

**DERBYSHIRE COUNTY COUNCIL****CABINET****21 January 2021****Report of the Executive Director for Children's Services****SCHOOL BLOCK FUNDING SETTLEMENT 2021-22 (Young People)****1. Purpose of Report**

To ask Cabinet to consider and approve the basis for calculating mainstream school and academy budgets for 2021-22.

**2. Information and Analysis**

The Dedicated Schools Grant (DSG) consists of four blocks: the Schools Block, High Needs Block, Central School Services Block and Early Years Block. This report focusses on the Schools Block which funds mainstream schools and academies' delegated formula budgets, the other blocks will be the subject of further reports to Cabinet in the coming weeks.

As part of the government's Spending Round 2019, the Chancellor of the Exchequer confirmed to Parliament that funding for schools and high needs would, compared to 2019-20, rise by £2.6 billion for 2020-21, £4.8 billion for 2021-22, and £7.1 billion for 2022-23. 2021-22 represents the second year of the settlement. On 17<sup>th</sup> December 2020, the DfE released final Schools Block allocations for 2021-22, the figures for Derbyshire are set out in Table 1 below.

**Table 1- 2021-22 Schools Block allocations**

	Primary			Secondary	
	2020-21	2021-22		2020-21	2021-22
Funding (PUF/SUF) per pupil	£4,251.91	£4,605.36		£5,189.56	£5,636.76
£ increase in PUF/SUF		+£353.45			+£447.20
% increase in PUF/SUF		+8.31%			+8.62%
October 2019 & 2020 NOR	59,160	58,791		39,141	39,813
<b>S. Block ex premises (£m)</b>	<b>251.54</b>	<b>270.75</b>		<b>203.122</b>	<b>224.41</b>
Premises - PFI	0.000	0.000		2.460	2.471
Premises - Split site	0.080	0.098		0.272	0.135
Premises – Rates	3.747	3.720		3.252	3.069
Premises - Exceptional site	0.097	0.104		0.119	0.088
<b>S. Block ex Pupil Growth Fund</b>	<b>255.468</b>	<b>274.676</b>		<b>209.225</b>	<b>230.177</b>
Pupil Growth Fund	0.847	0.681		2.582	1.814
<b>Total Schools Block</b>	<b>256.315</b>	<b>275.357</b>		<b>211.807</b>	<b>231.991</b>
					<b>507.348</b>

The Pupil Growth Fund element of the Schools Block is used to contribute to schools with significant in-year increases in pupil numbers; provide additional resources to help individual schools meet Key Stage 1 class size requirements; and provide support to new Free Schools over and above their formula allocations whilst their numbers on roll build up. Decisions on spending funded by the Pupil Growth Fund are a matter for the Schools Forum. The remaining Schools Block is the resource that supports the allocation of funds to schools and academies via the Authority's funding formula.

## **2.1 Schools Block formula issues, including consultation with schools**

Derbyshire's local funding formula mirrors very closely the mainstream National Funding Formula (NFF), the only difference being those schools that qualify for Minimum Funding Guarantee support, a mechanism that is intended to avoid unreasonable year on year turbulence in individual schools' budgets.

Details of the NFF multipliers for 2021-22 are provided in Appendix 1. Given the recent announcements on public sector pay freezes for 2021-22, most of the multiplier increases are above the expected rate of inflation.

The Key Stage per-pupil and Minimum Per Pupil Funding rates have been further increased to reflect the incorporation of former Teachers' Pay Grant (TPG) and Teachers' Pension Employers' Contribution Grant (TPECG) into the Schools Block. These grants provided additional support to schools towards the cost of previous years' teachers' pay awards and the increase in the employers' pension contribution for teachers from September 2019 when contributions rose from 16.48% to 23.68% of gross pay. In 2020-21 these grants were worth a minimum of £179.88 per pupil and secondary schools £264.78 and these values amounts have been added into the NFF for 2021-22.

One issue arising from the incorporation of these grants into the NFF is that the DfE grant allocations in 2020-21 assumed a minimum number on roll for each school of at least 100. Thus, every mainstream school, irrespective of size, received minimum grant funding of £17,988. However, under the NFF schools with a number on roll of less than 100 will receive a lower allocation. For example, a primary school with 50 children on roll would receive 50 x £180 i.e. £9,000, half the sum received as grant funding. Small schools, particularly those with fewer than 100 children on roll, must rely on Minimum Funding Guarantee protection to help soften the impact of this change.

