

2.2 – Annex A Dedicated Schools Grant - Income

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1 Purpose

- 1.1 To advise the Schools Forum of the latest Dedicated Schools Grant (DSG) funding allocation for 2021/22.

2 Recommendation

- 2.1 To **note** the DSG allocation of £291.989m for the purposes of setting the budget for 2021/22.

3 DSG Allocation

- 3.1 The initial DSG allocation for 2021/22 is £291.989m. The introduction of the national funding formula in 2018/19 resulted in the ring-fencing of the funding blocks. Local authorities are able to transfer up to 0.5% of their school's block funding into other areas with the agreement of their school's forum but Milton Keynes is not proposing to do this in the 2021/22 budget as this is not required.

Schools Block

- 3.2 The schools block is calculated on the national funding formula and is £219.636m for 2021/22. This is calculated using pupil funding rates in the primary sector of £4,473.81 (£4,144.42 2020/21) and in the secondary sector of £5,757.69 (£5,347.35 2020/21). This is an increase of £16.052m from 2020/21 and can be 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

- 3.3 In addition to this per pupil funding, there is an allocation for premises and mobility of £3.217m (2020/21 £3.198m) and for growth of £2.167m (2020/21 £3.185m).
- 3.4 The total growth funding for 2021/22 is £2.167m (a reduction from 2020/21 of £1.018m). The growth funding allocation is calculated by counting positive growth in pupil numbers from October 2019 to October 2020 and a unit rate is then applied (MK also receives an area cost adjustment of 1.029).; £1,455 per primary growth, £2,175 per secondary growth and £68,700 allowance for each new school opened. The number of pupils counted are 326 (primary) and 599 (secondary). There was funding for the opening of one new school.
- 3.5 As the change in formula calculation methodology represents such a significant change, the DfE will apply a transitional protection, ensuring the maximum reduction an LA can have is 0.5% of the school's block (based on the 2020/21 baseline). For MK the reduction is 0.63% and therefore will receive protection funding of £0.269m in 2021/22.

Central School Services Block

- 3.6 The Central School Services block (CSSB) is a fourth block within the DSG created as part of the move to the NFF. The allocation is £1.654m and is calculated at a single rate of £35.92 (£34.88 2020/21) plus £2.47 (pension costs relating to centrally employed teachers) per pupil headcount on the October 2020 census.

Early Years Block

- 3.7 The EY block allocations are finalised for 2020/21 as it has been confirmed that funding will be based on the January 2020 census. However, the 2021/22 basis will be reviewed in spring 2021 and the technical note will be updated as necessary. Therefore, information is included as indicative for the purpose of setting the initial EY budget. The block allocation is normally based on the actual numbers of children participating on the January count days apportioned across the two academic years (5/12 and 7/12 respectively).
- 3.8 The LA funding rate for 2 year olds will increase to £5.88 per hour, an increase of £0.08 per hour from 2020/21. The LA funding rate for 3 and 4 year olds (both universal and the additional entitlement) will increase to £5.38 per hour, an increase of £0.06 per hour from 2020/21.

3.9 There are also additional EY funding allocations in addition to the standard allocations based on take up. These are; £0.096m Pupil Premium for 3 and 4 year olds, £0.117m maintained nursery school supplementary funding and £0.067m Disability Access Fund. Like the rest of the EY funding allocations, these figures are initial allocations and will be recalculated based on January 2021 census data when this is available.

High Needs Block

3.10 The initial high needs block allocation is £48.794m for 2021/22.

3.11 The high needs block is now calculated based on the national funding formula and will no longer be fully based on a historical allocation. The new funding formula will include a historic baseline plus proxy factors (population, deprivation, health and low attainment) giving an initial allocation of £44.195m. The below adjustments are then made:

- Basic allocation (£4,864.71 per pupil funding) £4.388m
- Import / export adjustment is nil - the import / export adjustment is provisional and will be adjusted based on January 2021 data
- Hospital education, alternative provision teachers' pay/pension and supplementary funding factor £0.212m.

