

Report to Cabinet 14 January 2021

Final Dedicated Schools Grant allocations for 2021/22 were published by the Department for Education on 17 December 2020.

Lancashire's Gross 2021/22 Dedicated Schools Grant allocation is £1,090.214m.

The equivalent Gross Dedicated Schools Grant income figure for 2020/21 was £1,003.852m. The 2021/22 figure is over £86m higher than the previous year.

This increase in funding is due to:

- Lancashire's share of the increased £2.2b funding nationally made available by Government, including £730m for the High Needs Block;
- Lancashire's share of the increased £44m nationally for the Early Years Block;
- Incorporation of funding for the teachers pay and pensions grants in the Schools, High Needs and Central Schools Services Blocks that were previously paid as separate grants;
- An increase in the overall numbers of pupils in Lancashire compared to 2020/21.

Whilst there is additional funding in the education system, some schools and providers are only receiving inflationary level increases in funding compared to 2020/21, especially when unpredictable covid-19 related costs are factored in, and many may continue to face financial challenges.

The sections below provide further details of the Lancashire Dedicated Schools Grant (DSG) allocations and present the estimated Schools Budget for 2021/22.

DEDICATED SCHOOLS GRANT (DSG) ALLOCATIONS 2021/22

The Department for Education sub-divide the Dedicated Schools Grant allocations into 4 funding blocks: the Schools Block, High Needs Block, Early Years Block and the Central Schools Services Block (CSSB). These Blocks are all calculated on a formulaic basis.

Information on the allocations for each of the funding blocks is provided below:

Schools Block allocation (£849.944m)

The Schools Block allocations for 2021/22 are derived on the basis of illustrative individual Schools National Funding Formula (SNFF) allocations calculated by the Government. These calculations translate into primary and secondary units of funding for 2021/22. These units of funding are multiplied by the number of primary and secondary pupils from the October 2020 census. A Local Authority level allocation for premises factors and growth funding are added to provide a final Schools Block allocation.

For 2021/22, the allocation also includes an amount relating to funding for the teachers pay and pensions grants that were previously paid as separate grants.

This provides a total Lancashire Schools Block allocation for 2021/22 of £849.944m.

The 2021/22 Schools Block allocation is over £68m higher than the equivalent figure in 2020/21. The increased allocation is in part due to Lancashire's share of the additional funding made available nationally by the Government and the inclusion of funding from the teachers' pay grant and the teachers' pension employer contribution grant in the schools' National Funding Formula allocations from 2021/22.

In addition, there are 841 more pupils across Lancashire primary and secondary schools, which generates additional Schools Block income, but will also produce extra costs in the budget.

High Needs Block allocation (£151.033m)

The 2021/22 High Needs Block allocation is calculated under the Government's national High Needs funding formula. Key features of the formula include:

- A historic spending allocation to assist with transition to the national high needs formula;
- A flat rate of £4,660 per annum for each pupil in special schools or student in special post-16 institutions, ensuring local authorities receive a broadly equivalent basic level of funding for pupils with high needs in both mainstream schools and outside the mainstream sector. For 2021/22, this factor has been increased by £660 per pupil relating to funding for the teachers pay and pensions grants that were previously paid as separate grants;
- A number of proxy measures including the following factors:
 - 2-18 population;
 - deprivation;
 - low attainment;
 - health and disability.
- An import/export adjustment for high needs pupils;
- An allocation for Hospital education and some additional Alternative Provision teachers pay/pension costs.

The formula provides a 2021/22 High Needs Block allocation for Lancashire of £151,032,906.

This figure is over £15m higher than the equivalent 2020/21 allocation, and is largely due to increased funding for the High Needs Block made available by the Government and the uplift for the teachers' pay grant and the teachers' pension employer contribution grant which now form part of the national High Needs Block funding formula.

It should be noted that the High Needs Block allocation is a provisional allocation and the gross total includes allocations attributable to funded places that will be deducted and made directly by the ESFA. These are estimated by ESFA to total circa £8.402m.

Early Years Block allocation (£82.472m)

Allocations for the Early Years Block include:

- 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 (EYPP);
- funding for the Disability Access Fund (DAF);
- supplementary funding for Maintained Nursery Schools (MNS).

The allocations are calculated on a formulaic basis and include Lancashire's share of an additional £44m nationally for early years education in 2021/22.

This additional funding translates into an additional 6p per hour for three and four year olds from April 2021, and 8p per hour for two year olds.

Other factors in the formula remain unchanged from 2020/21:

- Early Years Pupil Premium (EYPP) – 53p per eligible child per hour;
- Disability Access Fund (DAF) - £615 per eligible child per year.

