

## Schools Forum

19th January 2021

### Schools Budget 2021/22

#### **INTRODUCTION**

1. The purpose of this paper is to provide information and recommendations on the local distribution of the Dedicated Schools Grant for the next financial year. This report sets out the proposed Schools budget and confirms the final Stockton funding formula arrangements for 2021/22.
2. While it remains the government's intention that a school's budget should be set on the basis of a single national formula, in 2021/22, local authorities can continue to determine final funding allocations for schools through a local formula.
3. To agree the local formula the authority consulted with all schools. This exercise was undertaken during October and November 2020 and the results were reported to the Schools Forum on the 17th November. The Forum subsequently agreed the proposals for the schools funding formula and a 0.5% transfer from the Schools to High Needs block for 2021/22 of £0.698m. The budget presented in this report for 2021/22 is based on the agreed decisions.
4. Within the overall budget setting process, there are a few central spend decisions that the Forum has responsibility for and these are presented for approval.

#### **Summary of Key Points**

5. The paper discusses and requests decisions where appropriate, on the following for 2021/22:-
  - a. Dedicated Schools Grant Allocations
  - b. Transfer Between Blocks
  - c. Schools Block spend including Growth Fund
  - d. Early Years Block Spend
  - e. High Needs Block Spend
  - f. Central Services Block Spend
  - g. Schools Budget 2021/22 and Projected Brought Forward School Budget Balance
  - h. Pupil Premium and other grants
6. There are significant continuing high needs pressures facing the Schools Budget which starts the financial year with a projected cumulative deficit of £5.631m at 31 March 2021. The budget presented includes an allowance of £1.287m to offset this year end deficit position.

## **GOVERNMENT FUNDING ALLOCATIONS**

### **Dedicated Schools Grant (DSG) Allocations**

7. The 2021/22 Dedicated Schools Grant (DSG) allocation for Stockton is £191.684m (including the teacher's pay and pension grants rolled into the formula) compared to the revised funding of £175.573m in 2020/21. These amounts include funding for both maintained schools and Academies.
8. The distribution of the DSG to local authorities is set out in four blocks and includes the 0.5% transfer. The allocated funding under each block is shown below;

	<b>2021/22 £m</b>
Schools Block	£145.080
High Needs Block	£31.981
Central Services Block	£0.939
Early Years Block	£13.684
<b>Total 2021/22 DSG</b>	<b>£191.684</b>

9. Schools Block :-
  - a. The schools block has been allocated between local authorities on the basis of the primary and secondary units of funding plus elements for premises costs and growth.
  - b. The 2021/22 primary unit of funding for Stockton is £4,531.11 and the secondary unit of funding is £5,777.58 (compared to £4,192.69 and £5,329.71 respectively in 2020/21). Stockton's allocation for 2021/22 is £145.080m after the £0.698m (£0.660m in 2020/21) transfer to High Needs. This will be the allocation before academy recoupment which will be taken and given to the EFA (Education Funding Agency) for all Stockton's Academies and Free Schools from the DSG allocation.
  - c. There is a total increase of 200 pupils from 2020/21 up to 28,464 pupils (including those in the Free Schools) and this represents an overall increase of 0.7%.
  - d. Growth funding is within local authorities schools block national funding formula allocations and it is requested that the Schools Forum approve £0.625m to cover growth fund items in 2021/22 (2020/21 £0.55m). Further details on this are provided in paragraph 19.
10. Early Years Block – The allocation is **provisional** and will be updated to reflect actual January 2021 and January 2022 pupil numbers :-
  - 3 & 4 Year Old's
    - a. The 2021/22 three & four year old per hour per pupil unit of funding for Stockton has increased to £4.59 (up £0.06). Stockton's allocation for

2021/22 is £11.275m. The Early Years block will continue to pay for free nursery places up to 15 hours in Primary schools, including academies and Private, Voluntary and Independent providers together with the additional 15 hours for three and four year old children of eligible working parents.

