis, if there was any excess balance remaining after transferring 0.5% to the High Needs Block and after taking into account the growth fund budget that the excess should be allocated through the school funding formula by increasing the Age Weighted Pupil Unit (APWU) factor. Cabinet subsequently approved this recommendation on 17th December 2020.

4.2 The total DSG grant allocation for Cumbria for 2021-22 is £412.667m. This is to fund all schools (both maintained and academies), and also covers both early years (including PVI providers) and high needs provision.

4.3 The total allocation is split into the following blocks per the schedule from DfE. The equivalent blocks for 2020-21 as at December 2020 are also shown below:

	20/21	21/22	Movement
	£m	£m	£m
Schools Block	302.212	326.270	24.059
HN Block	48.623	53.759	5.136
Central Services Block	4.419	4.184	-0.236
Early Years	28.066	28.453	0.387
Total	383.321	412.667	29.346

4.4 The Early Years Block has increased by £0.387m comprising of:

- An increase in the hourly rate of £0.06 for 3 and 4 year olds free entitlement totalling £0.329m;
- An increase in the hourly rate of £0.08 for 2 year olds free entitlement totalling £0.048m;

- An increase in the initial funding allocation for Disability Access Fund of £0.010m.

The initial supplementary funding for Maintained Nursery Schools has remained at the same level as in 2020-21 at £0.592m. The early years block is a provisional allocation and is expected to be updated in July 2021 based on pupil numbers as at the January 2021 census although this is yet to be confirmed.

The TPG and TPECG has not been rolled into the Early Years block and the DfE have announced that this will continue to be paid separately to institutions during 2021-22.

4.5 The Schools Block allocation comprises of 3 elements, core NFF funding, premises and growth funding. The allocations for 2021-22 are shown in the table below compared to the allocations for 2020-21:

	20/21	21/22	Movement
	£m	£m	£m
Core NFF	295.754	319.785	24.031
Premises factor	4.261	4.865	0.603
Growth Fund	2.197	1.621	-0.576
Total	302.212	326.270	24.059

The allocation for the Schools Block, which funds both maintained schools and academies, has increased by £24.059m. Of this increase £14.582m relates to the roll in of the TPG and TPECG that was previously paid separately.

The core NFF element is calculated by applying the NFF at school level using the October 2019 pupil data which is then aggregated to arrive at a primary and secondary unit of funding. The units of funding were published in September 2020 and are multiplied by the October 2020 pupil numbers to form the core NFF funding at Local Authority level for 2021-22.

The premises funding is based on actual 2020-21 premises costs. The growth funding is calculated by observed differences between the primary and secondary pupil numbers on roll between the October 2019 and October 2020 school censuses in each middle layer super output area (MSOA) multiplied by a primary or secondary unit of funding.

The increase in the Schools Block of £24.059m therefore comprises of:

- Roll in of TPG and TPECG £14.582m;
- Increase in PUF and SUF unit values following increases to the NFF factors £9.710m;
- A decrease in primary pupil numbers of 325 and an increase in secondary pupils numbers of 231 resulting in a net decrease relating to pupil numbers of (£0.261m);

- An increase in premises funding of £0.603m;
- A decrease in growth funding of (£0.576m).

4.6 The updates to the NFF reflect the following changes as previously reported:

- the minimum per pupil funding level has increased from £3,750 to £4,180 for primary schools, and from £5,000 to £5,415 for secondary schools;
- the maximum value for the sparsity factor, which supports small and rural schools, has increased from £26,000 to £45,000 for primary schools, and from £67,600 to £70,000 for secondary schools;
- increases across all other formula factors averaging 4.5%
- a +2% minimum per pupil funding increase compared to 2020-21 baselines.

