

CABINET

15 December 2020

Title: Dedicated Schools Budget and Schools Funding Formula 2021/22	
Report of the Cabinet Member for Educational Attainment and School Improvement	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
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Accountable Director: Jane Hargreaves, Commissioning Director – Education, Youth and Childcare	
Accountable Strategic Leadership Director: Philip Gregory, Chief Financial Officer, Elaine Allegretti, Director of People and Resilience	
Summary This report provides an update on the national Education Funding reforms and their likely impact on Barking and Dagenham. This report also sets out the Dedicated Schools Budget (DSB) strategy for 2021/22 and the principles that we plan to use for the Local Funding Formula for Schools following discussion with Schools Forum and consultation with schools. The report also considers the implications for the Council of the funding changes and the risks and opportunities that arise as a result.	
Recommendation(s) The Cabinet is recommended to: (i) Note the indicative allocation of Dedicated Schools Grant for 2021/22 as set out in section 2 of the report; (ii) Approve the 2021/22 strategy for the Schools Block as set out in section 3 of the report; (iii) Approve the proposed principles for the design of the Local Schools Funding Formula as set out in section 4 of the report, subject to consultation with schools and (vi) below; (iv) Note the allocated funding and strategy for the High Needs Block as set out in section 5 of the report; (v) Note the allocated funding and strategy for the Central Services Block as set out in section 6 of the report; and (vi) Delegate authority to the Director of People and Resilience, in consultation with the Chief Financial Officer, the Schools Forum and the Cabinet Member for	

Educational Attainment and School Improvement, to approve the final 2021/22 school funding formula for submission to the Education and Schools Funding Agency.

Reason(s)

(The Dedicated Schools Budget is part of the Council's overall budget and Local Authorities are required to develop and maintain a Local Funding Formula to distribute funding to schools.

1. Introduction and Background

- 1.1 Most Education funding is provided by the Department of Education in the form of a specific ringfenced grant to Local Authorities known as the Dedicated Schools Grant. This was first introduced in 2006 and at that time was based on the allocations within Local Authority budgets for Education. However since that time the direction of travel has been towards replacing this with a formula based allocation with funding based on population and indicators of additional needs such as deprivation and poor attainment.
- 1.2 The DSG is made up of four blocks that fund different components of the 3-16 Education system: the Schools Block which makes up most of the allocations to individual schools, the High Needs Block which provides funding for Special Schools, Alternative Provision, and Additional support for students with Special Education Needs in mainstream schools, the Early Years block which provides funding for two, three and four year old education and the Central Block which funds various central services such as Admissions and School Improvement. More information is given on each of the blocks in the report.
- 1.3 The ultimate intention of Department of Education policy is that Schools Block funding will be passported straight to schools based on the National Funding Formula. However, there is a transitional period before this happens during which time the Local Authority is required to set its own formula in consultation with its School Forum and local schools. The details of the LBBF formula are also set out in this report.
- 1.4 In general the operation of the National Funding Formula for the Schools Block has tended to move funding away from London authorities towards other areas although this effect has been dampened by the use of a funding floor. Moreover, Education funding at the national level has been subject to below inflationary increases for the past few years, This has created some financial pressures for some LBBF schools – especially Primary Schools which have seen a temporary dip in pupil numbers.
- 1.5 On the other hand the move to a formula based allocation has improved funding for the High Needs Block which had previously been severely underfunded. However, this remains an area of financial pressure at the local and national level.

2. The Dedicated Schools Grant

2.1 As described above the Dedicated Schools Grant is made up of four blocks which fund different aspects of the Education system. The table below shows the current year (2020/21) and the indicative funding for 2021/22. Note that the indicative funding is based on the same pupil numbers as this year, so the changes are entirely driven by the formula not by population increases. The final allocation will be updated based on the School Census data for October 2020. It is expected that there will be a net increase in pupil numbers so the overall allocation will increase slightly.

Block	2020/21 Alloc.	2021/22 Alloc.	TPG and TPECG	2021/22 Adjusted Alloc.	Movement +Fav / (Unfav.)	% Mov't
	(a)	(b)	(c)	(d)=(b)-(c)	(e)=(a)-(d)	(e)/(a)
Pupil No	39,376	39,376				
Schools Block	214,590	229,035	9,403	219,632	5,042	2.35%
Premises (historic)	9,053	9,992		9,992	939	10.37%
Growth Fund	2,398	1,863		1,863	(535)	(22.31%)
High Needs	37,568	42,242		42,242	4,674	12.44%
CSSB - On-going	1,438	1,472		1,472	34	2.36%
CSSB - Historic	926	740		740	(186)	(20.04%)
Early Years (Provis)	22,933	22,933		22,933	-	0.00%
Total Funding	288,906	308,277	9,403	298,874	9,968	-

2.2 As the table shows there has been a significant uplift in 2021/22 allocation as two previous separate grants for Teachers Pay and Pensions have been included in the main Schools Block. Excluding this increase and the pupil led formula component of the Schools block has increased by 2.35%.