- b. Stockton's allocation for the Disability Access Fund which is equivalent to £615 per child per year will be £0.071k for 2021/22.
- c. The Early Years Pupil Premium (EYPP) is to enable schools, nurseries and child minders to receive a maximum of £302.10 per annum (£0.53 x 570 hours) for every 3 and 4 year-old from a low-income family, looked after child etc. so these children start school on an equal footing to their peers. EYPP for 2021/22 is £0.126m.

#### Disadvantaged 2 Year Old's

- d. Stockton's allocation is £2.212m. This is based on the weighted national average which for Stockton is £5.36 per hour (£5.28 in 2020/21)

#### 11. High Needs Block :-

- a. The high needs block supports provision for pupils and students with special educational needs and disabilities (SEND), up to the age of 25, and alternative provision for pupils who cannot receive their education in schools.
- b. Members will recall that the DfE announced an additional £730m of additional funding nationally for High Needs in 2021/22. For Stockton this means an additional £3.724m over 2020/21, making the total £31.283m before recoupment. The allocation received is provisional as adjustments will be made in year for the export/import of places between authorities.
- c. It should be noted that the Governments High Needs funding allocation announcement only refers to one year's funding for 2021/22 and looks no further ahead.
- d. Stockton's allocation for 2021/22 is £31.283m but this will be increased by the £0.698m transfer from Schools Block to £31.981m.

#### 12. Central Schools Services Block (CSSB):-

- a. The central school services block funds local authorities for their statutory responsibilities they hold for both academies and maintained schools.
- b. The CSSB brings together funding previously allocated through the retained duties element of the ESG, funding for ongoing central functions such as admissions and residual funding for historic

commitments. The 2021/22 allocation is £0.939m and includes a further 20% (£0.024m) reduction for historic commitments.

### Transfer Between Blocks

13. Following a consultation with all school and academies in October and November 2020 the Schools Forum agreed at its meeting on 17th November the transfer of 0.5% equivalent to £0.698m (£0.660m in 2020/21) from the Schools Block to the High Needs budget.

14. The level of funding under each block is represented in the table below.

	2021/22	2020/21	Change
	£m	£m	£m
<b>Schools Block</b>			
DSG - Main Funding	£145.78	£133.74	£12.04
Transfer to High Needs	-£0.70	-£0.66	-£0.04
<b>Total Schools Block*</b>	<b>£145.08</b>	<b>£133.08</b>	<b>£12.01</b>
<b>Early Years Block</b>			
3/4 Year Old Funding	£8.34	£8.31	£0.04
3/4 Year Old Additional 15 Hours	£2.93	£2.74	£0.19
Early Years Pupil Premium	£0.13	£0.14	-£0.01
Disability Access Fund	£0.07	£0.07	£0.00
2 Year Olds	£2.21	£2.16	£0.06
<b>Total Early Years Block</b>	<b>£13.68</b>	<b>£13.41</b>	<b>£0.27</b>
<b>Central Services Block</b>			
Historic Spend	£0.10	£0.12	-£0.02
Pupil Numbers	£0.84	£0.75	£0.09
<b>Total Central Service Block</b>	<b>£0.94</b>	<b>£0.87</b>	<b>£0.07</b>
<b>High Needs Block</b>			
Transfer From School Block	£0.70	£0.66	£0.04
High Needs Main Funding	£31.28	£27.56	£3.72
<b>Total High Needs Block</b>	<b>£31.98</b>	<b>£28.22</b>	<b>£3.76</b>
<b>Total DSG</b>	<b>£191.68</b>	<b>£175.57</b>	<b>£16.11</b>

### PROPOSED DISTRIBUTION

#### Schools Block Spend

15. In 2021/22 local authorities continue to have discretion over their schools funding formulae. The Authority consulted to increase the formula factors in line with the National Funding Formula i.e. an increase of 3% to the formula's core pupil led factors (plus lump sum), except for Free School Meals which will rise by 2% and PFI factors which will be increased by inflation.

