

2.2 Government Updates and 2021/22 Budget Setting

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1 Purpose

- 1.1 To provide the Schools Forum with an update on Government announcements relating to the National Funding Formula (NFF) and the Dedicated Schools Grant (DSG).

2 Recommendations

- 2.1 That the schools forum notes the latest updates on the national funding formula and the DSG.
- 2.2 That the schools forum agrees the draft 2021/22 budget consultation (Annex A) on funding the schools block shortfall due to pressures relating to growth.

3 Headlines and Changes for 2021/22

- 3.1 Since the last meeting of the school's forum, there have been a number of announcements from the Government regarding funding for 2021/22 and beyond.
- 3.2 The setting of the schools funding formula is the responsibility of the LA but this must be done in conjunction with schools and the schools forum. Two budget workshops will be held to support schools in understanding individual impact so they can respond to the consultation accordingly. Details will be shared with all school heads, business managers and governors.
- 3.3 In 2021/22, as in previous years, each LA will continue to set a local schools formula, in consultation with local schools. The government has confirmed its intention to move to a single 'hard' national funding formula to determine every school's budget and the DfE continue to work with LAs and other stakeholders to make this transition in the future. Further information on this is expected in later announcements.

- 3.4 In July 2020, the DfE published the 2021/22 [operational guidance](#), [technical guidance and provisional allocations](#) for local authorities in England together with [notional school-level allocations](#). 2021/22 is the fourth year of the NFF for schools, high needs and central school services. All the information on funding allocations is **provisional** and subject to being recalculated based on actual census information, it is also dependent on local factors. Final allocations will be published in December except for the early year's block which will be determined by the separate national formula for early years.
- 3.5 It is important that schools understand that the DfE published school level allocations **are not** what the school will receive in funding for 2021/22. This is because of several reasons; demographic pressures (e.g. increases in the number of children attracting a particular formula factor i.e. free school meal funding), local measures for managing pressures (including growth pressures and lag and rates increases) and transfers between funding blocks.
- 3.6 LAs will also still only be funded at an average unit of funding for primary and secondary pupils so the very nature of the different models (i.e. how the money comes into the LA and how it is calculated to go out to schools through the formula) will likely mean that there will be an overall difference that will need to be managed.
- 3.7 **Summary of Main Changes (National)**

The main changes are as follows (further detail is included in the relevant sections later in this paper).

- 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.
- Mandatory minimum per pupil funding levels: £4,000 primary (£3,750 2020/21) and £5,150 secondary (£5,000 2020/21).
- The key factors in the NFF will increase by 3% providing an increase to those schools already attracting their NFF allocations.
- Funding for the teachers' pay grant and the teachers' pension employer contribution grants, including the supplementary fund, has now been added to the formulae from 2021/22. Schools will receive an additional £180 primary and £265 secondary per pupil to cover additional teachers' pay and pension costs previously funded through the separate grants. Funding for special and alternative provision schools will flow through the high needs block (see section 7).
- Every primary and secondary school will be allocated at least 2% more pupil-led funding per pupil compared to its 2020/21 NFF baseline.
- Affirmation of commitment to hard national funding formula implementation – although no timelines are reported.
- The 2019 update to the Income Deprivation Affecting Children Index (IDACI) has been incorporated so that deprivation funding allocated through the formulae is based on the latest data.

- Additional funding for small and remote schools will increase in 2021/22 with primary schools attracting up to £45,000, compared to £26,000 previously.
- Block transfers up to 0.5% are still allowable (although expected to be reduced given additional funding for high needs).