4.7 The High Needs Block allocation is £53.759m but £4.208m is deducted by the ESFA in respect of places directly funded by the ESFA including places in academy special schools. The High Needs Block allocation, before deduction for directly funded places has increased by £5.136m. As with the Schools Block, this reflects the roll in of the TPG and TPECG and other increases as shown below:

High Needs Block

	£m	£m
2020-21 allocation as at November 2020		48.623
Age 2 to 18 population per head increase	4.419	
Roll in TPG and TPECG	0.673	
Hospital Education factor increase	0.070	
Reduction in Special School and NMSS pupil numbers	-0.026	
		5.136
2021-22 allocation		53.759

4.8 The age 2 to 18 population per head increase represents an increase of 8.87% compared to 2020-21. The roll in of the TPG and TPECG will in part be passported to special schools and PRUs which are funded from the High Needs Block, but will also offset higher fees from independent providers due to the impact of uplifts in teachers pay and pensions.

4.9 There will be further adjustments for direct funding for academy and further education high needs places to reflect commissioned places for the academic year 2021-22 later in the financial year.

4.10 The Central Schools Services Block consists of 2 elements; historic commitments and ongoing commitments. The decrease in Central Schools Services Block of (£0.236m) comprises of:

- An increase in the per pupil unit rate of £1.21 offset by a reduction in pupil numbers totalling £0.072m;

- Roll in of TPG and TPECG for centrally employed teachers £0.193m;
- A decrease of 20% against the 2020-21 baseline for the historic commitments element of (£0.501m).

Since 2020-21 the DfE have committed to reduce the historic commitments element by 20% annually. In 2020-21 this equated to a reduction of (£0.583m) and a further (£0.501m) in 2021-22.

DEDICATED SCHOOLS GRANT BUDGET FOR 2021-22

4.11 As set out in the DSG grant conditions, the funding blocks for 2021-22 except Schools Block are not ring-fenced and funding can be moved between the blocks. The Schools Block is ring-fenced, however up to a maximum of 0.5% can be transferred from the Schools Block to other blocks with the agreement of Schools Forum, to form a Local Authority's DSG budget for the financial year.

Early Years Block

4.12 The Early Years Block Budget for 2021-22 is £28.453m. The equivalent budget for 2020-21 as at December 2020 is £28.373m which included £0.307m drawn down from DSG earmarked reserves.

4.13 The table below shows how the Early Years Block budget is comprised:

	£m	£m
Delegated to providers through the Early Years National Funding Formula (2, 3 and 4 year olds including the increase to 30 hours free entitlement for eligible 3 and 4 year olds from September 2017) This also include the Early Years Pupil Premium, Disability Access Fund and Maintained Nursery Schools supplementary funding.		27.695
Centrally Retained Early Years Budgets:		
Contribution to Early Years Team	0.215	
Early Years Sustainability Grant	0.100	
Early Years Inclusion Fund	0.260	
Total Centrally Retained Early Years Budgets:		0.575
Early Years Elements of the De-delegated Budgets:		
Contingencies	0.043	
Insurance	0.044	
Staff Costs	0.064	
Library and Museum Services	0.031	
Total Early Years Elements of the De-delegated Budgets:		0.183
Total Early Years Block Budget		28.453

4.14 The funding delegated to providers includes the basic hourly rate for 2 and 3-4 year olds free entitlement. As the local authority has received an increase in the base rate of £0.06 for 3-4 year olds and £0.08 for 2 year olds

is it proposed that the full increase is passed onto providers increasing the current rates from £5.28 to £5.36 for 2 year olds and from £4.08 to £4.14 for 3-4 year olds from 1st April 2021.

- 4.15 In line with the Schools Forum regulations, the Schools Forum must approve the centrally retained early years expenditure budget of £0.575m detailed above. These comprise funding of staff directly involved in administering the early years single funding formula for 2, 3 and 4 year olds and the early years pupil premium (£0.215m), the Inclusion Fund for early years providers (£0.260m) and the Sustainability Grant for PVI providers (£0.100m).

