

Cabinet

11 February 2021

Allocation of 2021/22 Dedicated Schools Grant

Recommendations

Cabinet is recommended to:

- 1) Support the allocation of the Schools Block DSG, as outlined in Section 3, in line with the National Funding Formula for Schools and in particular increasing funding allocated to schools through the lump sum and sparsity factors as outlined in 3.3.1 and 3.3.2.
- 2) Support the Early Years allocation of funding for all early years providers as outlined in Section 4
- 3) Approve the proposed allocation of the High Needs DSG budget for 2021/22, as set out in Section 5.
- 4) Support the proposals for allocating the 2020/21 Central School Services DSG budget, as set out in Section 6.

1. Purpose of the Report

- 1.1. The Dedicated Schools Grant (DSG) is the ring-fenced grant from Government that provides each local authority with an allocation of funding for schools and services for pupils.
- 1.2. The report outlines the 4 blocks of the DSG, and the current proposals to allocate the provisional DSG allocation. Schools Forum received these proposals at their January meeting, and subject to Cabinet approval, they will be confirmed at the Schools Forum March meeting.
- 1.3. Full Council will have approved the 2021/22 budget resolutions on Monday 8 February which allocates resources to schools and other educational settings in accordance with the National Funding Formula for schools and early years settings. There is an expectation in the annual budget that the cost of schools and educational settings will be contained within the level of the DSG, but a reserve has been created to support a deficit if spending continues at the

levels currently estimated without further external funding and/or recovery plan activities do not deliver cost reductions.

- 1.4. As part of the 2019/20 budget resolution approved at Council on 7 February 2019, Council agreed:
- The cost of funding schools and relevant pupil-related services should be contained within the level of the DSG so that the Council does not subsidise the DSG from its own resources.
 - To continue with the approach of moving towards the implementation of the National Funding Formula for schools.
 - To implement the proposals arising from the review of non-schools block DSG spend with a view to bringing the DSG back into balance.
- 1.5. This report has been prepared based on the strategy agreed in February 2019. Where changes are proposed as a result of more recent information this is highlighted in the body of the report. The report also recognises that achieving a balanced DSG budget is not possible in the short term due the pressures on the High Needs Block for which a recovery plan is now in place and has been shared with Cabinet.

2. Dedicated Schools Grant

- 2.1. Whilst the DSG is often referred to as a single grant it is, in fact made up of four blocks with minimal flexibility to move funding between the blocks. Therefore, in considering how the DSG is allocated it is necessary to consider each block separately.
- 2.2. The provisional 2021/22 DSG allocations of £495.6m, split across the four blocks by the ESFA is set out in Table 1.

Table 1: 2021/22 DSG Allocations	£m
Schools Block	381.6
Early Years Block	34.1
High Needs Block (<i>Note 1</i>)	75.7
Central Schools Services Block	4.2
Total DSG Allocation 2021/22	495.6

Notes

1. Provisionally, the amount of the 2021/22 High Needs Block DSG allocation that will come to the authority is £62.068m. The Education and Skills Funding Agency (ESFA) will top-slice £13.680m to allocate directly to non-maintained providers. This table does not include the impact of the 0.5% transfer noted in paragraph 3.7 as it represents the 'starting point' of the allocations from the ESFA .

2.3. The rest of this section outlines the powers and responsibilities of the Local Authority and Schools Forum in relation to DSG allocations before the rest of this report covers the basis of allocations in each of the blocks separately.

2.4. Schools Block

It is the responsibility of the County Council to propose and decide any changes to the formula which is used to allocate Schools Block DSG to all primary and secondary schools. The Schools Forum is consulted on any proposed changes and informs the governing bodies of all consultations.

2.5. Early Years Block

The local authority must passport a minimum of 95% of funding for the universal 15 hour entitlement for 3 and 4 year olds and the additional 15 hours entitlement for 3 and 4 year old children of eligible working parents directly to settings. This means up to 5% can be retained by the Council to fund Early Years functions delivered by Education Services.

It is the responsibility of the local authority to propose and decide the allocation of Early Years funding. The Schools Forum and all early years providers are consulted annually and given an opportunity to give their view on the local authority proposal.