4 Schools Block

Headlines

- 4.1 The DfE have announced additional funding into the schools block nationally of £4.8bn. This will be allocated to LAs via the NFF per pupil funding rates. To allocate this to schools, there will be a change to some of the factor rates payable and some other technical changes to the formula, which will be detailed in the [NFF technical note and policy document](#) published in July 2020.
- 4.2 Funding for the first two years of the NFF (2018/19 and 2019/20) was capped at LA level during the transition years meaning that although the DfE had published school level expected allocations, this would be phased over a number of years as funding into LA was capped annually. This cap was released in 2020/21 meaning that LA's received their full allocation.
- 4.3 The following changes have been confirmed to the national school funding formula:
- Minimum per pupil funding levels will increase to £4,000 in primary schools (£3,750 2020/21) and in £5,150 in secondary schools (£5,000 2020/21). This will continue to be a mandatory factor. There is an exceptions policy where LAs can ask for this to be disapplied in cases where there are local pressures (for example transfers to other funding blocks or where there are pressures on growth) but past experience suggests that only the exceptional cases are agreed.
 - The funding floor will be set at 2.00%, to protect pupil-led per-pupil funding in real terms. This minimum increase in 2021/22 allocations will be based on the individual school's NFF allocation in 2020/21 and will be increased to take account of the rolling in of the teachers' pay and pension grants.
 - Schools that are attracting their core NFF allocations will benefit from an increase of 3% to the formula's core factors. Exceptions to this are that the free school meals factor will be increased at 2% inline with inflation as it is intended to broadly reflect actual costs, and premises funding (rates) will continue to be allocated at LA level on the basis of actual spend in the 2020/21 APT.
 - There will be no NFF gains cap, so that all schools **may** attract their full allocations under the formula. However as referenced in section 3.5 and 3.6 this will still be subject to local pressures such as demographic changes, contributions to other blocks, pressures for growth and the average rate of funding received. LAs will still be able to use a cap in their local formulae as an optional way of managing any pressures.

- Growth funding will be based on the same methodology as 2020/21 and will have the same transitional protection ensuring that no authority whose growth funding is unwinding will lose more than 0.5% of its 2020/21 schools block allocation. (Growth is covered separately in item 2.3 of this school’s forum meeting.)
- The teachers’ pay grant and teachers’ pension employer contributions grant will be rolled into mainstream funding through the schools and high needs NFF.
- To reflect the additional funding available to LAs, the minimum funding guarantee range has been amended. LAs will have the freedom to set the minimum funding guarantee (MFG) in local formula between +0.5% and +2.0% per pupil.

Considerations for MK

4.4 For MK the provisional allocation for schools, central school services, early years and high needs is £279.134m which is an increase of £8.662m from 2020/21. The below table shows this by block (excluding growth allocation, yet to be confirmed).

Block	2020/21 £m	2021/22 £m	Variance £m
Schools	£210.756	£215.853	£5.098
Central School Services	£1.496	£1.540	£0.045
High Needs	£45.231	£48.751	£3.520
Early Years	£21.652	£21.652	£0.000
	£279.134	£287.796	£8.662

4.5 Although the additional funding announced is welcome news for schools, despite several reviews and discussion at the schools forum regarding the growth fund criteria, the cost of the growth fund is expected to exceed the amount of funding available in 2021/22 and in future years. This will mean that the additional cost will need to be managed within the overall school’s block allocation.

4.6 There are several options that can be considered to manage this pressure within our formula, and these will form the basis of consultation to all schools.

- Use of In-Year Surplus: Any schools block underspend can be used to support the cost of growth in the following year as made clear in the DfE guidance. The surplus underspend (current forecast £0.425m) is one off and as the cost of growth does reduce in future years, it will be reasonable to apply this first before considering any other changes to the funding formula.
- Surplus Balances: schools could voluntarily agree to recentralise ‘excess’ surplus balances back into DSG circulation. MKC does not currently have a policy regarding the clawback of surplus balances but this could be considered in future.

