

## **Report to the Cabinet**

Meeting to be held on Thursday, 14 January 2021

### **Report of the Acting Head of Service - Schools Finance**

#### **Part I**

Electoral Division affected:  
(All Divisions);

#### **Schools Budget 2021/22**

(Appendices 'A' and 'B' refer)

(Appendix 'B' will be circulated after the Schools Forum meeting on 12 January 2021)

Contact for further information:

Paul Bonser, Tel: (01772) 531815, School Statutory & Forum Officer,

[paul.bonser@lancashire.gov.uk](mailto:paul.bonser@lancashire.gov.uk)

#### **Executive Summary**

In accordance with the Government's school funding Regulations and Guidance, the Authority is required to submit a final Schools Block budget pro-forma for 2021/22 to the Education and Skills Funding Agency by 21 January 2021. This report seeks the approval of Cabinet to submit the Schools Block budget pro-forma and requests approval for the Early Years, High Needs and Central Schools Services Block budgets for 2021/22.

This is deemed to be a Key Decision and the provisions of Standing Order C19 have been complied with.

#### **Recommendation**

Cabinet is asked to:

- (i) Note the report, including the 2021/22 Dedicated Schools Grant allocations, the final budget proposals for each funding block and any comments made by the Lancashire Schools Forum.
- (ii) Authorise the Acting Head of Service – Schools Finance to submit the final Schools Block budget pro-forma for 2021/22 to the Education and Skills Funding Agency by 21 January 2021, on the basis set out in this report.
- (iii) Approve the 2021/22 budgets for the Early Years, High Needs and Central Schools Services Blocks.

- (iv) Agree that the Dedicated Schools Grant Reserve underwrite the uncertainties around the 2020/21 Schools Budget.

This decision should be implemented immediately for the purposes of Standing Order C28(3) as any delay could adversely affect the execution of the county council's responsibilities. The reason for this is to ensure that the necessary pro-forma can be submitted to the Education and Skills Funding Agency by the required deadline of 21 January 2021.

## **Background and Advice**

The Dedicated Schools Grant is a ring-fenced specific grant and it must be used in support of the Schools Budget as defined in the Dedicated Schools Grant Conditions of Grant and the School and Early Years Finance (England) Regulations. The Dedicated Schools Grant is allocated to every Local Authority in four funding blocks, each calculated using national funding formulae. The four blocks are:

- Schools Block;
- High Needs Block;
- Early Years Block;
- Central School Services Block.

On 20 July 2020, announcements from the Prime Minister and the Education Secretary confirmed increases in school funding allocations for 2021/22, which are part of the 3 year settlement first publicised for 2020/21, and that provide more than £14bn extra funding over the three year period.

Nationally, school funding allocations will increase by £2.2bn in 2021/22, compared to 2020/21. The 2021/22 allocations are £4.8bn higher compared to 2 years ago when the 2019/20 baseline was established.

These increases relate to the Schools Block and High Needs Block allocations.

Information about the Early Years Block was provided in the Chancellor's autumn spending review statement on 25 November 2020, and indicated that an additional £44m would be made available nationally for early years education in 2021/22.

Further information on each of the funding blocks is provided below and details of the final 2021/22 Dedicated Schools Grant allocations, notified in December 2020, and the proposed Schools Budget expenditure are contained in Appendix 'A'.

## **Schools Block**

The Schools Block funds mainstream primary and secondary schools and academies.

The Schools Block funding framework for 2021/22 will continue to operate under the 'soft' National Funding Formula arrangements first introduced in 2018/19. This is where the allocations for each local authority are calculated on the aggregated

individual school National Funding Formula amounts calculated by the Government, but the local authority's local formula still applies in making actual allocations to schools.

Following a previous consultation with schools and academies in the County, and discussions with the Schools Forum, the Cabinet ratified the use of the National Funding Formula as the Lancashire formula methodology from April 2018. This will continue to apply in 2021/22.