3.12 Table 1: DSG Income Detail

Dedicated Schools Grant Income	2019/20 £m	2020/21 £m	2021/22 £m
Schools Block	188.837	203.584	219.636
Central School Services Block	1.466	1.496	1.654
Early Years Block	21.293	21.652	21.904
High Needs Block	40.800	44.506	48.794
Total DSG Income	252.396	271.236	291.989

Schools Block	2019/20	2020/21	2021/22
Pupil Headcount (October Census)			
Primary	26,453	26,669	26,364
Secondary	15,509	16,209	16,727
Total Number of Funded Pupils	41,962	42,878	43,090
Unit Funding Rates:			
Primary*	£3,920.04	£4,144.42	£4,473.81
Secondary*	£5,035.56	£5,347.35	£5,757.69
Unit Funding £m	186.163	197.201	214.251
Premises and Mobility (lump sum) £m	2.917	3.198	3.217
Growth Allocation (lump sum) £m	1.829	2.318	1.898
Growth Protection (lump sum) £m	2.301	0.867	0.269
Total Schools Block Funding	184.708	203.584	219.636

Central School Services Block	2019/20	2020/21	2021/22
Pupil Headcount	42,878	42,878	43,090
Unit Rate of Funding	£34.93	£34.88	£38.39
Total Central School Services Block Funding	1.498	1.496	1.654

Early Years Block	2019/20	2020/21	2021/22
PTE (part time equivalent)	January 2019	January 2020	January 2021
Funded Numbers 2 Year Olds	661	651	651
Funded Numbers 3 & 4 Year Olds (Universal)	4,595	4,493	4,493
Funded Numbers 3 & 4 Year Olds (Additional)	1,711	1,847	1,847
Per Hour	2019/20	2020/21	2021/22
<i>Calculated at 15 hours x 38 weeks per year</i>	<i>£</i>	<i>£</i>	<i>£</i>
Funding 2 Year Olds	£5.72	£5.80	£5.88
Funding 3 & 4 Year Olds (Universal)	£5.24	£5.32	£5.38
Funding 3 & 4 Year Olds (Additional)	£5.24	£5.32	£5.38
Funding Allocation	2019/20	2020/21	2021/22
	£m	£m	£m
2 Year Old Entitlement	2.155	2.152	2.181
3 & 4 Year Old Entitlement Universal	13.723	13.625	13.779
3 & 4 Year Old Entitlement Additional	5.110	5.600	5.664
Pupil Premium	0.115	0.096	0.096
Nursery Supplementary Funding	0.127	0.117	0.117
Disability Access Fund	0.063	0.061	0.067
Total Early Years Block Funding	21.293	21.652	21.904

High Needs Block	2019/20 £m	2020/21 £m	2021/22 £m
High Needs NFF Allocation	36.474	40.728	44.195
Basic Entitlement:			
Unit Rate of Funding	£4,172.48	£4,175.71	£4,864.71
Pupil Headcount (Special)	879	905	902
Basic Entitlement £m	3.666	3.778	4.388
Import / Export Adjustment	-0.066	0.000	0.000
Additional Funding for Special Free Schools	0.006	0.000	0.000
Teachers Pay/Pension Funding	0.000	0.000	0.212
Additional Funding Announcement	0.721	0.000	0.000
Total High Needs Block Funding	40.794	44.506	48.794

* 2021/22 per pupil unit includes £180 for primary and £265 secondary

DSG CONDITIONS OF GRANT 2021/22

4 Purpose of the grant

- 4.1 The grant is paid in support of the local authority's schools' budget. It is the main source of income for the school's budget.
- 4.2 Local authorities are responsible for determining the split of the grant between central expenditure and the individual school's budget (ISB) in conjunction with local schools' forums. Local authorities are responsible for allocating the ISB to individual schools in accordance with the local schools funding formula.
- 4.3 Local authorities can add to the school's budget from local sources of income.

5 Allocation of grant to schools by local authorities

- 5.1 Local authorities retain responsibility for setting the overall level of their ISB and for determining schools' budget shares, subject to the School and Early Years Finance (England) Regulations 2021.
- 5.2 Each local authority's scheme for financing schools must contain a provision which sets out the frequency with which the budget share will be made available to governing bodies of maintained schools.

6 Transfer of funds between the DSG funding blocks

- 6.1 The following conditions apply to the transfer of funds between the four DSG funding blocks:
 - a. Subject to the paragraphs below, local authorities must not allocate money designated in the DSG settlement tables as schools block to items of spend other than budget shares for mainstream primary and secondary schools (excluding funding for nursery classes and for places reserved for pupils with special educational needs), or money retained centrally for growth in schools, as defined in Schedule 2 to the School and Early Years Finance (England) Regulations 2021.
 - b. Local authorities may allocate up to 0.5% of money designated as school block, excluding the amount transferred into the schools block from the Teachers Pay Grant (TPG) and the Teachers' Pensions Employer Contribution Grant (TPECG), to other items with the consent of the schools forum.
 - c. Local authorities must consult with all local maintained schools and academies if they propose to allocate schools block money to other items. The school's forum must consider the outcome of that consultation before deciding whether to give their consent.