Schools Block

- 4.16 The Schools Block Budget for 2021-22 is £326.270m. This block is ring-fenced and must be delegated to schools, however, a growth fund budget is permitted and a budget of £0.713m for growth in 2020-21 was approved by Schools Forum at its meeting on 26th November 2019. Local authorities are also permitted to transfer up to 0.5% from the Schools Block to other blocks with the approval of Schools Forum. It should be noted that the calculation of the 0.5% must exclude the additional protected former TPG and TPECG funding of £14.582m therefore the maximum that can be transferred to the High Needs Block is £1.558m.
- 4.17 The allocation of Schools Block funding to schools is based on applying the NFF as detailed in paragraph 4.6. After calculating the school budget shares on this basis (which includes the required duty to deliver a minimum per pupil funding of £4,180 for primary and £5,415 for secondary schools) a total of £323.959m is required to be allocated to schools with a balance of £2.311m remaining. This has arisen due to the methodology that the ESFA use to calculate the NFF core funding at local authority level as explained in para 4.5.
- 4.18 As agreed by Cabinet on 17th December 2020 following Schools Forum recommendation any balance remaining up to a maximum of 0.5% after allocating the NFF in full to schools can be transferred to support the pressures on the High Needs block budget with any excess above this level to be delegated to schools through schools funding formula by increasing the Age Weighted Pupil Unit (AWPU) factors. After applying the £1.558m (0.5%) transfer to High Needs Block this leaves a balance of £0.753m unallocated.
- 4.19 There are restrictions on the use of Schools Block funding, however, as detailed in para 4.17 local authorities are permitted to retain a growth fund to support growth in pre-16 pupil numbers to meet basic need with the agreement of Schools Forum. Following a review of the 2020-21 Growth Fund budget where only £0.121m has been committed this year to date Schools Forum approval is sought to reduce the growth fund budget from £0.713m to £0.200m in 2021-22. As in previous years, any under or overspend against the Growth Fund will transfer to the DSG reserves or can be carried forward to support the Growth Fund in future years. Details of the Growth Fund allocations for 2020-21 are presented at Appendix 1. It is not

proposed to make any changes to the criteria for allocating the fund in 2021-22 which was agreed by Schools Forum on 17th January 2020.

4.20 If Schools Forum decide to approve the Growth Fund budget at £0.200m this leaves a surplus balance of £0.553m to allocate to schools through the school funding formula by increasing the basic Age Weighted Pupil Unit (APWU) factor within the NFF. However, the impact of increasing the APWU rates reduces the per-pupil Minimum Funding Level (MPL) and the Minimum Funding Guarantee (MFG) protection required within the formula.

4.21 Therefore, in order to distribute an additional £0.553m through the school funding formula it is necessary to increase the amount of funding allocated through the APWU factor by £1.131m as this additional funding is offset by a reduction in the level of protection funding required to be allocated to schools through the MPL of £0.423m and MFG of £0.155m as the below table demonstrates:

	NFF	Revised Formula	Movement
	£m	£m	£m
Basic APWU Entitlement	232.593	233.724	1.131
All other Factors	86.408	86.408	0.000
Minimum per-pupil Funding Level	3.667	3.244	-0.423
Minimum Funding Guarantee	1.292	1.137	-0.155
	323.959	324.512	0.553

4.22 The £1.131m increase in the APWU funding has been distributed across the primary, KS3 and KS4 unit values using the same ratios as applied within the national funding formula. The revised APWU rates are shown in the table below:

	NFF APWU Values 2021-22	NFF Ratio	Increase	Revised APWU Values 2021-22
Primary	£3,123	1	£15	£3,138
Key Stage 3	£4,404	1.41	£21	£4,425
Key Stage 4	£4,963	1.60	£24	£4,987

4.23 Therefore, the Schools Forum is asked to either:

Option A

- Approve a growth fund budget to £0.200m, or;

Option B

- Not approve to retain a growth fund budget.

