

South Gloucestershire Council

SCHOOLS FORUM

20 October 2020

Setting the Schools Budget 2021/22 - Options to Consult Schools

Purpose of Report

1. To review and consult the Forum on options to Consult all schools with to set the 2021/22 Schools Budget.

Policy

2. The Financing of Maintained Schools Regulations 2020 requires local authorities (LAs) to set the Schools Budget each year. The Schools Budget is defined in regulations and broadly represents all the expenditure incurred by local authorities that relate to schools. The source of funding to support the Schools Budget is a ring-fenced grant received by local authorities known as the Dedicated Schools Grant (DSG). Local Authorities must distribute an element of the Schools Budget to their maintained schools using a formula which accords with the regulations made by the Secretary of State for Education and enables the calculation of a budget share for each maintained school. The financial controls within which delegation works are set out in the Scheme for the Financing of Schools.
3. The DSG is allocated to local authorities in 4 blocks as follows:
 - Schools Block: relates mainly to funding for mainstream school budget shares
 - High Needs Block: relates to funding to support children and young people with SEND
 - Early Years Block: relates to funding for supporting nursery education providers and other general early years education responsibilities
 - Central Services Block: relates to funding to support LA statutory responsibilities relating to schools
4. Requirements relating to each of the blocks and the DSG in totality are covered in the regulations previously mentioned.
5. The Schools Forum has a key responsibility to act as a consultative body with the local authority on the strategic financial management of the Schools Budget and the

DSG. A key priority in this area is to take decisions that ensure sound financial management of the Schools Budget.

Background

6. This report sets out the latest information available and proposed options to consider in setting the 2021-22 Schools Budget including setting the formula for calculating school budget shares.
7. From 2018-19 to 2020-21 a new schools National Funding Formula (NFF) was introduced by the Government which resulted in growth in South Gloucestershire's DSG allocation of £16.8m. This was a very welcome development but contrasted to the position regarding the High Needs block which had not seen any significant growth in allocation despite local authorities experiencing significant spending pressures relating to supporting children and young people with SEND.
8. The DfE announced on Monday 20 July 2020 funding arrangements for 2021-22. The announcement sets out the principles of how funding allocations will be made and so are provisional at this stage. Final figures are announced in December/January and are affected by updates in pupil numbers and pupil characteristics data.

The National Funding Formula (NFF) for Schools

9. NFF funding factors will remain the same but with 2 technical adjustments as follows:
 - Teachers pay and employers pension grant will be added to the NFF from 1 April 2021. **For SG that means an extra £7.8m gets added to the Schools Block for 2021-22.**
 - Updated 2019 Income Deprivation Affecting Children Index is being used in 2021-22 so the allocation through the formula will be based on the latest data.
10. Schools funding in 2021-22 is increasing by 4% overall: **for SG this increase equates to around an extra £6.4m for the Schools Block**, which is on top of the £7.8m mentioned above for teachers pay and pensions.
11. Key NFF factors will increase by 3%.
12. Minimum funding for primary pupils will be £4,180 per primary pupil, £5,215 per KS3 pupil and £5,715 per KS4 pupil.
13. LA's will have the discretion to set their Minimum Funding Guarantee between +0.5% and +2.0%; all schools will therefore receive at least a 0.5% increase in their per pupil funding.
14. The 'soft' NFF will be in place for 2021-22 again and the DfE will shortly start a consultation process on moving towards the 'hard' NFF. LAs can transfer up to 0.5% of their schools Block with their Schools Forum approval; more than 0.5% would require Secretary of State approval.

15. In 2021-22, the total schools block available for such transfers must exclude the additional funding local authorities have been allocated for the teachers' pay and pension grant, thereby guaranteeing that all of this funding remains with schools. So, in the case of SG any transfer effectively has to come out of the extra £6.4m and cannot be transferred from the additional £7.8m for teachers pay and pensions.

High Needs Block

16. High needs funding is increasing nationally by a further £730m, or 10%, in 2021-22 – that follows the £780m increase this year and brings the total high needs budget to over £8bn. The high needs NFF will ensure that every local authority receives an increase of at least 8% per head of population, with some authorities receiving up to 12% (the limit on gain) more than this year. **SG will see an increase of 8% or around £3m. This extra is around £4.5m short of what is needed to meet in year annual pressures and so even with this extra funding spending continues to outstrip High Needs Funding before one even considers previous years' shortfalls in funding.**

17. For 2021-22, the teachers' pay grant and the teachers' pension employer contribution grant amounts will be added into the formula by increasing the basic entitlement factor value to £4,660 for special schools, and through an additional factor in the formula that will enable local authorities to receive funding equivalent to the teachers' pay and pension grant they will receive in 2020-21 for AP settings.