2.3 There has been another considerable increase in the High Needs Block. This reflects both the national funding increase in this area and the continued movement towards the formula-based allocation.

2.4 The Central block has been uplifted by inflation for on going commitments (admissions and statutory duties) but part of the block that relates to historic spending allocations is being reduced in line with the Government intention to standardise central spending.

2.5 The Early Years allocation has not yet been published but the 2020/21 amount is shown for information. We expect that when the final allocation is published it will include some inflationary uplift which we will pass through to providers in line with guidance.

3. Schools Block

3.1 The Schools block is made up of three components. The largest component is the formula led allocation calculated at the individual school level and aggregated to the Local Authority area. Then there are special premises factors such as rates and PFI costs which have not yet been formularised (and may never be) but are set

based on last year's actuals. Finally, there is the Growth Fund which is set at Local Authority level based on a formula capturing the change in school age population between October 2019 and October 2020.

- 3.2 The national formula for schools funding is intended to provide more consistency and transparency around funding so that when fully implemented, similar children in similar schools will be funded at the same level (adjusted for local cost variations.) It therefore provides a basic age weighted pupil unit (AWPU) of funding for each student in a school with further funding allocated to factors that are indicative of additional needs (deprivation, English as an additional language and low prior attainment) and a small amount of funding for school led funding (a lump sum and funding for rates and exceptional premises costs.)
- 3.3 The AWPU in the national formula is lower than was previously the case for LBBD schools (this is the case for most London authorities) resulting in a distribution of funding away from London on average. However, the additional needs factors are highly weighted so schools with these kinds of students are partially compensated for this. Finally, a funding floor has been used to contain funding losses at a minimum level. For 2021/22 this has been set at 2%.
- 3.4 This year the DfE have also added in funding from the former Teachers Pay Grant and Teachers' Pension Employer Contribution Grants on a per pupil basis (adjusted for Area Costs.) From now they will be treated as part of School's Core funding and be distributed as part of the formula.
- 3.5 As in previous years all primary schools and in Barking and Dagenham are on the funding floor receiving only the minimum increase in per pupil funding (plus the rolled in grants). Most secondary schools are now also at floor funding level.
- 3.6 The DfE have used the national formula to calculate individual allocations for all schools in the country. This has then been used to calculate the aggregate Schools Block allocation for each authority and derive the relevant average funding unit Primary (£5,212) and Secondary (£6,851). These unit rates will be applied to the October 2020 census to determine the final allocations for 2021/22. The final allocations are to be published in December 2020.
- 3.7 Since 2018/19 Growth funding has been allocated on a formula based on population changes between one October census and the previous one. In practice for LBBD this is resulting in a less generous allocation than previously and lower than is needed. Our local growth funding policy has been revised to reduce funding allocated for new classes opening in September to the AWPU level only (the minimum possible.) This effectively requires new classes to be partly cross subsidised from the School's overall budget. Despite this however the estimated funding available for 2021/22 is £0.386m lower than estimated requirements. The difference will need to be top-sliced from the main Schools block before distribution in the funding formula.
- 3.8 In addition although there is overall pupil growth in the secondary phase and in some geographical areas in the primary phase, in other areas there is a temporary dip in primary numbers. Demographic modelling suggests that this is only temporary but for some schools this short-term funding drop is hard to manage so the Schools Forum has agreed that a small fund should be made available to

support those schools. This will also be top-sliced from the main Schools block before distribution in the funding formula. The table below shows the expected Schools Block budget.

2021/21 Schools Block Budget	£'000s
Provisional School Block Allocation 21/22	229,035
Premises	9,992
Growth Fund	1,863
2020/21 implicit growth via APT	£1,603
Provisional Schools Block Budget for 2021/22	242,493
Schools Block formula requirement	239,828
2020/21 additional premises costs reimbursement	160
Growth Fund	2,249
Falling Rolls	256
Provisional Schools Block Expenditure	242,493