Department for Education announcements indicate that funding through the National Funding Formula is increasing by 4% overall in 2021/22 compared to 2020/21. The main features in 2021/22 are:

- The National Funding Formula funding factors will remain unchanged for 2021/22;
- Every mainstream school will be allocated at least 2% more pupil-led funding per pupil compared to its 2020/21 National Funding Formula baseline;
- Additional funding for small and remote schools will increase in 2021/22, with primary schools attracting up to £45,000 through the sparsity factor, and secondary schools up to £70,000;
- Funding from the teachers' pay grant and the teachers' pension employer contribution grant, including the supplementary fund, has been added to schools' National Funding Formula allocations from 2021/22;
- The minimum pupil funding levels have been increased for 2021/22 to take account of the extra funding available and the inclusion of the teachers pay and pensions grants into the National Funding Formula. The minimum pupil funding ensures that schools receive a minimum level of funding calculated by dividing all the pupil led factors plus the lump sum allocation by the number of pupils on roll. The revised minimum pupil funding levels in 2021/22 are:
  - £4,180 per pupil for primary schools;
  - £5,415 per pupil for secondary schools;
- The 2019 update to the Income Deprivation Affecting Children Index has been incorporated so that deprivation funding allocated through the formulae is based on the latest data, but the banding structure has been amended to minimise turbulence at school level;
- Premises funding will continue to be allocated at local authority level on the basis of actual spend in the 2020/21, with the Private Finance Initiative factor increasing in line with the Retail Price Index (excluding mortgage interest payments) measure of inflation and is set at 1.56%.

#### *Minimum Funding Guarantee*

Local authorities will continue to set a Minimum Funding Guarantee in local formulae, which in 2021/22 must be between +0.5% and +2.0%.

The level to be applied in Lancashire is the subject of a consultation with schools and the Schools Forum. The Forum letter to the Cabinet on finalising the Schools Budget for 2021/22 will include a final recommendation on the level of Minimum Funding Guarantee to be applied from April 2021.

### *Schools Block Transfer*

Local authorities will continue to be able to transfer up to 0.5% of their Schools Block to other blocks of the Dedicated Schools Grant, with schools forum approval.

Forecasting undertaken by officers on receipt of the provisional Dedicated Schools Grant allocations for 2021/22 and the initial pupil data from the October 2020 school census, suggested that the implementation of the National School Funding Formula methodology in full in Lancashire may provide circa £2m of headroom in 2021/22. The majority of this headroom is generated from Lancashire's growth fund allocation, which is calculated outside the National Funding Formula methodology.

In recent years, when headroom has been available this has been transferred to support demand and cost led pressures in other funding blocks. Forecasts suggest that the financial pressures remain most significant on the Early Years Block in 2021/22.

A consultation with the schools seeking views on a possible transfer of headroom only, from the Schools Block to be used in the Early Years Block has therefore been issued.

The Schools Forum's letter to the Cabinet on finalising the Schools Budget for 2021/22 will include a final recommendation on the possible transfer of headroom from Schools Block to be used in the Early Years Block.

### **High Needs Block**

The High Needs Block funds:

- Special Schools budgets;
- Alternative Provision budgets (mainly Pupil Referral Units);
- Special Education Resource Provision Units in mainstream schools;
- Individually Assigned Resources for High Needs pupils across all educational establishments; and
- Certain Special Education Needs Central Schools Services.

The allocation to Lancashire is calculated using a national High Needs Block formula, but the Local Authority's local funding formulae still apply to distribute High Needs funding to Lancashire providers. The national formula is largely unchanged for 2021/22.

The national increase in high needs funding, from 2020/21 to 2021/22, will amount to £730m, which equates to circa 10%.

The high needs national funding formula will ensure that every local authority receives an increase of at least 8% per head of population, with some authorities receiving up to 12% more than this year.

The additional funding is distributed through the formula, which includes:

- **The funding floor** – this ensures that all local authorities' allocations per head of population will increase by a minimum percentage compared to the baseline. For 2021/22, the Department for Education is continuing to keep the funding floor at 8.0%.
- **The limit on gains** – the limit on gains will be 12.0% per head of population compared to the baseline, so that authorities due to gain under the formula see an increase of up to 12.0% before their gains are capped.