18. The DfE will require local authorities to allocate to special schools (maintained and academies), pupil referral units and AP academies additional high needs funding for 2021-22, on a similar basis as their allocations of the separate teachers' pay and pensions grants in 2020-21, using similar conditions of grant that will instead apply to authorities' allocations of DSG.

19. Unfortunately, the SEND Review planned by the DfE hasn't taken place to provide some hard evidence on the true level of funding needed. This percentage change will help with the national increase in pupils with EHCPs between January 2019 and January 2020 (+36,100 nationally or a +10%). It probably isn't sufficient though to cover the related growing cost, as the biggest rise has been in independent schools, +14.7%, which is the highest cost type of provision.

20. There still remains a lot of catching up to do before the cumulative High Needs deficits can be recovered.

21. There will be more funding announcements by the DfE to update the High Needs Block data and funding amounts. The updates will be announced in December 2020 to reflect January 2020 AP rolls and October 2020 for special school place numbers, and in 2021 adjustments for import/export, new/growing special free schools and hospital education. As SG is below the funding floor formula changes such as these will have a minimal impact.

Central Schools Services Block

22. Central schools services funding in 2021-22 will increase by 4% for the ongoing responsibilities that local authorities continue to have for all schools. In line with the process introduced for 2020-21 to withdraw funding over time based on the commitments local authorities entered into before 2013-14, funding for historic commitments will decrease by 20%, for those local authorities in receipt of this funding; this is likely to negatively impact on SG to the value of around £1m.
23. When the DSG system was first introduced, LAs had much greater flexibility to allocate the overall DSG across all the areas of school related expenditure according to local circumstances, pressures and priorities. The DSG was initially allocated as a single amount to each LA and LA's decided (in consultation) with the Schools Forum the priorities for allocating the DSG. A subsequent development was to recast each LA's DSG into the four blocks set out in paragraph 3 above with flexibility to allocate funding according to local priorities and pressures. A LA's chosen allocation could vary considerably to the Block Allocations. The latest development has been a further change to seek to effectively fix spending in line with the block allocations. This reduction in flexibility has in general not been welcomed by LAs as demonstrated in consultation exercises undertaken by the DfE. The movement towards fixing spend in line with the Blocks means that the flexibility to shift overall DSG funding in line with local pressures and priorities has significantly been curtailed and establishes an unhelpful point of conflict between mainstream spending and SEND funding.
24. Added to this challenge has been the fact that there has been very little growth to LA's High Needs Block allocations despite the majority of LA's experiencing growing spending pressures in this area. Over the same period the Schools Block for South Gloucestershire has increased due to increasing pupil numbers and more significantly from additional funding to recognise the historic low funding for South Gloucestershire schools.

Options for Setting the Schools Budget for 2020/21

25. At a local level the Council sees great benefit from continuing its approach to do what it can to change our SEND system to improve outcomes for children and young people while improving value for money and trying to have the greatest impact from every pound we spend and it was very welcome that the DfE had started a national review along the same lines (unfortunately this has now been delayed by the impact of covid). A good example of this "System Change" approach is the SEND Support Cluster funding pilots which are starting to show positive signs of delivering positive interventions in schools as a better alternative to escalating needs and hence escalating costs later on in the system.
26. One option that would enhance this approach and help support the level of change needed is to look at the latest tranche of extra schools Block funding of £6.4m in 2021/22 and look to prioritise an element of it to support schools while helping create that system wide change needed. The approach here would be to continue the £2.2m

transfer of 2020/21 and invest £2.2m of the extra £6.4m and invest it in the following ways that would ensure the funding flows directly back to schools/providers but ensures it is controlled and targeted by schools to support system wide change in the SEND system through the following initiatives:

- £1m to continue the Cluster Funding and continue to develop its impact
- £0.7m to be available to support South Gloucestershire schools to support pupils that would otherwise be placed in private residential places when there is cost effective case to do so
- £0.2m to support SEND pupils in the Early Years sector, which also provides additional support to the sector which is under great financial pressure
- £0.3m to provide an uplift to Special School and Resource Base rates

27. On a cumulative basis this £2.2m investment is effectively funded from growth in Schools Block funding of £26.3m over the last 5 years.