The continuation of supplementary funding for Maintained Nursery Schools (MNS) was also confirmed for 2021/22. Government announcements did include information to indicate that the supplementary funding for Maintained Nursery Schools (MNS) allocations for September 2021 to March 2022 are conditional and they may be subject to change. Local authorities were advised to therefore treat them as unconfirmed. The announcements reiterated the Government's commitment to the long-term funding of maintained nursery schools and indicated more information would be provided about this in early 2021.

These factors provide a total Early Years Block allocation for Lancashire for 2021/22 of £82,471,546.

Lancashire's Early Years funding is circa £2m higher than the equivalent 2020/21 allocation, due to the increased hourly funding rates for two, three and four year olds.

It should be noted that the 2021/22 early years block allocations are initial, and based on Schools, Early Years and Alternative Provision censuses data from January 2020. These allocations will be updated based on January 2021 and January 2022 census data.

Central Schools Services Block (CSSB) (£6.766m)

The Central Schools Services Block (CSSB) is to fund central functions that Local Authority's carry out on behalf of pupils in state-funded maintained schools and academies in England.

The Central Schools Services Block (CSSB) is split into funding for historic commitments and funding for ongoing responsibilities. The ongoing responsibilities element is based on a formula, with unit values being increased by 4% for 2021/22. The uplift includes an element of additional funding for the teachers pay and pensions relating to centrally employed teachers.

The Historic Commitments element of the allocation has been reduced by 20% compared to 2020/21, as the Department for Education indicate that they will continue to 'unwind' historic commitments over time.

The total Lancashire's Central Schools Services Block allocation for 2021/22 is £6,765,814. This is over £0.3m higher than 2021/22, mainly relating to higher funding rate, the uplift for teachers pay and pensions and higher pupil numbers.

In Year Adjustments

The DSG allocation notified is prior to in year adjustments for:

- Academies recoupment from the schools block;
- Deductions for high needs places in academies and non-maintained special schools;
- Post 16 places;
- Deduction for national copyright licences;
- Updates to the funding for three and four year olds;
- Updates to the funding two year olds;
- Updates to the early years supplementary funding for maintained nursery school;
- Updates to the early years pupil premium;
- Updates to early years Disability Access Fund.

Forecast total DSG income for 2021/22

The Lancashire DSG allocations for 2021/22 across the 4 funding blocks are shown below:

<u>Forecast DSG Income</u>	£m's
Schools Block	849.944
High Needs Block	151.033
Early Years Block	82.472
Central Schools Services Block	6.766
Gross Total forecast DSG Income	1,090.214
Total deductions for direct high needs payments made by the ESFA	-8.402
Net Total forecast DSG Income	1,081.812

SCHOOLS BUDGET 2021/22

The latest Individual School Budgets (ISB) across all phases has been constructed using the final datasets made available from the Department for Education and our latest local Early Years and High Needs data.

This Schools Budget estimate has been calculated following the outcome of consultations with schools and early years providers and discussions with the Schools Forum.

Budget Summary

The table below summarises the budgets to be allocated from each of the DSG funding blocks

<u>Forecast DSG Expenditure</u>	£m's
Schools Block	847.944
High Needs Block	151.033
Early Years Block	84.472
Central Schools Services Block	6.766
Total deductions for direct high needs payments made by the ESFA	-8.402
Total forecast DSG Expenditure	1,081.812

Further details about each block are provided below.

Schools Block (£847.944m)

Following a consultation with schools and the Schools Forum as part of the 2018/19 Schools Budget setting cycle, it was agreed to use the Government's National Funding Formula (NFF) methodology as the local Lancashire funding model.

The National Funding Formula methodology will continue to apply in 2021/22 for calculating allocations to Lancashire schools, and will incorporate the changes to the formula introduced nationally that are set out in the main report. This provides for a guaranteed 2% per pupil increase for all schools and academies in 2021/22.

As supported by responses from schools in a consultation held in the autumn term 2020, the Minimum Funding Guarantee (MFG) has been included in the formula at +2% and there is no cap on funding gains.

A 2021/22 growth fund requirement, which is used to support Local Authority initiated school expansions, of circa £2m has been included for 2021/22.

The calculation reveals a 2021/22 Schools Block expenditure requirement of £847.944.

The recent school consultation also provided support for the transfer of any Schools Block headroom that may be available to help support pressures in the Early Years block.

£2m represents 0.26% of the Schools Block, prior to the inclusion of the teachers pay and pensions grant uplifts, so is below 0.5% level requiring transfers to be approved by the Secretary of State and a decision can therefore be approved by the Forum;

Responses will be presented to Forum as one of their decisions on 12 January 2021

The headroom figure is generated from Lancashire's 2021/22 Growth Fund allocation from Government, less our local estimate of the growth requirement from April 2021.