The remainder of the additional funding will be distributed through an increase to the proxy factors in the formula, keeping their relative weightings the same as previously. The historic spend factor will remain at the same cash value as in 2020/21.

For 2021/22, the Department for Education has also incorporated the teachers' pay grant and the teachers' pension employer contribution grant amounts within 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 Alternative Provision settings, and to the teachers' pension supplementary fund they will receive.

### **Early Years Block**

Early Years Block funding is utilised for:

- Funding for the universal 15 hours entitlement for three and four year olds;
- Funding for the additional 15 hours entitlement for three and four year old children of eligible working parents;
- Funding for the 15 hours entitlement for disadvantaged two year olds;
- Funding for the Early Years Pupil Premium;
- Funding for the Disability Access Fund; and
- Supplementary funding for Maintained Nursery Schools.

The Government introduced an Early Years National Funding Formula from April 2017. This arrangement introduced a formulaic mechanism for distributing early years funding from national Government to each local authority, and set a framework that must be used to distribute funding to all types of early education provider, including nursery schools; nursery classes in maintained primary schools; Private, Voluntary and Independent providers and Childminders. The Early Years National Funding Formula introduced a requirement to have a Universal Base Rate for all providers and set out the type and level of supplements that are available.

Government announcements indicate that an additional £44m has been made available nationally for early years education in 2021/22. This level of increase is below that made available for the Schools Block and High Needs Blocks.

### **Central School Services Block**

This Block is to fund central functions that local authorities carry out on behalf of pupils in state-funded maintained schools and academies in England. The Central

School Services Block was first introduced in 2018/19, and effectively replaced the previous Education Services Grant allocations, but the levels of funding have reduced considerably over recent years.

The Central School Services Block allocation for local authorities is split into funding for historic commitments and funding for ongoing responsibilities.

The ongoing responsibilities element of funding is calculated by the Department for Education on a formulaic methodology based on pupil numbers and deprivation, plus an area cost adjustment. The historic commitments element of the Block funds certain ongoing obligations funded from the Dedicated Schools Grant.

For 2021/22, the Department for Education funding announcements indicate that the ongoing responsibilities funding will increase by 4% compared to 2020/21, but in line with previous announcements, funding for historic commitments will decrease by 20%. The Department for Education have indicated that they will continue to unwind the historic commitments funding to zero in future years.

### **Final Dedicated Schools Grant Allocation 2021/22**

Details of Lancashire's final Dedicated Schools Grant allocations for 2021/22 for each funding block, and the expenditure proposals for each block are provided at Appendix 'A'.

### **Consultations**

Discussions have been held with the Schools Forum throughout the budget setting process and any decisions and recommendations arising from the Forum's budget meeting on 12 January 2021 will be provided to Cabinet on 14 January 2021 as Appendix 'B'.

Detailed consultations have been held with Lancashire schools and academies in connection with a Schools Block funding transfer for 2021/22, and about some other aspects of the Schools Block funding arrangements from April 2021.

The Schools Forum letter to the Cabinet will include any recommendations relating to setting the 2021/22 Schools Budget that arise from the school and early years consultations.

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

There are no significant risks identified in this report.

## **Financial**

There are no financial implications for the county council's budget arising from this report.

The report forecasts a balanced Dedicated Schools Grant funding position in 2021/22, which will be underwritten by the Dedicated Schools Grant reserves.

It should also be noted that the Department for Education have tightened the ring-fencing around the Dedicated Schools Grant for 2020/21 onwards to ensure that local authorities do not make provisions in their general reserves to cover possible Dedicated Schools Grant deficits and any deficits would be carried forward into future years and then repaid overtime. A number of other local authorities are already working with the Department for Education to agree recovery plans to repay deficits.

To date, Lancashire has always contained any school funding pressures within the Dedicated Schools Grant. The Dedicated Schools Grant reserve at 31 March 2020 was £11.151m.

### **List of Background Papers**

Paper	Date	Contact/Tel
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None		
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Reason for inclusion in Part II, if appropriate		
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