4.24 If Schools Forum agree to adopt Option B the remaining balance of £0.200m would be distributed through the school funding formula in 2021-22 by making a further increase to the APWU factor rates.

4.25 It should be noted that the school allocations calculated in the Authority Proforma Tool (APT) are due to be submitted to the ESFA by 21st January 2021 and will be subject to validation and approval by the ESFA before final school budget shares can be confirmed.

De-delegation

4.26 As required by the DfE regulations, the total to be delegated to schools of £324.512m (on the basis of option A above) includes those budgets that the maintained school representatives on the Schools Forum agreed to be de-delegated to the Local Authority for 2021-22. Therefore, £2.583m of the total budget of £324.512m will be held centrally by the Local Authority to deliver the de-delegated services on behalf of maintained schools. It should be noted that the de-delegation does not apply to Academies.

4.27 The services that the de-delegated budgets apply to also impact maintained special schools and nursery schools and therefore an element is centrally retained in both the Early Years and High Needs Blocks for these services, although there is no de-delegation process for these two areas.

4.28 The table below presents the breakdown of the de-delegated budgets for 2021-22 by the three blocks, and provides a comparison to 2020-21:

	Schools Block	High Needs Block	Early Years Block	Total 2021-22	Total 2020-21	Variance
	£m	£m	£m	£m	£m	£m
Contingencies	0.615	0.008	0.043	0.666	0.666	0.000
Insurance	0.619	0.008	0.044	0.671	0.704	(0.033)
Staff Costs	0.912	0.011	0.064	0.987	0.987	0.000
Library Services	0.438	0.005	0.031	0.474	0.474	0.000
Total	2.583	0.032	0.183	2.798	2.831	(0.033)

High Needs Block

4.29 The High Needs Block initial allocation for 2021-22 is £53.759m before recoupment of direct funding of high needs places in academies and Further Education (FE) institutions. The equivalent allocation for 2020-21 is £48.623m, an increase of £5.136m.

4.30 It should be noted that, in the case of academies and FE institutions, place funding is deducted from the initial allocation of high needs funding from authorities by the ESFA and paid directly to institutions. The initial recoupment for academies and FE institutions is £4.208m.

4.31 Therefore, when taking into account the recoupment of academy and FE institutions high needs places the High Needs budget available is as follows:

	2021-22	2020-21 (as at Dec 2020)	Increase/ (Decrease in Grant)
	£m	£m	£m
High Needs allocation before recoupment for place funding in academies and FE institutions	53.759	48.623	5.136
Less recoupment for high needs places in academies and FE institutions	(4.208)	(4.119)	(0.089)
Transfer from Schools Block	1.558	1.511	0.047
Total High Needs Budget	51.109	46.015	5.094

The recoupment for High needs places will be updated in March 2021 to reflect the outcome of the place change notification process for academic year 2021-22 and is therefore provisional.

- 4.32 As previously reported to Schools Forum the High Needs Deficit Recovery plan discussed with the DfE in September 2020 predicted that the deficit would rise from £11.022m as at March 2019 to £15.190m as at March 2020 and £17.432m as at 31st March 2022. The plan already incorporated an anticipated increase in funding based on the provision HN allocations for 2021-22 published in September 2020. Taking into consideration the 0.5% Schools Block transfer of £1.558m the revised predicted deficit on the HN block for 2021-22 is £15.874m.
- 4.33 The latest budget monitoring report as at Q2 predicts that the deficit will rise to £15.131m by 31st March 2020 a reduction of £0.059m compared the recovery plan. Further work to update the recovery plan is ongoing and will be presented to the Schools Forum once complete. The PRU and Special School budgets are also being worked on and will be published at the end of February 2021.

