

2.2 Dedicated Schools Grant Budget 2021/22

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1 Purpose

- 1.1 To inform the Schools Forum on the distribution of the Dedicated Schools Grant (DSG) for the financial year 2021/22.

2 Recommendations

- 2.1 That the Schools Forum **notes** the DSG budget of £291.989m for the purposes of setting the schools budget as set out in the Annex A and the overall budget position as set out in Annex G.
- 2.2 To **note** the Central School Services Block (CSSB) budget (Annex B1) and the Early Years central expenditure (Annex D) as agreed at the [10 December 2020](#) schools forum meeting.
- 2.3 To **note** the budget for the growth fund as set out in Annexes B1 and B2. The growth fund criteria and weighted pupil numbers require approval by the schools forum and these were approved at the [15 October 2020](#) schools forum meeting, so this information is just for noting.
- 2.4 To **vote** on de-delegating school insurance services for 2021/22 for maintained primary and secondary schools as set out in Annex B1 (section 4).
- 2.5 To **note** the unit rates for the Primary and Secondary School Funding Formula as set out in Annex C.
- 2.6 To **note** the unit rates for the Early Years Funding Formula as set out in Annex D.
- 2.7 To **note** the budgets for the High Needs pupils and students as set out in Annexes E, E1 and E2.
- 2.8 To **note** the distribution of the Government Grants as set out in Annex F.

2.9 To **note** the 2021/22 Budget Summary as set out in Annex G.

3. Budget Setting Process Introduction

3.1 The main elements to agreeing the Schools Budget are:

- Estimating the value of the DSG for 2021/22 (resources available) and the estimated carry forward balance at 31 March 2021
- Determining those elements that are to be retained centrally by the Local Authority (LA) and seek the school's forum approval where required
- Consider and seek approval from the school's forum for any movements between funding blocks
- Determining the distribution of the resources within the Individual Schools Budget (ISB) between schools maintained by the LA, academies and Early Years providers applying the funding formulae.

4. National Funding Formula and 2021/22 Budget

4.1 During the week commencing 14 December 2020, the DfE issued the latest allocations of the DSG for 2021/22 together with the associated technical guidance and the Authority Proforma Tool for completion and submission of the school funding formula.

4.2 2021/22 will be the fourth year that the schools, high needs and central schools DSG allocation will be based on the revised national funding formula (NFF). The early years NFF was introduced in 2017/18 and the phased implementation of that during 2017/18 and 2018/19 saw the completion of the transition to the new formula.

4.3 In September 2019, the DfE announced nationally that there would be additional funding for schools and high needs compared to 2019/20: £2.6bn 2020/21, £4.8bn 2021/22 and £7.1bn for 2022/23. The government have confirmed it remains committed to these increased levels of funding.

4.4 The table below shows the changes in the funding allocation (reflecting the increases mentioned above) from the draft position that was reported to the Schools Forum in December and the overall change in the allocation between 2020/21 and 2021/22.

DSG Summary	Funding Block £m				
	Schools	CSSB	EY	HN	Total
2020/21 DSG Allocation	203.584	1.496	21.652	44.506	271.236
2021/22 DSG Allocation	219.636	1.654	21.904	48.794	291.989
Change from 2020/21	16.052	0.159	0.253	4.289	20.752
Forecast (Dec SF)	217.651	1.549	21.652	48.773	289.625
2021/22 DSG Allocation	219.636	1.654	21.904	48.794	291.989
Change from Forecast	1.985	0.105	0.252	0.021	2.364

Changes from 2020/21

- 4.5 Schools Block: the schools block is affected by a number of changes in 2021/22. The total increase of £16.052m is broken down as follows:

Schools Block Change	£m
Additional Pupils (213)	1.503
NFF Unit Rate Increase	6.376
Teachers Pay and Pension Funding	9.171
Growth Funding Recalculation	-1.018
Premises Increase	0.020
Total Increase in Funding	16.052

- 4.6 The premises funding covers funding for split site allowances, business rates and mobility and is based on the 2020/21 costs as submitted in the APT. There is no inflationary increase applied meaning increases in the business rates costs each year must be funded from the per pupil funding allocations.
- 4.7 There continues to be no further funding announcements or indicative funding estimates provided by the DfE beyond 2021/22 making long term planning more difficult and also highlights why it is important to create a sustainable position on all aspects of the DSG, at individual block level.
- 4.8 Whilst we have the high level national indications from government, local level allocations are almost impossible to predict because; there is no split between schools and high needs funding and it is not clear if any of the one-off / annual grants will be rolled into the allocation.