As part of the budget preparations, schools and academies were consulted in September 2020 on the funding priorities for 2021-22, specifically:

- (i) Do schools and academies agree with the LA's proposal to apply the NFF in full in 2021-22, subject to affordability?
- (ii) Do schools and academies agree with the LA's proposal to adopt an MFG of 2% per pupil for 2021-22?

Schools were also asked to indicate how any shortfall in funding might be addressed.

In terms of responses, 90 schools and academies gave their views of which 89 (98.9%) supported implementing the NFF in full. There was also significant support for the maximum MFG to be applied (+2% per pupil) with 81 (90.0%) in favour. On the question of where reductions might be made to close any shortfall, 39 (43.3%) of respondents answered, “don’t know”. Of the 51 that expressed a view 24 (47%) preferred a lower level of MFG protection, 16 (31%) preferred a reduction in one or more NFF multipliers with the remaining 11 respondents supporting a transfer of resources from another part of the DSG.

## **2.2 Schools Block formula proposals 2021-22**

Based on the pupil and other formula data for 2021-22, the cost of implementing the NFF in full is estimated to be £505.659m i.e. £0.806m more than the Schools Block grant, excluding the Pupil Growth fund. A detailed breakdown of the total by formula indicator is provided in Appendix 2.

One of the main reasons for the shortfall is the impact of recent increases in current free school meal (FSM) counts. Schools’ 2021-22 budgets will be based partly on the number of children entitled to free school meals recorded on the October 2020 pupil census. The 2020 census showed a significant increase in FSM numbers for both sectors compared with the previous year with 310 (of 353) primary schools and all 45 secondary schools seeing an increase in count, leading to the following financial pressure:

- Primary current fsm – increase of 2,467 children (+21.7%) – cost £1.110m
- Secondary current fsm – increase of 1,457 children (+23.1%) – cost £0.657m

The funding received by LAs via the Primary and Secondary Units of Funding (PUFs/SUFs) in Table 1 is based on 2020-21 NFF budgets which, in turn, are based on October 2019 pupil data. More recent increases in FSM entitlement – including those as a result of Covid-19 – are therefore not reflected in LAs’ 2021-22 funding allocations. The DfE are aware of this issue and their informal advice is that LAs will have to manage the pressure locally within their own formula.

The estimated overall cost in Appendix 2, £505.659m, assumes an MFG of +1.5% per pupil. Although this is slightly below the maximum +2.0% permitted and consulted upon, it must be remembered that the higher figure was published by the DfE in July 2020, well before the public sector pay freeze announcement in November 2020. The proposed rate is still above the expected level of inflation.

In order to close the shortfall without making reductions to schools’ full NFF allocations, the following measures are proposed:

(i) Academy rates savings – there are currently two primary schools and two secondary schools which are expected to convert to academy status during 2021-22. Assuming they convert by the end of June 2021, this would generate an in-year saving of £0.201m (full year £0.268m.)

(ii) Pupil Growth fund – the Schools Block quantum in Table 1 includes a Pupil Growth Fund of £2.495m. It would be possible to meet the remaining shortfall, £0.605m, from this source whilst still leaving sufficient resources to fund in year pupil increases and provide support for developing Free Schools.

As explained above, the Schools Forum determines the use of Pupil Growth Funding. The next meeting of the Forum isn't until 28<sup>th</sup> January 2021 which is both after this Cabinet meeting and the date that LAs are expected to submit their mainstream budget proposals to the Education and Skills Funding Agency, also 21<sup>st</sup> January 2021.

The DfE's Schools Forum Good Practice Guide provides for this situation, a copy of the paper can be found at:

<https://www.gov.uk/government/publications/schools-forums-operational-and-good-practice-guide-2015>

Paragraphs 107 and 108 state: "It's good practice for the local authority to agree with its schools forum an urgency procedure to be followed when there is a genuine business need for a decision or formal view to be expressed by the schools forum, before the next scheduled meeting. The local authority may call an unscheduled meeting or put in place alternative arrangements such as clearance by email correspondence or some other means."