16. The 2021/22 factors and associated values are shown in **Appendix 1** with 2020/21 figures included for comparison.
17. The minimum per pupil levels in 2021-22 will be set at £4,180 for primary schools. This means that every primary school will receive a minimum of £4,000 per pupil, with a further addition of £180 per pupil from the rolling in of grants. The minimum per pupil levels will be £5,215 for KS3 and £5,715 for KS4, ensuring that standard secondary schools with 5 year groups receive at least £5,415 per pupil. This includes £265 per secondary pupil for the rolling in of grants. For the purpose of calculating whether and how much a school should be 'topped up' to the minimum level, its per pupil funding includes all funding it receives through the local schools formula, excluding premises and growth funding.
18. The minimum funding guarantee (MFG) will be set at a positive 2% per pupil in 2021/22 as agreed following the consultation for all mainstream schools and academies. This replaces the current MFG which limits increases to 1.84% per pupil.
19. Growth Fund:-
  - a. The Council has an agreed investment strategy for Schools funded from Capital Basic Need allocations including expansions to address expected shortages in school places. To support the planned admission number increases the Forum has set up a Growth Fund and policy for access to enable schools to manage increases.
  - b. Based on current analysis, it is estimated that the Growth Fund requirements for 2021/22 will need to increase to £0.625m (2020-21 £0.550m) to accommodate requirement for the provision of secondary growth. Therefore it is recommended that School Forum approve an allocation of £0.625m for 2021/22.

## **Early Years Block Spend**

### **3 & 4 Year Old's**

20. Stockton is proposing to pass on the funding rate increase from central Government. Overall funding allocated per hour to each child will be £4.14 per hour for 2021/22 (£4.08 in 2020/21) and deprivation and sparsity will be the same as current levels.
21. The LA will continue to pass on the EYPP funding on to all state-funded early years providers at 53p per hour per eligible pupil. This means settings will receive a maximum of £302.10 for each eligible 3 or 4 year-old who takes up the full 570 hours of state-funded early education they are entitled to.
22. All local authorities are required to establish an inclusion fund in their local funding system for three and four year old's with SEN taking the free entitlement. For 2021/22 Stockton will be allocating £0.120m for this purpose (2020/21 £0.120m)

23. In 2021/22 Stockton will be passing through the full 95% of funding to providers.
24. The central allocation in 2021/22 will be £0.564m (£0.531m in 2020/21) to contribute towards the Council's early year's provision.

### **Disadvantaged 2 Year Old's**

25. It is proposed that the disadvantaged 2-year old's hourly rate for 2021/22 will be set at £5.27 (2020/21 £5.19)

### **High Needs Block Spend**

26. As Forum members are aware from regular updates that there are continuing significant pressures against the high needs areas which is also evident from the current year's Budget Monitoring report on today's agenda. The budgets included within **Appendix 2** are based on historic trends, spend in the current financial year, projected growth and the savings programme that is currently being work on.
27. Given the significance of the pressures the management of demand is proving challenging. Recovery of deficits from previous years compounds the challenges.
28. The report presented on High Needs to the last Schools Forum on the 17<sup>th</sup> November 2020 provided an update on the current issues, reasons, the scale of the challenges and the work being done to address the position. We will continue to report to Schools Forum as the work progresses.
29. The additional government funding of £3.72m provided within the high needs block has been allocated to those specific budgets where we have seen pressures arising predominantly agency, top ups and alternative provision. The increase in budgets between 2020/21 and 2021/22 are detailed in Appendix 2.
30. As presented in the November High Needs report an element of the additional funding, £1.287m has been set aside to offset any additional growth over and above that already built into the budgets and as a contingency if there are any delays or issues with achieving the savings targets. Any surplus funds against this at the end of 2021/22 will be utilised to offset the estimated £5.631m DSG deficit.
31. In previous years representation has been made to the School Forum regarding the MFG increase for mainstream schools and its non-applicability to special schools despite them facing similar inflationary pressures. As per last year the Council will continue to increase the top up rate in line with the MFG of +2% to be paid to special sector schools. The cost of this has been built into next year's budget.