- d. The local authority can apply to the Secretary of State for permission to allocate schools block money to other items if they do not secure the consent of the schools forum as above, or if they wish so to allocate more of the schools block money to other items than would be permitted under paragraph 11.2. In the case of the Secretary of State giving such permission, this may be for all or part of the sum requested by the local authority and may be given subject to conditions.

7 Determination of the local funding formula and funding for high needs pupils

- 7.1 The following conditions apply in relation to setting the local funding formula and the funding for high needs pupils:
 - a. The local authority must maintain a single formula for funding both maintained schools and academies in its area.
 - b. In constructing the formula, the local authority must take account of the circumstances of all academies and maintained schools in its area.
 - c. The formula must allocate at least 80% of the delegated schools block funding through pupil-led factors (basic entitlement, deprivation, prior attainment, looked after children, English as an additional language, pupil mobility, minimum level of per-pupil funding for primary and secondary schools, and differential salaries of teachers near London).
 - d. When spending DSG centrally on duties relating to all schools (as set out in Schedule 2 of the School and Early Years Finance Regulations 2021), the local authority must treat maintained schools, including voluntary aided schools and foundation schools, and academies on an equivalent basis. Schools such as voluntary aided schools, foundation schools, and academies, cannot therefore be charged for services that are provided free of charge to community and voluntary controlled schools, and paid for out of the centrally held DSG. This does not include funding that has been retained centrally from maintained school budgets only (as set out in Schedule 2 of the School and Early Years Finance Regulations 2021), where some statutory duties relate to community and voluntary controlled schools only. However, in these situations authorities should not charge voluntary aided and foundation schools if requested to provide services to these schools and where there is no charge to community and voluntary controlled schools for the same service.
 - e. The local authority must treat children and young people with high needs on a fair and equivalent basis when making arrangements for their funding, regardless of whether they are placed in maintained provision, academies and free schools, providers in the further education sector, or non-maintained and independent provision.
 - f. The local authority, in deciding on top-up funding rates for the pupils to be placed in its maintained special schools and special academies it previously maintained, must not reduce the budget of any special school or special academy such that it would

be lower in financial year 2021/22 than in financial year 2020/21, if all the pupils in the special school or special academy were placed by the local authority, and the number and type of places remained the same in the two financial years 2020/21 and 2021/22. The local authority can apply to the Secretary of State to set a specified percentage reduction instead.

- g. The local authority must pass on to maintained special schools, special academies and free schools, pupil referral units, alternative provision (AP) academies and free schools, and hospital schools and academies:
- the 12-month equivalent of TPG and TPECG allocated per place by the local authority, using the place numbers funded by the local authority in the period April 2021 to March 2022, subject to a minimum of 40 places per school
 - the 12-month equivalent of the teachers pensions supplementary fund allocated by the local authority to those settings for the period September 2020 to March 2021

This additional high needs funding is separate from both place and top-up funding, and must not result in a reduction to the number of places for which £10,000 per place is allocated to a school, or the amount per place allocated to a hospital school, or to the top-up funding in respect of individual pupils allocated to a special school or academy; and must be disregarded in applying the protection for special schools set out in the paragraph above. The local authority can apply to the Secretary of State to waive this requirement.

When a pupil who requires top-up funding has already been placed in an institution and is in receipt of top-up funding from the local authority at 31 March 2020, the local authority must continue the agreement with the institution to make top-up payments until the pupil has left the institution, or the agreement is replaced by another. The local authority must likewise enter into such an agreement when a pupil is placed by the local authority in an institution at a later date.

The local authority must make high needs top-up payments in a timely fashion on a basis agreed with the institution. These must be monthly unless otherwise agreed.

The Secretary of State reserves the right to impose more specific conditions of grant on individual local authorities in relation to the use of DSG for top-up funding for pupils and students with high needs, where he believes that the actions of the local authority are unreasonable. This is most likely to occur as a result of a failure to agree and pay top-up in a timely manner, where a pupil or student has already been placed by the local authority in an institution.

8 Allocations to academies

- 8.1 In some circumstances local authorities need to make direct payments to academies. In the 2021/22 financial year these will include:

- top-up funding for high needs pupils
- funding calculated under the early years single funding formula
- payments for pupils admitted who have been excluded from other schools
- any allocations from the local authority's growth fund or falling rolls fund
- payments for amounts previously allocated under TPG and TPECG, including the pensions supplementary fund, for special and AP academies and academy hospital schools.