The Derbyshire Schools Forum Constitution approved by Cabinet states: "In the event that the local authority has urgent business to agree with its Schools Forum, the LA will determine whether to resolve the issue by e-mailing Forum Members or by calling an unscheduled meeting. The approach will be determined by the LA following discussion with the Chair and/or Vice Chair of the Forum."

Following a discussion with the Chair of the Forum, School Forum members were e-mailed an issues paper on the shortfall on 7<sup>th</sup> January 2021 and invited to a virtual Teams briefing which was held on 8<sup>th</sup> January 2021. Forum Members were asked to indicate their support or otherwise for the use of the Pupil Growth Fund by e-mail by 10:00 a.m. 11<sup>th</sup> January 2021. The briefing was well received and the proposals supported. This was further evidenced by the subsequent e-mails in support. No responses, either in the meeting or via e-mail, were against the proposals.

The primary school budgets in Appendix 2 are based on October 2020 pupil numbers. However, the allocations for new and existing free schools need to be adjusted to reflect the growing pupil rolls and the expected October 2021 pupil intakes as well. The Free Schools in question are:

- The Mease – opened September 2019
- Chellaston Fields - opened September 2019
- Highfield Farm – opened September 2020
- Boulton Moor – planned to open September 2021

Reflecting the estimated October 2021 counts provides the funding these schools will require to meet the costs of the additional classes. The budgetary pressure resulting from this technical change is still being calculated but is likely to be between £0.200m and £0.300m. Once agreed, the final cost will be funded from the Free School reserve set aside for this purpose rather than the Schools Block budget. The balance of this reserve at 31<sup>st</sup> March 2021 is forecast to be £2.261m which is sufficient to meet the anticipated cost.

### **2.3 De-delegation and top-slicing of funding 2021-22**

Each year local authorities' Schools Forums have been permitted to take-back monies delegated through the formula to mainstream schools to fund a range of prescribed functions. Academies' budgets are not subject to de-delegation, instead academies remain responsible for meeting their own costs directly.

Historically, Derbyshire schools have given significant support to the de-delegation of funding for these services. Following two consultations with schools during 2020, the Schools Forum at its meetings in October and December 2020 agreed to approve the de-delegation of funds once more for 2021-22. The list of services and the amounts proposed to be deducted from mainstream primary and secondary schools are set out in Appendix 3.

De-delegation has been operating since 2013 with any underspend against the funds collected being carried forward in a reserve at the end of each year. At 31<sup>st</sup> March 2020 the re-pooled reserve stood at £1.013m and this figure is forecast to increase to around £1.381m by the end of the current financial year.

In order to minimise the increase in charges to schools for 2021-22, it is proposed to release funding from the reserve such that the overall per pupil increase is no more than 1.5% i.e. consistent with the proposed MFG increase. This is estimated to utilise around £0.347m of the reserve.

The decision to accept responsibility for costs funded from de-delegated and top-sliced resources is a matter for Cabinet and it is recommended that Cabinet agree to the Forum's request for 2021-22.

## **3. Other Considerations**

In preparing this report the relevance of the following factors has been considered: Prevention of Crime & Disorder, Equality of Opportunity and Environmental, Financial, Health, Human Resources, Property, Social Value and Transport Considerations.

#### **4. Background Papers**

Files held within Children's Services Finance.

#### **5. Key Decision**

Yes.

#### **6. Call-in.** Is it necessary for the call-in period to be waived in respect of the decisions being proposed in this report?

No.

#### **7. Executive Director's Recommendations** - That Cabinet considers this report and:

- (i) Notes the Schools Block settlement, including Pupil Growth funding, for 2021-22;
- (ii) Approves that mainstream school budgets be calculated in accordance with the National Funding Formula as set out in section 2.2;
- (iii) Notes that the primary school budgets in Appendix 2 exclude some outstanding adjustments in respect of new Free Schools and agree that the additional costs of those adjustments be met from the Free School reserve;
- (iv) Notes that the allocation of Pupil Growth funding is a matter for the Schools Forum;
- (v) Notes the support from School Forum members to utilise funding from the Pupil Growth Fund to balance the shortfall in section 2.2;
- (vi) Approves that matters of detail regarding the calculation of school budgets be delegated to the Executive Director for Children's Services in consultation with the Cabinet Member for Young People;
- (vii) Approves the request from the Schools Forum to de-delegate and top-slice funding from mainstream LA maintained schools' 2021-22 budgets for a range of services in accordance with section 2.3 and Appendix 3; and
- (viii) Approves the release of funding from the re-pooled reserve to limit the cost increase of (vii) above for schools for 2021-22.