- MFG Choice: this has to be a minimum of +0.5% but can be as high as +2.0%. Even at the lower end of the scale, it would ensure schools do not lose funding.
- Split Site Funding: this is an optional factor and remains one area of the formula still entirely within LA control. The DfE requires the criteria to be clear and transparent (e.g. only to be included where a school has genuine unavoidable additional costs because the school buildings are on separate sites). Any changes to this factor would also require a disapplication request to be submitted to the DfE to disapply the MFG (i.e. so schools don't just get this back via the MFG protection funding).
- Cap on Gains: LAs continue to have the ability to apply a cap on schools that gain to manage pressures in the wider school's block. The same percentage cap would have to be applied across all gaining schools. This would obviously then only effect schools that have gained so wouldn't be an even share of the pressure across all schools.
- Reduction in the AWPU: the impact of this would need to be assessed as this could simply result in more protection through other formula factors (e.g. MFG and the minimum per pupil funding levels). This also moves away from the NFF which may cause issues in future years when we move to a hard NFF.
- Reduction in formula factors: the formula is made up of other factors such as deprivation, English as an additional language, free school meals, prior attainment and deprivation. Any of the factors could be considered for reduction however this would not affect schools evenly as this funding is intended to recognise the additional need of those pupils.
- Minimum per pupil funding levels: this is now a mandatory factor within the NFF but LAs can apply to the DfE for this not to be applied in certain circumstances. Choosing to disapply this factor would likely impact the schools receiving the least funding as the minimum per pupil funding level is in effect a top up on the factor funding to a minimum level.

Disapplication Requests

4.7 Disapplication requests are submitted to the ESFA for approval and are expected in cases where MFG will lead to significant inappropriate levels of funding. Locally the areas to be requested are:

- Changes to formula factors: if there are any changes to split site funding (after consultation with all schools) then a request for disapplication of the MFG specifically relating to any reduction would need to be submitted.

4.8 The deadline for LAs to submit any applications to disapply the MFG for 2021/22 is 11 October 2020. The purpose of this deadline is to get decisions back to local authorities before the APT is issued in December. Any later requests must be submitted by

submitted by 20 November 2020 in order for them to be considered in order to meet the APT submission deadline.

5 Central School Services Block (CSSB)

- 5.1 The government has confirmed the provisional level of funding for the CSSB in 2020/21 and issued the [NFF technical note and policy document](#). The DfE expect the historic commitments to start reducing, however MK has no historic commitments and therefore receives no funding for this element.
- 5.2 The central school services funding in 2021/22 will increase by 4% for the ongoing responsibilities that local authorities continue to have for all schools. Funding for historical commitments will decrease by a further 20% for those local authorities in receipt of this funding, MKC does not have any historical commitments.
- 5.3 The additional pension funding that LA's have claimed for centrally employed teachers will be rolled into the ongoing responsibilities within the CSSB block. This funding will be added as a per pupil amount and the adjustment will be made in DSG allocations later in the year, this has not been included in the provisional allocations.

6 De-delegated Services

- 6.1 De-delegated services are for maintained schools only and funding for these services must be allocated through the formula but can be passed back or de-delegated for maintained mainstream primary and secondary schools. The request for 2021/22 de-delegated services are included in agenda item 2.4 of this meeting. At this stage there is no further information beyond 2021/22 or how and if this will be affected by the introduction of the hard formula.

7 High Needs Block

- 7.1 The [technical guidance and provisional allocations](#) were published in July 2020. The following headline changes have been confirmed to the high needs funding formula:
 - An increase in the funding floor so that all LAs will see a gain of at least 8% (like for like but this would need to consider changes in the 2 to 18 population). This increase will be based on LA's high needs allocations in 2020/21.
 - Further release of the gains cap, increasing to 12% allowing LAs to see up to this percentage increase under the formula, based on per head of population. MK is expected to see the lowest increase at 8%.
 - The teacher's pay and pensions funding for special schools and alternative provision will now be included within the high needs funding block, rather than a separate grant claim. The 2021/22 provisional funding figures are based on the 2019/20 grant funding however this will be updated to use the 2020/21 grant funding

amounts later. The 2021/22 provisional grant allocations is £0.778m which is broken down between special schools £0.623m and alternative provision £0.155m.

- Special school MFG protection to remain at 0% in line with 2020/21. If the MFG is breached and the LA proposes to fund below the guaranteed level, the LA should apply for an exemption to the MFG using the disapplication request forum. Any such requests will be expected to have the agreement of the local schools forum and have been the subject of thorough consultation with the schools concerned.

7.2 A full review of the high needs budget for 2021/22 is currently taking place to reflect increases in demand and will be reported with the draft budget in December. Should there be a surplus of funding after considering a reasonable contingency, we will also review rates paid out via the various formulas from the high needs block.