5. Budget Strategy

2021/22 Overview Budget Position

- 5.1 From 2018/19 the DSG is split into four blocks; schools, central school services, high needs and early years. The blocks are also ring-fenced with restrictions in the regulations applied to limit movements between blocks. This includes a maximum 0.5% transfer out of the school's block, which must have school's forum approval, and in early years the 95% pass through to provider's requirement (3&4 year old only). No

movement between blocks is proposed in this budget and the early years pass through rate will remain above the required rate at 97.36% (2020/21 96.78%).

- 5.2 As the funding blocks within the DSG are ring-fenced, the carry forward balance at the end of 2020/21 will be carried forward against the blocks in which they relate.
- 5.3 The latest forecast position (period nine) shows that there is an anticipated surplus carry forward of £3.346m and this has been used for the purpose of setting the 2021/22 budget.
- 5.4 Part of the 2021/22 DSG allocation is still provisional due to the recalculation of parts of the census-based funding factors, where these are recalculated on later census dates. This will affect the whole of the early years block and the import and export element within the high needs block (currently £0.000m).
- 5.5 A detailed breakdown of the budget is set out in Annex G.

Dedicated Schools Grant Income

- 5.6 The LA has a DSG allocation for 2021/22 of £291.989m. The detailed breakdown and assumptions for each block is set out in Annex A.
- 5.7 The DSG can only be used for the purposes of the Schools Budget as defined in The School and Early Years Finance Regulations 2021. The Schools Budget consists of delegated budgets allocated to individual schools, Pupil Referral Units (PRUs) and Early Years Provision in Private, Voluntary and Independent (PVI) providers, and a budget for other provision for pupils which local authorities fund centrally, which includes the bulk of High Needs provision, including post 16 provision up to the age of 25.
- 5.8 The conditions of use of the DSG grant are set out in Annex A.

Central Expenditure Budgets

- 5.9 The Schools and Early Years Finance Regulations 2021 require the Schools Forum to:
 - Agree the central expenditure budgets against the schools and early years blocks (agreed at [10 December 2020](#) schools forum)and
 - Agree the level of de-delegation (agreed at [15 October 2020](#) schools forum meeting).
- 5.10 Annex B1 sets out the detail of central expenditure against the central school services block and the growth fund. This annex also shows the central budgets in respect of LA maintained schools where de-delegation was approved at the [15 October 2020](#) schools forum meeting.

- 5.11 Annex D sets out the detail of proposed central expenditure against the early years block.
- 5.12 The school's forum is required to approve the growth fund criteria and weighted pupil adjustments to be applied through the funding formula. Both of these areas have been approved at the [15 October 2020](#) schools forum meeting. Annex B2 recaps the details of funding to be allocated from the growth fund in 2021/22 for information.

High Needs Budgets

- 5.13 High needs expenditure largely consists of top up, place funding and central SEN services. Details of the proposed budgets for all high needs (including central expenditure and place funding) is set out in Annex E.
- 5.14 The 2021/22 total high needs allocation is £48.794m. This is an increase of £4.288m from the 2020/21 allocation. However, part of the increase relates to the teachers pay and pension which is now part of the funding formula, in 2020/21 this was paid as a separate grant (£0.748m) so the net increase is £3.540m.
- 5.15 There have been a number of significant cost pressures resulting from increased demand in the current year and these have been reflected in the base budget for 2021/22 using the majority of the additional funding that was announced. The full detail of the draft budget is set out at Annex E (but is subject to approval with the Council's budget in February).
- 5.16 The current year forecast underspend position of £2.481m will be carried forward to 2021/22. This funding is one off and not ongoing and therefore should not be committed into the base budget, instead this will be used to manage volatility within the block, manage future demand pressures (in light of uncertainty over future funding) or be used for one off investment (this could include training and support, investment in equipment and improvement of assets). This level of contingency may seem large in value but is relatively low as a percentage (5.5%) especially when considering volatility (e.g. the average cost of a placement, and some of the increases in demand we have seen in year).
- 5.17 Without this level of contingency, changes in demand would otherwise have to be managed by reducing rates or removing non-statutory elements of funding.
- 5.18 The arrangements for the funding of special schools, pupils in special units attached to mainstream schools, alternative education providers, and high needs students in post 16 provision continue to be on the place plus top up basis as defined by DfE. The details are set out in Annex E.