2.6. High Needs Block

The High Needs Block supports provision for children and young people with special education need and disabilities (SEND). The High Needs Block also provides the resources for place funding; top-up funding for institutions and funding for high need services delivered by the local authority.

It is the responsibility of the local authority to propose and decide the allocation of High Needs Block funding. The Schools Forum is consulted on any proposed changes and informs the governing bodies of all consultations.

2.7. Central School Services Block

The Central School Services Block provides funding for the local authority to carry out central functions on behalf of pupils in both maintained schools and academies. Services are split between on-going and historic responsibilities.

The local authority proposes the spending allocations funded from the Central School Services Block but the final decision is made by the Schools Forum.

3. Schools Block National Funding Formula 2021/22

3.1. The Schools Block DSG allocation for 2021/22 is £381.6m. This is an increase of £31.9 million (9.12%) from the 2020/21 allocation and is due to three main reasons:

- The total number on roll for 2021/22 has increased by 576 pupils (0.75%) above 2020/21 pupil numbers. Table 2 shows the number on roll changes by phase and school type.

Table 2: Changes to the Number on Roll between 2020/21 and 2021/22 October Census Points	
	Total on roll
Primary	26
Secondary	475
All-through	75
	576

- The minimum pupil funding allocated as part of the DSG for Primary Schools has increased to £4,000 in 2021/22 from £3,700 in 2020/21, whilst Secondary Schools has remained at £5,000 over both years.
- There have been further increases to the minimum pupil funding allocations to reflect historic costs of teachers pay and pension increases now being funded within the Schools Block National Funding Formula from April 2021 rather than through specific grant. This increases the minimum pupil funding allocation further to £5,415 for Secondary Schools and £4,180 Primary Schools in 2021/22.

3.2. The Schools Block DSG allocation for 2021/22 has meant the authority can continue to apply the ‘hard’ National Funding Formula (NFF) in 2021/22, which is the direction both Schools Forum and WCC have worked towards.

3.3. Schools Forum have recommended (and voted in favour of) allocating additional funding in two areas above those in the ‘hard’ NFF. These are:

3.3.1. **Lump sum payments.** Within the NFF lump sum payments for both primary and secondary schools are set at £118,800 per school. Funding guidance allows individual local authorities to set these up to a maximum of £175,000. It is expected that the lump sum payments for all primary and secondary schools will be set at a level between £118,800 per school (the minimum) and £130,000 per schools; ensuring that if above the minimum level, the increase is affordable.

3.3.2. **Sparsity Funding.** School attracting sparsity funding must meet 2 criteria: average class size less than 21.4 children and the distance from next their

next comparable school is more than 2 miles away as the crow flies. Using this criteria means 1 secondary school and 12 primary schools are eligible for these payments. It has been agreed with the ESFA that for 2021-22 we can use road journeys when assessing if schools are more than 2 miles apart. It is therefore recommended that we use road journeys distance in 2021-22 when allocating sparsity funding. Using this criteria means a further 7 small primary schools will be eligible for sparsity funding in 2021-22.

3.4. A breakdown of the movements in the NFF factors between 2020/21 and 2021/22 is shown in Table 3 below.

Table 3: Comparison of NFF allocations 2020/21 and provisional 2021/22 (subject to submission of our model to ESFA; verification by ESFA, and also the final DSG allocation)				
Factor	2020/21 £m	2021/22 £m	Difference £m	Reason for Change
Age Weighted Pupil Unit (AWPU)	261.4	288.2	+26.8	Pupil led factor + Increase to reflect cost of pay and pension increases
Deprivation	20.4	21.8	+1.4	Pupil led factor + increase uptake of 26.11% for Free Schools Meals due to impact of Covid-19
English as an Additional Language	2.4	2.3	-0.1	Pupil led factor + 5% drop in eligible children in 2021-22
Prior Attainment	24.0	24.4	+0.4	Pupil led factor
Lump Sum	26.3	29.9	+3.6	Increase lump sums to max of £130,000
Sparsity Funding	0.3	0.9	+0.6	Increased rate and more schools eligible
Split Sites	0.2	0.2	0.0	No change
Rates	3.6	3.6	+0.0	No change
Minimum Pupil Funding	5.8	7.7	+1.9	Changes in allocations for 201-22. (£4,180 for primary schools and £5,415 for secondary schools)
Minimum Funding Guarantee	1.0	0.6	-0.4	All schools get +2.00% increase (+1.84% in 2020-21) so fewer schools receive MFG
Growth Fund	1.9	2.4	+0.5	More Growing Schools
Unallocated	2.4	0.1	-2.3	Use of schools block surplus
Total	349.7	382.1*	+32.4	

* This differs from the 2021/22 allocation of £381.6m due to the use of the prior year's unallocated DSG and 0.5% transfer.