8 Early Years

8.1 There is not expected to be any changes to EY funding – either the funding received or the formula for allocation to settings. The normal process for determining funding allocations for local authorities for the EY entitlement is to take an annual census count of the number of hours taken up by children in each local authority in January. This is the mid-point of the academic year and so balances the relatively lower numbers eligible for the free entitlements in the autumn term and the higher numbers in the summer term. This means that local authorities would in normal circumstances be paid for the autumn term 2020 based on the January 2021 census data. Children attending childcare may not have returned to normal levels by early January 2021 for the census. In light of the coronavirus (COVID-19) outbreak, the final funding allocation to local authorities for the 2020 autumn term will therefore exceptionally be based on their January 2020 census count. Therefore, any variance in take up between January 2020 and 2021 will not be included in the 2020/21 funding allocation.

9 General – DSG Deficit Reporting

9.1 An increasing number of LAs have been incurring a deficit on their overall DSG account, largely because of overspends on the high needs block. With effect from 2019/20 the rules were tightened and any LA with a cumulative deficit of 1% or more at the end of the financial year were required to submit a robust recovery plan to the department to outline their plan to manage their DSG spend. It is therefore appropriate that the LAs work to reasonable levels of contingency and surplus within the DSG (to be determined locally) to ensure that deficits do not occur. This is not required as MK does not have a deficit DSG budget.

10 Financial Transparency of Local Maintained Schools

10.1 The government launched a consultation between July and September 2019 which outlined the current financial transparency arrangements for maintained schools and academy trusts and put forward a number of proposed changes. The full outcome of the consultation can be found here [Financial Transparency Consultation Response](#).

10.2 A summary of the outcome and new financial reporting requirements are summarised below:

Proposal 1

To publish the names of LAs on GOV.UK who fail to comply in any financial year with 3 or more deadlines from the following collections:

- School Financial Value Standard (SFVS)
- Dedicated Schools Grant CFO assurance statement
- Consistent Financial Reporting
- Section 251 Budget
- Section 251 Outturn

Outcome: Implemented from 2020/21, LA names will be published if three deadlines are missed.

Proposal 2a

To collect the number of schools with suspended budgets and notices of financial concern through the existing DSG assurance statement signed by the LA CFO at the end of the financial year.

Outcome: This will apply for the DSG assurance statement return for the financial year 2020/21, which is due in September 2021.

Proposal 2b

To add a new section to the DSG assurance statement that captures the amounts that LAs have recovered from investigating fraud.

Outcome: This will apply for the DSG assurance statement return for the financial year 2020/21, which is due in September 2021.

Proposal 3

A directed revision of the schemes for financing schools to make it a requirement for maintained schools to provide LAs with three-year budget forecasts.

Outcome: Consistent with the current deadline for schools to submit their budget plans to LAs, schools will be required to submit their forecasts by 1 May of each year. The requirement will first apply in 2021/22.

Proposal 4

To make schools append a list of Related Party Transactions (RPTs) to their response to the new question in the Schools Financial Value Standard (SFVS) about their arrangements for managing RPTs. In addition, we would insert additional columns into the CFO Assurance Statement, to request the number of RPTs and value for each to be disclosed.

Outcome: The list of RPTs will be first attached to the SFVS for 2021/22, which is due to be submitted to local authorities by the end of March 2022. LAs will first report on this to the Department in the CFO statement for 2021/22, due in September 2022.

Proposal 4b

To amend the scheme for financing schools to require schools to report all RPTs, or RPTs above a certain threshold, directly to the LA.

Outcome: this proposal is not going to be taken forward as it would increase administrative burdens without any clear added value.

Proposal 4c

To amend schemes to require schools to seek permission from the authority to enter RPTs above a threshold.

Outcome: this proposal is not going to be implement as it would increase administrative burdens, however, may be implemented in the future.

Proposal 5

To make a directed revision to the scheme guidance to require that every maintained school be subject to internal audit at least every 3 years.

Outcome: this proposal is not going to be implement as it would increase administrative burdens, however, work will continue to look at how to improve both the regularity and the targeting of LA audits and will consider issuing guidance accordingly.