**Jane Parfremment**  
**Executive Director for Children's Services**

Primary Sector National Funding Formula Multipliers 2021-22 and comparison with 2020-21

Appendix 1

Indicator	2020-21 Multiplier	2021-22 Multiplier	Increase	Increase	Comments
	£	£	£	%	
Per pupil: Key Stage 1 and 2 Pupils	2,857.00	3,123.00	266.00	9.31%	£180 due to rolling in TPG & TPECG*
Deprivation: Current Free School	450.00	460.00	10.00	2.22%	
Deprivation: Ever 6 Free School Meals	560.00	575.00	15.00	2.68%	
Deprivation: IDACI F	210.00	215.00	5.00	2.38%	Now based on ranks rather than absolute scores. Band A is the 2.5% most deprived at Lower Super Output Area. Bands B, C and D rise by 5% increments, bands E and F by 10%
Deprivation: IDACI E	250.00	260.00	10.00	4.00%	
Deprivation: IDACI D	375.00	410.00	35.00	9.33%	
Deprivation: IDACI C	405.00	445.00	40.00	9.88%	
Deprivation: IDACI B	435.00	475.00	40.00	9.20%	
Deprivation: IDACI A	600.00	620.00	20.00	3.33%	
Low Prior Attainment	1,065.00	1,095.00	30.00	2.82%	
English as an Additional Language	535.00	550.00	15.00	2.80%	
Lump Sum	114,400.00	117,800.00	3,400.00	2.97%	
Sparsity	26,000	45,000	19,000.00	73.08%	
Mobility	875.00	900.00	25.00	2.86%	
Minimum Per Pupil Funding	3,750.00	4,180.00	430.00	11.47%	£180 due to rolling in TPG & TPECG*

## Secondary sector National Funding Formula Multipliers 2021-22 and comparison with 2020-21

## Appendix 1

Indicator	2020-21 Multiplier	2021-22 Multiplier	Increase £	Increase %	Comments
	£	£	£	%	
Per pupil: Key Stage 3 Pupils	4,018.00	4,404.00	386.00	9.61%	£265 due to rolling in TPG & TPECG*
Per pupil: Key Stage 4 Pupils	4,561.00	4,963.00	402.00	8.81%	£265 due to rolling in TPG & TPECG*
Deprivation: Current Free School Meals	450.00	460.00	10.00	2.22%	
Deprivation: Ever 6 Free School Meals	815.00	840.00	25.00	3.07%	
Deprivation: IDACI F	300.00	310.00	10.00	3.33%	Now based on ranks rather than absolute scores. Band A is the 2.5% most deprived at Lower Super Output Area. Bands B, C and D rise by 5% increments, bands E and F by 10%
Deprivation: IDACI E	405.00	415.00	10.00	2.47%	
Deprivation: IDACI D	535.00	580.00	45.00	8.41%	
Deprivation: IDACI C	580.00	630.00	50.00	8.62%	
Deprivation: IDACI B	625.00	680.00	55.00	8.80%	
Deprivation: IDACI A	840.00	865.00	25.00	2.98%	
Low Prior Attainment	1,610.00	1,660.00	50.00	3.11%	
English as an Additional Language	1,440.00	1,485.00	45.00	3.13%	
Lump Sum	114,400.00	117,800.00	3,400.00	2.97%	
Sparsity	67,600.00	70,000.00	2,400.00	3.55%	
Mobility	1,250.00	1,290.00	40.00	3.20%	
Minimum Per Pupil Funding	5,000.00	5,415.00	415.00	8.30%	£265 due to rolling in TPG & TPECG*

\* IDACI – Income Deprivation Affecting Children Index – measures the proportion of all children aged 0 to 15 living in income deprived families

\* Teachers’ Pay Grant (TPG) – a grant to provide additional resources to schools to help with previous years’ teachers’ pay awards.

\* Teachers’ Pensions Employers’ Contribution Grant (TPECG) – a grant to provide additional resources to schools to help meet the increase in employers’ pension contributions for teachers from September 2019.