4. The Local Funding Formula for Barking and Dagenham for 2021/22

- 4.1 The Department of Education have the intention to move to a fully formula based methodology for individual schools but this is not yet in place and further consultation will be required before this can happen as there are still some unresolved issues including allocation of premises and special circumstances funding and how growth and falling rolls funds can be managed. 2021/22 therefore will be another transitional year with Authorities required to set a local formula in consultation with their Schools Forum and local schools.
- 4.2 As set out above it has been necessary to top-slice the block to provide sufficient growth funding and for a fund to support schools with falling rolls. There has also been an adjustment for additional premises costs relating to 2020/21 which were not funded in the 20/21 DSG. (Increase in these costs are provided based on last year's actuals so there is sometimes a funding lag when e.g. business rates increase.)
- 4.3 These adjustments mean that the amount available to pass through to schools will not match the notional allocations published by the DfE. In addition, the national formula is more favourable to secondary schools than primary schools in our area on a funding ratio of 1:1.41. As in previous years Schools Forum has agreed to modify the formula in order to provide continuing protection to primary schools and achieve a ratio of 1:1.35 (or as near as possible.) This has been achieved by modifying the Age Weighted Pupil Unit of funding.
- 4.4 Cabinet are asked to approve the following principles to be used for the 2021/22 Local Funding Formula:
- (a) To Apply NFF rates for funding factors including area cost adjustment of 12.985% with the exception of AWPU.
 - (b) To adjust the AWPU rates to remain within the cash limit and to achieve 1:1.35 ratio between primary and secondary phases. This means secondaries would

be funded 35% more per pupil than a primary in recognition of their greater cost. The notional funding allocations published by the DfE is showing that most primary schools are having to be supported through the funding floor factor in respect of the minimum 2% per pupil uplift. This is because the pupil led factors are not fully effective in driving the funding allocations and minimum increases through the formula. Therefore, in respect of 2021/22, the existing ratio of 1:1.35 is being proposed in order to provide continuing protection to the primary phase. It will also reduce funding turbulence and uncertainty until these issues are possibly resolved at a national level.

- (c) To apply no capping and scaling unless necessary to allow the formula to operate in a reasonable, fair and stable manner. This means that schools will retain all of their gains under the formula. However, in the final model, it may be necessary to apply capping and scaling to ensure that the formula remains affordable.
- (d) To provide Minimum Funding Guarantee (MFG) protection of 2% or as near as possible within the final funding envelope. This measures the percentage increase in per pupil funding between 2020/21 and 2021/22 formula budget after removing lump sum and rates allocations but including teachers' pay and pension grants for both years. The regulations allow MFG to be set between 0.5% and 2%. Under current modelling 23 primaries are on 2% MFG protection however, under the formula, all schools are seeing cash increases.

4.5 These principles were approved at the recent Schools Forum meeting on 20th October. A consultation with local schools is currently under way. It is therefore recommended that the Cabinet also approve these principles. This means that the additional needs factors have been established using the National funding formula amounts as a starting point, but the basic age weighted pupil funding has been adjusted in line with the principles above.

4.6 The DfE will release updated census data and revised funding allocations based on that in December. When this is published it may be necessary to adjust some factor weightings or other aspects of the calculation. This will be done in line with the principles approved and in consultation with Schools Forum and local schools. Cabinet are asked to approve delegated authority of the final sign off to the Director of People and Resilience in consultation with the Chief Operating Officer and the Cabinet Member for School Improvement and Educational Attainment. Any significant changes will be reported back to Cabinet in February.

5. High Needs Block

5.1 The High Needs Block provides funding for Local Authorities (rather than for delegation to schools) and is made available to meet the additional costs of supporting students with special educational needs aged 0 to 25 years. The funding was previously based on historical allocations with very little linkage to actual levels of need in an area. Over recent years it has become very apparent that the national quantum of funding was not sufficient to meet the true levels of need. Following consistent lobbying from across the country including by our own councillors, MPs, Headteachers and Governors and the Teaching Unions this was recognised by Central Government with the announcement of additional funding for 2020/21 nationally. This translated to a 17% increase in the allocation to LBBB – reflecting

the size of the pre-existing gap between historic funding and the true level of need in our area.

- 5.2 The block funds a range of services including Alternative Provision, Special Schools and ARPs and additional support to High Needs students in mainstream schools. The table below shows the budget allocation for 2020/21. The increase in the allocation allowed the creation of a gatekeeping fund to manage in year growth in the number and complexity of needs of children. Despite this, however this is an area of high demand that continues to need strict management and creative strategies. Note that the table differs from the total grant allocation as it has been adjusted for “recoupment” – payments made at source to Special Academies and Free Schools.