Proposal 6

To make a directed revision to the scheme for financing schools requiring schools to submit a recovery plan to their maintaining authority when their deficit rises above 5%.

Outcome: this proposal will be implemented as having recovery plans in place for schools with very large deficits is fundamental to proper financial management. The 5% trigger will apply when deficits are measured as at 31 March 2021.

Proposal 6b

To collect information on the number of recovery plans in each LA through the DSG annual assurance return from the CFO.

Outcome: This proposal will be implemented as it will increase visibility of best practice across the whole school's sector, highlight any inconsistencies in LAs' approach and target additional support from the Department. This will apply for the DSG assurance statement return for the financial year 2021/22, which is due in September 2022.

Proposal 6c

To formalise the approach to working with LAs and include a request for high level action plans from some LAs.

Outcome: This proposal will be adopted as it will be important for strengthening arrangements to help schools in financial difficulty.

Proposal 7

That all LA maintained schools should be required to publish annually on their websites the number of individuals earning over £100k in £10k bandings.

Outcome: Originally it was intended that this information requirement would come into force at the start of the school year in September 2020 as is customary for requirements on schools. However, due to delays caused by Covid-19 and in order to provide schools with a term's notice to comply with the incoming regulations, the requirement will be included in amending regulations to come into force on 1 January 2021.

Proposal 8

That all LA maintained schools should be required to publish annually on their websites their latest Consistent Financial Reporting (CFR) statement of income, expenditure and balances.

Outcome: Originally it was intended that this information requirement would come into force at the start of the school year in September 2020 as is customary for requirements on schools. However, due to delays caused by Covid-19 and in order to provide schools with a term's notice to comply with the incoming regulations, the requirement will be included in amending regulations to come into force on 1 January 2021.

11 Summary

11.1 A timetable of the required actions and interdependencies with DfE actions and information in order to draft the DSG budget are summarised in the table below:

Action	Timeline
Operational and technical guidance from the DfE (high needs and schools block)	July 2020
Draft funding allocations and draft APT from the DfE	July / Sept 2020
Consultation to all schools on formula changes	November 2020
Schools Forum - update on forecast 2020/21 DSG carry forward - outcome of school formula consultation - central funding early years - high needs budget and places - central school services - draft budget and allocations	10 December 2020

Final APT issued to local authorities, containing October 2020 census-based pupil data and factors	mid December 2020
Publication of Schools, High Needs and Central Schools Services block final allocations for 2021/22 (DfE)	mid December 2020
Schools Forum - update on forecast 2020/21 DSG carry forward - final DSG allocation - growth protection update (based on final modelling and data) - school funding formula unit rates - update on grants	14 January 2021
Deadline for submission of final 2021/22 APT to ESFA	21 January 2021
Full Council ratification of the budget (and noting of the DSG position)	24 February 2021
School budget shares confirmed to schools	28 February 2021
Special school and PRU funding confirmation	28 February 2021

12 Other Schools Funding Updates

School Improvement Monitoring and Brokering Grant

12.1 School improvement is not included in the NFF arrangements and LAs receive the school improvement monitoring and brokerage grant to cover their statutory intervention functions and monitoring and commissioning of school improvement support. MK's allocation for academic year 2019/20 was £0.300m. Funding beyond August 2020 is yet to be confirmed. Previous allocations can be found [here](#).

Pupil Premium

12.2 The pupil premium will continue in the 2021/22 financial year. The rates for 2020/21 are:

- FSM Pupil Premium
 - £1,345 primary pupils (£1,320 in 2019/20)
 - £955 for secondary pupils (£935 in 2019/20)
- LAC Pupil Premium
 - £2.345 (£2,300 in 2019/20)
- Service Children
 - £310 (£300 in 2019/20)

The rates for 2021/22 will be published later in the year.

Teacher's Pay and Pension Grant

12.3 The teacher's pay grant and teacher's pension employer contribution grant will be rolled into mainstream funding through the schools and high needs national funding formula. Schools will receive an additional £180 and £265 per pupil retrospectively to

cover additional teacher's pay and pension costs previously funded through the separate grants.