28. In terms of movements in DSG funding and block transfers this option can be presented as follows:

Movement in Blocks Relating to Growth

	2018/19	2019/20	2020/21	2021/22	Cumulative
	£000	£000	£000	£000	£000
Schools Block	4,100	3,800	8,900	6,400	23,200
Transfer to HNB	-2,900	-2,900	-2,200	-2,200	-2,200
Net Schools Block	1,200	900	6,700	4,200	21,000
High Needs Block	0	0	2,700	2,900	5,600
Transfer from Schools Block	2,900	2,900	2,200	2,200	0
Net HNB	2,900	2,900	4,900	5,100	5,600

29. Initial calculations using the 2020/21 APT Tool and data show that for 2021/22 after meeting the new minimum per pupil amounts and ensuring all schools receive at least a 0.5% per pupil increase, headroom of around £3m would remain from which the transfer of £2.5m could be funded.

30. As in previous years the impact of any transfer has a number of challenges to overcome. Firstly, any transfer has to be approved by the Secretary of State for Education, which will depend to a significant extent on support from schools and the Schools Forum. Secondly, it impacts on the announced per pupil minimum amounts and this in itself will require Secretary of State approval. Nevertheless, with the approach focused on supporting schools and helping to create system wide change

(which is now being championed by the DfE) the Council's view is that such a request to the Secretary of State is worth making.

School by School Modelling

31. Appendix A shows the option presented in paragraph 26 as option 2 together with two other options: Option 1 based on the maximum transfer affordable of £2.67m and option 3 which is the maximum transfer allowable without requiring the Secretary of States approval. It is recommended to consult all schools on these 3 options.

Timetable

32. The Council will be working to very tight timelines that are very much dictated by statutory requirements, whilst ensuring a robust consultation process which allows adequate time for analysis of feedback prior to recommending the way forward to members. The following table sets out the timetable:

Timeframe for Schools Budget 2021/22 Consultation

Action	Dates
Schools Forum Meeting - review options for consultation	24 September 2020
APT with 20/21 baselines for modelling to be released	Autumn
Corp Finance to carry out modelling options for consultation as discussed at SF 24/09/20 when modelling APT released.	Autumn
Modelling options to be sent out to Schools Forum	TBC
LA deadline for submitting Disapplication Requests (first deadline) e.g. MFG exclusions	11 October 2020
Schools Forum Meeting - Agree consultation (including school by school modelling)	20 October 2020
Schools Consultation	22/10/2020- 16/11/2020
Attend Governors & Heads meetings	02/11/2020-13/11/2020
Deadline to return consultation	16 November 2020
Collation of consultation responses from schools	16/11/20-19/11/20
Schools Forum Meeting - Approval & application to SoS	19 November 2020
LA deadline for submitting Disapplication Request for movement between blocks >0.5% & second window for MFG exclusions	20 November 2020
ESFA - 2021/22 APT & DSG released	December 2020
Deadline for APT to be submitted to ESFA	21 January 2021
Schools Forum Meeting	21 January 2021
Final ratification of schools funding will be submitted to full council	10 February 2021
Schools notified of funding	28 February 2021

Financial Implications

33. The School Finance Regulations set out the arrangements which Local Authorities must follow when allocating the DSG funding to schools.

34. As the support for schools and other pupil related services expenditure is funded by the DSG there is no charge to the Council Budget. Hence there is no charge to the Council Tax payer.
35. The DSG is forecast to overspend in 2020/21. Any overspend will need to be recovered from future year DSG funding. Council officers have met with DfE officials on two occasions to review the Council's approach to the DSG deficit and the DfE have thus far approved the Council's approach. The historic nature of the deficit will mean that without additional funding from the DfE to recognise the historic shortfall in funding the recovery of the deficit will need to be over a number of years. The immediate priority is to achieve an in year balance over the next 3 years.

Legal Implications

36. There is a legal requirement for the local authority to:
- submit the final school pro-formas and underlying data to the Education & Skills Funding Agency by the 21 January 2021.
 - confirm with schools their budget allocations for 2021/22 by 28 February 2021.
37. The Chief Financial Officer, after the end of the financial year, must confirm to the DfE that the grant conditions have been met.

RECOMMENDATIONS

- a. The Schools Forum is asked to consider and express its views regarding the three consultation options set out in Appendix A. and in paragraphs 26 to 31.

Author

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