Central Schools Services Block

- 4.34 The Central Schools Services Block budget for 2021-22 is £4.184m. The reduction in historic commitments element was largely dealt with in 2020-21 by reviewing service budgets and reducing the schools capital maintenance budget line, the shortfall of which was funded by CCC. For 2021-22 the DfE have reduced the historic commitments element by a further £0.501m but this has been partially offset by an increase in ongoing commitments funding of £0.072m. As the ongoing commitments budget lines can be maintained at 2020-21 levels, with the exception of the copyright licences budget as set by the DfE which has increased by £0.015m, this means that the surplus of £0.057m can be used to support the historic commitment budgets. A further review of service areas supporting schools has resulted in a saving of £0.017m however, this leaves a balance of £0.427m which has resulted in a further reduction against the schools capital maintenance budget as there is no room for manoeuvre against the long term prudential borrowing historic

commitment. Alternative funding to support the shortfall in the schools capital maintenance budget will be considered by Cabinet in finalising the Council's budget proposed in February 2021. The CSSB budget funds the following services in 2021-22 and is compared to 2020-21:

Historic Commitments including:	2021-22	2020-21	Increase/ (Decrease)
	£m	£m	£m
Contribution to Schools Related Council Budgets (Local Safeguarding Children Board, District Teams (education element), HR service supporting schools, Health and Safety team)	0.738	0.755	(0.017)
Capital maintenance in schools	0.785	1.212	(0.427)
Prudential Borrowing Costs for historic schools capital programme	0.596	0.596	0.000
Total Historic Commitments	2.119	2.563	(0.444)
Ongoing Commitments including:			
School Forum expenses including finance support to Schools Forum	0.104	0.104	0.000
Schools Admissions Team	0.324	0.324	0.000
Copyright licences purchased centrally for schools	0.447	0.432	0.015
Asset Management (formerly funded by ESG - retained duties element of ESG transferred into DSG in 2017-18)	0.103	0.103	0.000
Education welfare services (formerly funded by ESG - retained duties element of ESG transferred into DSG in 2017-18)	0.688	0.688	0.000
Statutory and regulatory duties with regard to schools (formerly funded by ESG - retained duties element of ESG transferred into DSG in 2017-18)	0.205	0.205	0.000
Total Ongoing Commitments	1.872	1.856	0.015
Centrally employed teachers pension employer contribution funding	0.193	0	0.193
Grand Total	4.184	4.419	(0.236)

4.35 It is expected that the historic commitments element of the Central Schools Services Block will continue to reduce by 20% each year as the DfE expect these commitments to unwind and LA officers will continue to work with the service areas affected.

4.36 The Schools Forum is asked to note the reduction to historic commitments and approve the Central Schools Services Block budget for 2021-22.

Next Steps

4.37 DfE has confirmed a deadline of 21st January 2021 for the submission of the final budget values for the Schools Block.

4.38 The deadline set by DfE for maintained schools to be notified of their budget by the Local Authority is 28th February 2021. Academies will be informed of their budgets by the Education Funding Agency by 31st March 2021.

5.0 OPTIONS

5.1 Schools Forum can:

- Note the Dedicated Schools Grant budget for 2021-22;
- Note the proposed increases in the basic hourly rates for 2 and 3-4 year olds;
- Note the proposed allocation of the Schools Block and 0.5% transfer to High Needs Block;
- Note the reduction against the Central School Services Budget.

and

- Approve the centrally retained Early Years expenditure budget of £0.575m;
- Approve the Central Schools Services Block budget of £4.184m;
- Approve the Growth Fund budget of £0.200m (option A at para 4.23 above)

Or

- Not approve the Growth Fund budget and allocate an additional £0.200m through the school funding formula (option B at para 4.23 above)

6.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS

6.1 Resource and value for money implications have been considered throughout this report.

7.0 CONCLUSION

7.1 This paper informs the Schools Forum of the 2021-22 Dedicated Schools Grant allocation for Cumbria.

7.2 The Schools Forum is asked to note the information presented in this report and to decide on the options presented at section 5 of this report.

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