Coronavirus (COVID-19) Catch Up Premium

12.4 The first instalment has been calculated and will be paid to LA's on 30 September 2020. The total allocation for MK schools is £0.927m. Further guidance on the conditions of the grant and the allocations can be found [here](#).

12.5 PE and Sport

The government have confirmed that the PE and Sport grant will continue during the 2020/21 academic year. Further guidance is expected shortly.

12.6 Universal Infant Free School Meals

The government have confirmed that the universal infant free school meals grant will continue during the 2020/21 academic year. Further guidance is expected shortly.

12.7 Year 7 Catch Up

The government have confirmed that this will not be continuing as the funding has been rolled into the overall Covid 19 catch up funding.

12.8 Free School Meals Supplementary

FSM supplementary funding - to help schools meet the costs of providing extra free school meals due to the roll out of universal credit before the lagged funding system catches up. No confirmation yet if this is continuing but it is usually paid in March.

Annex A – 2021/22 School Funding Consultation

1 Minimum Funding Guarantee (MFG)

To reflect the additional funding allocated to LAs, the MFG has been amended. LAs will have the freedom to set the MFG in their local formula between +0.5% and +2% per pupil so all schools would see a funding increase. For 2020/21 the allowable range was +0.5% and +1.84% with MK using a rate of +0.5%.

The purpose of the MFG is to protect the per pupil rate of funding for schools who would have otherwise seen a funding reduction due to changes in their pupil demographics (e.g. eligibility for free school meal or deprivation funding). MKC proposes to use the +0.5% rate for 2021/22 as this will ensure that all schools will be protected so that they see an increase in their funding but only at the minimum level, given the wider pressures on the school funding formula.

If a higher rate of MFG is chosen, this will increase the amount of money to be top sliced from the formula. The variation in cost against the schools block from applying the various rates of MFG are as follows:-

MFG Rate	Cost	No of Schools Affected
+0.5%	£0.317m	30
+1.0%	£0.375m	23
+1.5%	£0.442m	17
2.0%	£0.490m	15

Q: Do you agree that the rate of +0.5% should be applied for MFG for 2021/22?

If not please explain what MFG value you think should apply and why.

2 Split Site Funding

Split site funding provides additional funding to schools that operate over two sites. These schools only receive one lump sum funding allocation so a split site allowance is paid in addition to reflect that these schools have additional operating costs. The cost of the split site allowance is less than the value of a full lump sum. Currently six schools receive an allocation through this factor at a total cost of £0.400m.

The current criteria allocates a lump sum for schools operating on a split site of more than 500 metres apart and are separated by a public highway. The split site allocation will be 75% of the lump sum unless the school is designated a large school where the allocation shall be 50% of the lump sum. A large primary school is defined as having capacity for 420 pupils on each site and a large secondary school at least 750 11-16 pupils on each site.

This remains the only area of the formula still entirely within LA control. The DfE requires the criteria to be explicit (e.g. only to be included where a school has genuine unavoidable additional costs for example when sites are a minimum distance apart as the crow flies and are separated by a public highway).

Q. How do you think the split site funding factor should be applied in MK for 2021/22?

- a) No change to the current criteria.*
- b) Keep the split site criteria but reduce the amount payable. Please specify the amount that you think is reasonable.*
- c) Removal of the split site funding factor*
- d) Other, please specify*

Comments:

3 Options to Manage Funding Pressures

There are a number of options available to manage the funding pressure in order to bring the overall cost of the school funding formula within the available funding allocation. These could include a simple reduction in the value payable under particular factors of the formula or more targeted reductions.

Q. Please rank the following options in the order you would like them to be applied with your first preference being ranked as 1.

Funding Factor	Ranking
Age Weighted Pupil Unit	
FSM & FSM6 (Free School Meal Current - past six years)	
Deprivation (IDACI)	
EAL (English as an additional language)	
Prior Attainment	
Cap to Gaining Schools *	

*Amount of extra funding a gaining school could see, we would then cap to fund the gap

Other

Please include any other comments you feel would be useful in managing the overall funding pressure for 2021/22.