## **Central Services Block Spend**

32. As noted in paragraph 12 the central services block is £0.939m comprising funding previously allocated through the retained element of DSG, central function and historic commitments.
33. It is recommended that for 2021/22 the central items remain unchanged and funds allocated across the following services;
- a. Combined Budgets
    - i. Psychology and Intervention £3,748
    - ii. Virtual School Head £30,000
    - iii. First Contact Team £25,000
    - iv. Family Support £25,000
    - v. Local Safeguarding Board £25,000
    - vi. Public Health Team £30,000
  - b. School Admissions £212,000
  - c. Servicing of Schools Forum £22,000
  - d. Termination of employment costs £11,000
34. The remaining CSSB funding totaling £555,000 will be utilised to fund licences and statutory central services previously funded from the retained element of the old Education Services Grant.

## **Schools Budget 2021/22 and Projected Brought Forward School Budget Balance**

35. The Schools' Budget is a ring-fenced account within the authority's books and this report sets out the budget and funding formula for 2021/22. Under Schedule 2 of the School and Early Years Finance (England) Regulations 2020, local authorities are required to carry forward overspends to their schools budget either in the immediately following year or the year after. They can apply to the Secretary of State to disregard this requirement. In the case of the Secretary of State giving such permission, this may be for all or part of the sum requested by a local authority, and permission may be given subject to conditions.
36. The impact of these statutory provisions means that an LA with a DSG deficit from the previous year must either: (1) carry the whole of the deficit forward to be dealt with in the schools budget for the new financial year (2) carry part of it forward into the new financial year and the rest of it into the following financial year (3) carry all of it into the following financial year (4) apply to the Secretary of State under for authorisation to disregard the requirements in Schedule 2 relating to deficits if it wishes to fund any part of the deficit from a source other than the DSG.
37. A deficit must be carried forward to be dealt with from future DSG income, unless the Secretary of State authorises the LA not to do this.
38. The current budgetary control is forecasting that there are increased pressures on high needs spending. The Schools Budget Position shows an anticipated £5.631m cumulative overspend at 31<sup>st</sup> March 2021.

39. Any local authority that has an overall deficit on its DSG account at the end of the 2021 to 2022 financial year, or whose DSG surplus has substantially reduced during the year, must co-operate with the Department for Education in handling that situation. In particular, the authority must:

- provide information as and when requested by the department about its plans for managing its DSG account in the 2021 to 2022 financial year and subsequently
- provide information as and when requested by the department about pressures and potential savings on its high needs budget
- meet with officials of the department as and when they request to discuss the authority's plans and financial situation
- keep the school's forum regularly updated about the authority's DSG account and plans for handling it, including high needs pressures and potential savings

40. The Secretary of State reserves the right to impose more specific conditions of grant on individual local authorities that have an overall deficit on their DSG account, where he believes that they are not taking sufficient action to address the situation.

41. Based on the information earlier in this paper the proposed 2021/22 Schools Budget for each funding block is set out in **Appendix 2**. It shows the DfE block funding allocation against the spending plans for that area.

42. Updates will be provided throughout the year to the Forum on projected spend against budget.

### **Pupil Premium and Other Grants**

43. The DfE have advised that the pupil premium funding rates for 2021/22 will be held at the 2020/21 level. Details are provided below

	<b>2020/21</b>	<b>2021/22</b>
	£	£
Free School Meals Ever 6		
- Secondary	955	955
- Primary	1,345	1,345
Service Child Ever 6	310	310

44. The Looked After Children rate is £2,345 with £1,400 to schools and £945 retained for management by the Virtual Head.

45. For 2021/22 the October 2020 school census data will be used to allocate the pupil premium to local authorities. The total amount receivable for pupil premium in the Borough in 2020/21 was £11.37m.

46. Free School Meal (FSM) Supplementary Grant will be extended for a year to 2020 to 2021. This is for increases in FSM pupil numbers between October 2019 and October 2020, at a per pupil rate of £450. Allocations will be made in February 2021.

47. The teacher's Pay Grant and the teacher's pension employer contribution grant have been included within the appropriate DSG blocks for 2021/22.