Analysis of mainstream formula budgets 2021-22 by indicator

Appendix 2

	Primary				Secondary		
	2021-22	2021-22	2021-22		2021-22	2021-22	2021-22
Indicator	Count	Multiplier	Budget		Count	Multiplier	Budget
		£	£			£	£
Per Pupil – Key Stage 1 & 2	58,792.00	3,123.00	183,607,416		-	-	-
Per Pupil – Key Stage 3	-	-	-		24,486.00	4,404.00	107,836,344
Per Pupil – Key Stage 4	-	-	-		15,331.00	4,963.00	76,087,753
Current FSM	13,811.00	460.00	6,353,060		7,755.00	460.00	3,567,300
Ever 6FSM	15,012.05	575.00	8,631,927		10,092.09	840.00	8,477,354
IDACI F	4,939.27	215.00	1,061,943		3,319.81	310.00	1,029,141
IDACI E	6,940.56	260.00	1,804,545		4,346.58	415.00	1,803,831
IDACI D	2,638.39	410.00	1,081,739		1,739.43	580.00	1,008,872
IDACI C	3,192.50	445.00	1,420,661		2,001.00	630.00	1,260,628
IDACI B	3,036.49	475.00	1,442,332		1,953.92	680.00	1,328,667
IDACI A	814.35	620.00	504,897		487.49	865.00	421,675
Low Prior Attainment	17,076.00	1,095.00	18,698,215		8,975.21	1,660.00	14,898,856
English as an Additional Language	947.61	550.00	521,188		121.32	1,485.00	180,163
Mobility	99.30	900.00	89,370		4.62	1,290.00	5,962
Lump Sum	353.00	117,800.00	41,583,400		45.00	117,800.00	5,301,000
Sparsity	14.87	45,000.00	669,342		0.28	70,000.00	19,833
Split site: <500m	4.00	2,789.08	11,156		-	-	-
Split site: >500m	2.00	44,254.39	88,509		1	137,384.98	137,385
Private Finance Initiative	-	-	-		-	-	2,425,950
Rates	-	-	3,571,300		-	-	2,758,212
Exceptional Circumstances	-	-	103,543		-	-	88,201
Minimum Per Pupil Funding	-	-	3,119,408		-	-	2,100,977
Minimum Funding Guarantee (+1.5%)	-	-	547,985		-	-	9,247
Capped gains	-	-	0		-	-	0
<b>Total Formula Budgets</b>			<b>274,911,936</b>				<b>£230,747,351</b>
<b>TOTAL BOTH SECTORS</b>							<b>£505,659,287</b>

List of proposed de-delegated and top-sliced funds 2021-22

Appendix 3

		2020-21			2021-22		Change	
<u>Item</u>	<u>Basis</u>	<u>Prim</u>	<u>Sec</u>		<u>Prim</u>	<u>Sec</u>	<u>Prim</u>	<u>Sec</u>
Contingencies	Per Pupil	£8.00	£6.00		£6.00	£6.00	-£2.00	£0.00
Insurance	Per Pupil	£20.64	£18.20		£22.56	£22.56	£1.92	£4.36
Staff Costs: Maternity	Per Pupil	£17.89	N/A		£15.00	N/A	-£2.89	N/A
Staff Costs: Public Duties	Per Pupil	£0.20	N/A		£0.20	N/A	£0.00	N/A
Staff Costs: Trade Unions	Per Pupil	£4.00	£4.00		£4.04	£4.04	£0.04	£0.04
School Improvement	Lump sum	£2,850	£2,850		£2,850	£2,850	£0.00	£0.00
Redundancy (top-sliced)	Per Pupil	£8.50	£8.50		£7.00	£7.00	-£1.50	-£1.50
Fmr ESG (top-sliced)	Per Pupil	£14.24	£14.24		£24.11	£24.11	£9.87	£9.87
Total per pupil (£)	Per Pupil	<b>£73.47</b>	<b>£50.94</b>		<b>£78.91</b>	<b>£63.71</b>	<b>£5.44</b>	<b>£12.77</b>
Less: Use of reserves	Per Pupil				(£4.34)	(£12.00)	(£4.34)	(£12.00)
Abated total per pupil (£)	Per Pupil				<b>£74.57</b>	<b>£51.71</b>	<b>+£1.10</b>	<b>+£0.77</b>
Total per school	Lump sum	£2,850	£2,850		<b>£2,850</b>	<b>£2,850</b>	-	-