3.5. Increases in the minimum per pupil funding and minimum funding guarantee ensures schools will receive increased funding where their number on roll remains the same between 2020/21 and 2021/22. Where a school's number on roll has dropped between the 2020/21 and 2021/22 their budget share may also decrease as well. 110 out of 230 schools have seen a drop in their number on roll between 2020/21 and 2021/22. None of these schools has seen a drop in its budget share greater than the drop in its number on roll.

- 3.6. The Schools Forum strongly supported the policy decision to move to the NFF at the earliest opportunity taken last year and therefore also support the decision to make no changes to the approach for 2021/22.
- 3.7. Within National Funding Formula Guidelines a Local Authority can transfer up to 0.5% from the Schools Block to the High Needs Block. A consultation with mainstream schools and academies on this transfer was undertaken during the early part of the 2020 autumn term. 44 schools and academies responded to the consultation and 32 (72.7%) supported the transfer. The value of the transfer is currently estimated to be £1.824m, to be confirmed by the ESFA.
- 3.8. At a special meeting of Schools Forum on 19 November 2020 17 of the 21 members attending the meeting supported the transfer whilst 4 voted against. Due to the overall support of Schools Forum, the transfer can take place as part of the 2021/22 DSG budget setting process without a 'Disapplication' being submitted to the Education and Skills Funding Agency (ESFA).

4. Early Years Block National Funding Formula 2021/2

- 4.1. The Early Years NFF allocates funding to Warwickshire below what is deemed to be the minimum hourly rate. This means, along with many other shire counties, Warwickshire receives 'top-up' funding to bring our allocation up to the minimum hourly rate of £4.44 per hour to cover all early years activity. Of this minimum hourly rate at least 95% (£4.22) must go directly to providers either as a universal rate or as the mandatory supplement for deprivation and up to 5% (£0.22) can be retained by the local authority to fund central Early Years functions.
- 4.2. The increase in overall funding levels means it is possible to increase the overall universal rate to £4.15 per hour, an increase of £0.06 per hour compared to the £4.09 universal rate in 2020/21.
- 4.3. The breakdown of how the £4.44 is to be allocated is set out in Table 4.

Table 4: Early Years Allocation of Funding per Hour	
Factor	2021/22 Allocation Per Hour £
Universal rate allocated to all providers	4.15
Deprivation Supplement	0.07
Central Provided Services (5%)	0.22
Total for 3 and 4 Year Olds	4.44

5. High Needs DSG Budget Allocations 2021/22

- 5.1. The 2021/22 allocation for High Needs DSG is £75.748m. This represents a £7.675m increase on the equivalent allocation for 2020/21. Of the total allocation of £75.748m the ESFA will top slice and allocate £13.680m direct to academies for high needs places. The allocation available to the local authority to manage is therefore £62.068m.
- 5.2. High Needs Block funding is based on SEND pupil numbers at October 2020 in mainstream; special and resourced provision maintained schools and academies, and SEND pupil numbers at January 2020 in independent provision. The funding is made up as follows:
- Basic entitlement factor funding at £4,660 per pupil, adjusted for area costs. This is an increase of £660 above 2020/21 per pupil funding and reflects the historic cost of teachers pay and pension increase now being included in the High Needs DSG Block.
 - Historic spend factor. This amount is maintained at a cash-flat level and accounts for 87% of the total High Needs allocation.
 - The remaining amount of overall funding is distributed to local authorities using the following proxy indicators:
 - 2-18 year old population
 - deprivation
 - health and disability
 - low attainment
 - The formula then applies the protection of a funding floor to all elements except the basic entitlement factor.
 - Hospital education funding is added.
 - Import/export adjustments are made mid-year to reflect the transfer of pupils with SEND into and out of the County
 - Additional funding for Special Free Schools
- 5.3. The 2020/21 Quarter 3 forecast figures reported to Cabinet in January showed a 2020/21 High Needs Block in year overspend of £10.716m. Demand and therefore expenditure are forecast to grow in 2021/22 at a rate that is higher than the increase in the 2021/22 High Needs Block allocation. It is recognised that nationally pressures on the school system, and the high needs budget in particular, are an issue; and Local Authorities continue to raise this with Central Government.
- 5.4. With the Government requiring all schools and early years services to be provided within the level of DSG allocated, more still needs to be done to ensure the budget for these services is robust and sustainable. A further report will be brought to Cabinet, for approval, by September 2021 that sets out the