High Needs Block

The High Needs Block expenditure for 2021/22 is estimated in the table below:

	Place funding £m	Top-up funding £m
Delegated to Schools	32.234	71.755
FE Colleges		7.000
HNB costs on a commissioned basis		31.305
Total deductions for direct high needs payments made by the Education and Skills Funding Agency		8.402
Additional High Needs places to be paid direct by Education and Skills Funding Agency		0.337
Total	32.234	118.799

The total forecast High Needs Block expenditure in 2021/22 is some £151.033m.

This forecast expenditure includes an estimate of the considerable cost and demand led pressures facing the block in 2021/22.

Proposals also build in a 2% increase to the level for the school specific factor rates in special schools and pupil referral units and to the Weighted Pupil Number (WPN) values supporting all high needs pupils. These proposals provide a similar level of increase to that in the Schools Block national funding formula, which guarantees 2% more pupil-led funding per pupil than in 2020/21.

The circa £8.4m of deductions in the Dedicated Schools Grant notifications have been budgeted here, as this relates to direct high needs payments made by the Education and Skills Funding Agency.

An extra £0.337m worth of deductions has also been included, for additional high needs places that have now been commissioned by the county council at establishments that are directly paid by the Education and Skills Funding Agency.

Despite considerable pressure on the high need block funding envelope, a balanced budget position has been forecast for 2021/22 and the county council will continue to work on initiatives that ensure that the best use is being made of the High Needs

resources available and to minimise as far as possible the future years forecasted overspends.

Early Years Block

The Early Years Block expenditure for 2021/22 is estimated in the table below:

	2 year olds £m	3&4 year olds £m
Early Years Block 3/4 year olds		73.177
Early Years Block 2 year olds	9.729	
Early Years Pupil Premium (EYPP)		0.752
Early Years Disability Access Fund (DAF)		0.314
SEN Inclusion Fund		0.500
Total	9.729	74.743

The total forecast Early Years Block expenditure in 2021/22 is some £84.472m.

Government announcements on 17 December 2020 indicated that the additional early years funding for 2021/22 translated into an extra 6p per hour for three and four year olds from April 2021, and 8p per hour for two year olds. These increased values have been included in the budget forecasts for 2021/22

Other factors in the national early years formula remain unchanged from 2020/21 and have also been included in budget forecast:

- Early Years Pupil Premium (EYPP) – 53p per eligible child per hour;
- Disability Access Fund (DAF) - £615 per eligible child per year.

Maintained Nursery School Supplementary Funding continues to be provided in 2021/22 and is included in the budget figures for 3&4 year olds above. However, the government announcements emphasise that the maintained nursery school supplementary funding allocations for September 2021 to March 2022 are 'conditional' and may be subject to change. Local authorities are advised to treat them as unconfirmed. The DfE say more information about this will be provided in early 2021 but the government's commitment to the long-term funding of maintained nursery schools is unchanged.

The budget forecasts also build in a £2m transfer of headroom from the Schools Block to the Early Years block, which will need to be confirmed by the Schools Forum, as part of their budget decisions on 12 January 2021. This funding transfer allows a local increase of 8p per hour for the 3&4 year old base rates and a higher level of SEN Inclusion Fund, first supported by a Schools Block transfer in 2020/21, to continue into 2021/22.

It must be emphasised that the transfer of funding from Schools Block headroom cannot be guaranteed for future years.

Central Schools Services Block (CSSB)

The estimated Central Schools Services Block expenditure in 2021/22 is £6.766m.

The budget takes account of the Department for Education's decision to reduce the Historic Commitments element of the budget by 20% from April 2021, as part of their intention to cease all 'historic' funding over time.

In consultation with the Schools Forum, Lancashire has already significantly reduced the historic commitments expenditure, and further reductions are included in the forecast expenditure for 2021/22. However, in order to protect some combined budget contributions that help support valued services to schools, the historic commitments element is forecast to be overspend in 2021/22, being partially supported from the ongoing responsibilities element, in order to produce a balanced position for the Central Schools Services Block overall.

Careful consideration will be needed around the Central Schools Services Block in future years, as DfE implement further reductions in the Historic Commitments budget.

Calculation of the final 2021/22 funding position

	£m's
Total forecast DSG Income 2021/22	1,081.812
Total Forecast DSG Allocations 2021/22	1,081.812

These Schools Budget proposal forecast a balanced budget position for 2021/22.

Recommendations from the Schools Forum meeting to be held on 12 January 2021 will be provided for the Cabinet as Appendix 'B'.