	2019/20 Budget	2020/21 Budget
Alternative Provision	3,544,000	3,574,000
ARP Funding	6,032,800	6,102,000
DSG – High Needs Education Inclusion	1,666,000	1,618,000
Top-ups (inc. OB and NMSS)	6,662,200	7,635,000
High Needs Top Ups – Post 16	969,000	1,291,000
SEN Panel Top Ups	1,418,000	1,148,000
LACHES, Language Support	331,000	335,000
Initiatives	200,000	150,000
Special School Funding	7,493,000	10,643,000
Early Years & Integrated Youth Services	398,000	356,000
Total	28,714,000	32,852,000
Gatekeeping for In-year Growth/import/export		1,162,500
Total Budget		34,014,500

- 5.3 The allocation for 2021/22 is expected to include another above inflation increase of £4.674m or 12%. This means that there is no requirement to transfer monies from the Schools Block to support expenditure. It is however likely that the High Needs Block will continue to need careful management in order to contain costs within the total funding. The Authority works closely with representatives from local schools through the High Needs Working Party in order to devise strategies to manage and reduce demand and control costs. We will work with this group to set a High Needs Budget for 2021/22 once the final allocation is published.

6. Central Services to Schools Block

- 6.1 The Central Block was created in 2018/19 by combining the residual Education Services Grant of £0.6m and £1.9m of funding allocations for central services previously agreed by Schools Forum. The latter is made up specific continuing statutory functions (Admissions and running a Schools Forum) and local arrangements for historically agreed services. The Government’s clear intention is to move the ESG and statutory functions elements towards a per head funding regime and to taper off historically agreed services over time.
- 6.2 CSSB is funding the following historic services in 2020/21:

- Funding for core School Commissioner role within the LA - £108k.
- Capital Investment Team to support and project manage builds - £150k.
- Sports Co-ordinator - £50k.
- Trewern outdoor education centre - £209k
- Community Music Service - £310k
- Advisory Teachers to support School Improvement Partnership priorities - £330.

The 2020/21 total budget requirement for these historic duties is £1,157k, however the corresponding budget allocation is only £926k. The difference of £231k is being met from anticipated savings on CSSB on-going responsibilities. However, this is a short-term strategy only.

- 6.3 There will be a further reduction of £0.186m to this block in 2021/22. The services affected by these reductions are using this year as transition period to re-design and remodel their services to absorb and mitigate the reduction in funding.

7. Financial Implications

Implications completed by Katherine Heffernan, Head of Service Finance

- 7.1 The Dedicated Schools Grant is a ringfenced grant provided by the Department of Education. The anticipated allocation for 2021/22 will be confirmed once October 2020 pupil census data is finalised but is expected to be at least £298m (including funding for Academies which does not come to the LA). Any further significant implications will be reported to Cabinet as part of the final budget report in February.

8. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Lawyer

- 8.1 The Dedicated Schools Grant is payable to local authorities under section 14 of the Education Act 2002. It is as set out in this report a 'ring fenced grant' that is to say it must be solely spent on the grant conditions and guidance as been prepared by the Education and Skills Funding Agency (ESFA) to assist local authorities in the operation of the dedicated schools grant (DSG).
- 8.2 Each year new regulations are issued as they only cover one year the current being School and Early Years Finance (England) Regulations 2020. In 2020-21, The Council will continue to determine schools' budget allocations at a local level, through a local funding formula, though in future years to come this will change to a national set funding formula.

9. Other Implications

- 9.1 **Risk Management** - There is a risk that for some schools the funding available may not fully meet their expected operating costs and financial pressures. The Minimum Funding guarantee that limits any reduction in funding to 2%% per pupil offers some mitigation as it provides a smoothing mechanism preventing sudden funding changes. The Council will continue to work with Schools and others to ensure there

are high standards of financial management and control to meet these funding challenges.

- 9.2 **Staffing Issues** – The DfE have provided additional funding to support some of the costs of teachers pay award and employers pension contribution which will be passed through to schools. However, many schools in Barking and Dagenham will receive only a small uplift in their funding and where schools are also experiencing changes in roll numbers there may be budget pressures which impact on staffing plans. The Authority has taken some steps to support schools through the creation of a falling rolls fund and access to loans via the Financial Difficulties Fund. Schools are encouraged to work with HR in order to mitigate the impact on individual staff members and to avoid compulsory redundancies as far as possible.
- 9.3 **Corporate Policy and Equality Impact** – The National Funding Formula provides additional funding to meet the educational and safeguarding needs of students with specific characteristics that indicate higher levels of need and vulnerability such as deprivation, lower prior attainment and speaking English as an additional language. This is reflected in the Local Formula.
- 9.4 **Safeguarding Adults and Children** - The additional needs factors and the pupil premium provide targeted support for looked after children and those entitled to free school meals. The High Needs block is available to provide support for students with complex educational needs and disabilities.

Public Background Papers Used in the Preparation of the Report:

- DSG Operational Guidance
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/902183/Schools_operational_guide_2021_to_2022_1.pdf

List of appendices: None