next stage of our plans for how the DSG can be brought back into balance following consultation with partners across the sector, alongside an update on the benefits being delivered from the current SEND & Inclusion Change Plan (SICP). Whilst the next stage of the plan is developed and implemented, or the Government brings forward proposals for funding DSG deficits at a national level, sufficient funding will be set aside in reserves, as below, to create an equal and opposite position to offset the projected deficit until a sustainable solution is in place.

	2021/22 £m	2021/22 £m	2023/24 £m	2024/25 £m	2025/26 £m
Contribution to Reserve	1.364	6.181	6.601	8.005	7.798
Reserve at year end	1.364	7.545	14.146	22.151	29.949

6. Central School Services DSG 2021/22

- 6.1. The allocation to the Central School Services Block (CSSB) is £4.178m in 2021/22. This represents a £0.127m increase on the 2020/21 figure. CSSB funding is allocated partly for ~~to~~ historic commitments and partly for ongoing functions relating to both maintained schools and academies.
- 6.2. As expected. Warwickshire's historic commitments allocation has again reduced by 20% from 2020/21 to £1.023m. this is a reduction of £0.255m.
- 6.3. Funding for ongoing functions is allocated using a pupil-led formula. based on 2020/21 pupil numbers. and comprises a basic per-pupil factor. through which authorities receive the majority of funding. and a deprivation factor. This factor increases by £4.66 to £41.20 in 2021/22 to reflect the historic cost of teachers pay and pension moving to DSG grant. Warwickshire ongoing funding will increase by £0.382m to £3.165m in 2021/22.
- 6.4. The decision on the use of the CSSB is one for the Schools Forum. and the CSSB allocations for 2021/22 will be confirmed by the Schools Forum at their meeting on 18 March 2021.

7. Financial Implications

- 7.1. In addition to the financial implications which are within the body of the report. the following paragraphs are for noting:

- 7.2. While Councils are not permitted to fund DSG overspend from funding outside of the ringfenced DSG grant. proving our financial sustainability as an organisation requires us to hold an amount equal to the deficit in our financial reserves. Section 5.4 details the building of this reserve. This reserve will be released to the General Reserve if funding or spending varies beneficially from estimates.
- 7.3. It should be noted that the ESFA has indicated that any local authorities overspending their overall DSG by more than 1% in 2020/21 is expected to have a recovery plan that they may request a copy of. As at Quarter 3 forecasting. Warwickshire is projecting an overspend of 1.73%. The DSG recovery plan will be maintained and updated annually so that it remains a 'live' document; and can be submitted to the ESFA if requested.
- 7.4. This demand and cost pressures, alongside the need to deliver material savings and manage future demand to bring the budget back into balance, means the High Needs DSG remains an area that requires close oversight. Progress on the recovery plan will continue to be reported to Cabinet and to Schools Forum as appropriate.
- 7.5. The High Needs DSG deficit is not unique and reflects a major national problem. The Leader has written to government to ask for a sustainable funding model to be implemented, and has raised the issue of the terms and conditions of the DSG conflicting with accounting standards and audit requirements, therefore creating the need for a £30m contribution to reserves by 2025/26.

8. Environmental Implications

- 8.1. There are no specific environmental implications arising from the decision being made as part of this report.

9. Background Documents

None

10. Supporting Papers

- Schools Forum 14 January 2021
- Full Council 8 February 2021

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Elected Members have not been consulted in the preparation of this report.