48. Information about other grants for 2021 to 2022 will be issued during 2021.

### **RECOMMENDATIONS**

49. Support the approach and overall allocation of DSG for 2021/22, particularly: -

- a. To note the Dedicated School Grant settlement (para 8)
- b. **Support** the funding formula and proposals for growth fund (para 15 to 19)
- c. **Agree** the proposed central spend block items and associated budget for 2021/22 as detailed in paragraphs 32 to 34.
- d. Note that the authority intends to increase the 3 and 4 year old early years rate to £4.14 and continue to set the pass-through rate at 95%. (paras 20-23)
- e. **Agree** the Early Years central spend of £0.564m (para 24)
- f. Note that the authority intends to increase the hourly rate for the extended two year old provision to £5.27 (para 25).
- g. Note the position on high needs spend (paras 26 to 31)
- h. Note the estimated deficit position on the DSG. (para 38).
- i. Note the position re Pupil Premium and other grants (paras 43-48).
- j. Note that if for any reason there is a need to convene a further Schools Forum meeting, 2nd February is arranged for this purpose.

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**Chief Accountant**

## Appendix 1

Formula Factors	2020/21 Unit Value	2020/21 Amount Distributed £m	2021/22 Unit Value	2021/22 Proposed Amount Distributed £m	Incr. / (Decr) In Amount Distributed £m
AWPU – Primary	£2,869	49.680	£3,123	53.750	4.070
AWPU - Key Stage 3	£4,032	27.603	£4,404	30.564	2.961
AWPU - Key Stage 4	£4,577	18.784	£4,963	21.430	2.646
Current FSM – Primary	£450	1.647	£460	1.973	0.326
Current FSM – Secondary	£450	0.971	£460	1.198	0.227
Free School Meals Ever 6 – Primary	£560	2.611	£575	2.728	0.117
Free School Meals Ever 6 – Secondary	£815	2.845	£840	2.976	0.131
IDACI band F – Primary	£210	0.159	£215	0.241	0.082
IDACI band E – Primary	£250	0.342	£260	0.453	0.111
IDACI band D – Primary	£375	0.476	£410	0.459	(0.017)
IDACI band C – Primary	£405	0.601	£445	0.607	0.006
IDACI band B – Primary	£435	0.939	£475	0.767	(0.172)
IDACI band A – Primary	£600	0.787	£620	1.092	0.305
IDACI band F – Secondary	£300	0.143	£310	0.205	0.062
IDACI band E – Secondary	£405	0.331	£415	0.476	0.145
IDACI band D – Secondary	£535	0.396	£580	0.409	0.013
IDACI band C – Secondary	£580	0.507	£630	0.485	(0.022)
IDACI band B – Secondary	£625	0.771	£680	0.657	(0.114)
IDACI band A – Secondary	£840	0.635	£865	0.900	0.265
Looked After Children	n/a	0.000	n/a	0.000	0.000
Low Prior Attainment – Primary	£1,065	6.257	£1,095	5.702	(0.555)
Low Prior Attainment – Secondary	£1,610	3.303	£1,660	3.540	0.237
English as an additional language – Primary	£535	0.364	£550	0.361	(0.003)
English as an additional language – Secondary	£1,440	0.089	£1,485	0.095	0.006
Mobility - primary	£875	0.074	£900	0.012	(0.062)
Mobility - secondary	£1,250	0.017	£1,290	0.005	(0.012)
Lump Sum	£114,400	8.351	£114,400	8.351	0.000
Sparcity	Prim: £0-£26k Sec: £0-£67.6k	0.010	Prim: £0-£45k Sec £0-£70k	0.017	0.007
Split Site	n/a	0.000	n/a	0.000	0.000
Rates	Actual	1.433	Actual	1.383	(0.050)
PFI	Actual	0.389	Actual	0.393	0.004
Min per pupil funding adj	Actual	1.732	Actual	2.902	1.170
MFG / Limit on Gains	Actual	0.271	Actual	0.324	0.053
<b>TOTAL</b>		<b>132.518</b>		<b>144.455</b>	<b>11.937</b>
Add: Baselined Teachers Pay and Pensions grants		6.107	n/a	0.000	(6.107)
<b>TOTAL (for comparison purposes)</b>		<b>138.625</b>		<b>144.455</b>	<b>5.830</b>

Notes re above proposed distribution

MFG applied at +2.00% / Capping (limit on gains) applied at 3.76%. All factor values are 2021-22 NFF factor values except for the Lump Sum which has been maintained at the 2020/21 level.