School Budget Shares

- 5.19 The DfE national funding formula sets out all the formula factors and equivalent values that should be applied under a hard formula. LAs are allowed time to transition to this but MK moved fully to match all formula elements in 2018/19. Any variation to the formula must be fully justified in order to make simpler and less turbulent transition to the hard formula.
- 5.20 For 2020/21 the formula factors will remain in line with the DfE's formula, however there will need to be some adjustments to the rates applied to make the formula affordable. Some areas within the formula remain still under local control namely; growth funding and criteria, split site funding, MFG and cap on gains. Ahead of the DfE final funding announcements in December, all schools were consulted about some of the potential changes that would need to be considered for the formula in 2021/22, the responses were shared at the [10 December 2020](#) schools forum meeting.
- 5.21 The main pressures against the school's budget are:
- **Growth:** The cost of growth (Annex B2) is £4.458m. Although the cost of growth has reduced by £0.727m since 2020/21, the reduction does not fully cover the amount of funding that was reduced. It also exceeds the actual funding of £2.167m by £2.291m.
 - **Free School Meals (FSM):** The proportion of pupils triggering this factor has increased in both the primary and secondary sectors.
 - **Premises:** funding in this area is lagged meaning we are funded based on our costs in the previous year.
 - **Different Model:** Funding is not received into the LA on the same methodology as the allocation of the school funding, often meaning that there is an overall difference that needs to be managed within the local formula.

Full details of all the formula factors can be found in Annex C.

- 5.22 In 2020/21 the factors were fully aligned to match those outlined in the NFF, MFG was 0.5% and there was no cap set for gaining schools. As the school's block is ring-fenced it is necessary to pass out all the funding to schools via the APT (Authority Proforma Tool). Modelling of the formula (based on the full hard NFF) shows that due to the pressures and funding reductions outlined earlier in this report, there is an overall pressure of £0.298m. This was less than was originally projected at the time of discussions with the forum and schools.
- 5.23 The following areas were proposed at the October forum meeting and in the consultation with schools. These are now confirmed in the formula for 2021/22 (not

implementing these options as proposed would have increased the pressure referenced above).

- **MFG** - will be 0.5% which will cost £0.326m and will affect 18 schools. LAs have the freedom to set an MFG of between +0.5% and +2.00% per pupil so all schools would see a funding increase. Although this affects 18 schools, the average per school is relatively low, suggesting most schools are triggering an increase in funding without the need for MFG. For 2020/21 the allowable range was between +0.5% and +1.84%, with Milton Keynes using a rate of +0.5%.
- **Split Site Funding** - will be left as the current criteria.
- **Reduction in Formula Factors** - In order to balance the budget and in line with the preferred option from the consultation with all schools the AWPU rate has been reduced. For 2021/22 it is proposed that the rate will be reduced by 0.35% across all sectors (2020/21 had a reduction of 0.51%).

5.24 The APT is due for submission on 21 January 2021 and as a result final checks will be completed up until this date and also by the ESFA after this date.

5.25 Annex C details the rates proposed in the school budgets for 2021/22.

Early Years Block

5.26 The EY NFF was introduced in 2017/18 and as a result MK saw an increase in funding, there were no changes to the funding rates for either 2018/19 or 2019/20, in 2020/21 there was an increase in the funding rate of £0.08 per hour for 2, 3 and 4 year olds. For 2021/22 there will be a further increase in the funding rate of £0.08 for 2 year olds and £0.06 for 3 and 4 year olds.

5.27 It is proposed that 50% of this rate increase is passed on to providers in 2021/22 to balance the risk within the block. The remaining will be held back to manage the volatility within the block as a result of lower January census numbers on which funding is based. It is expected that take up will increase later in 2021 but we may not receive the funding to fully cover that, future funding of the early years block is unknown. The DfE have confirmed that they will protect LA's by applying a top up but only to the value of 85%. However, it must be noted that this announcement was made before England entered into this latest lockdown and therefore we await further guidance from the DfE whether this remains their intention or if there will be any changes to the basis of the 2021/22 funding allocation. Further information can be found in Annex D.

Government Grants

5.28 The details of the government grants for 2021/22 in respect of Pupil Premium Grant, Universal Infant Free School Meals, Covid Catch Up, Primary PE and Sports Premium Grant, and the Free School Meal Supplementary grant are set out in Annex F, although

it should be noted that some information has not yet been published or is still provisional.

- 5.29 It should be noted that these grants are in addition to any of the other budget allocations dealt with in this paper and does not form part of the school budget share and is excluded from the MFG.

Annexes to the Report

Annex A - Dedicated Schools Budget (DSG) Income

Annex B1 - Schools Block Central

Annex B2 - Growth Fund Allocations

Annex C - Primary and Secondary Schools Budget Share

Annex D - Early Years

Annex E - High Needs

Annex E1 - High Needs Places

Annex E2 - High Needs Budget Summary

Annex F – Grant

Annex G – 2021/22 Budget Summary