

Meeting:	Schools Forum
Date:	19 January 2021
Subject:	Item 4: 2021-22 DSG Budget Setting
Responsible Officer:	Jo Frost, Finance Business Partner – Children’s Services

Section 1 – summary

1. Schools Forum at its meeting on 17 November 2020, considered a report setting out the outcome of the Harrow schools funding consultation 2021-22 and indicative budget setting intentions. This report was considered in advance of the notification of the 2021-22 Dedicated Schools Grant allocation. This was announced by the DfE on 18 December 2020.
2. This report outlines the latest 2021-22 settlement and details the proposed 2020-21 school budget to be submitted to the DfE by 21 January 2021.
3. Schools Forum is asked to:
 - Note the 2021-22 DSG allocation at Table 1
 - Agree the final position on the Growth Fund at Table 2
 - Note overall funding formula and distributed funding at Appendix A
 - Note indicative formula derived 2021-22 budgets at school level at Appendix B and changes between years at Appendix C
 - Note the final MFG from paragraph 28
 - Note the High Needs Block funding from paragraph 44
 - Note the Early Years funding from paragraph 49
 - Note other sources of funding available in 2021-22 as set out at paragraph 55

Section 2 – report

Dedicated Schools Grant 2021-22

4. The 2021-22 DSG is based on the number of pupils on the October 2020 school census. The total DSG for 2021-22 is £239.592m. This is subject to amendments to the allocations for the Early Years Block which will be updated to reflect the January 2021 Early Years Census data and excludes recoupment of place funding for academies and post 16 providers in the High Needs Block.
5. Table 1 below shows the breakdown of the 2021-22 DSG across the four blocks. The sections following the table provide a detailed explanation for each funding block.

Table 1 – 2021-22 Dedicated Schools Grant allocation

Blocks	Unit of funding		Pupil numbers		Total
	Primary	Secondary	Primary	Secondary	
Schools Block – per pupil	£4,559.49	£6,253.54	21,419.00	12,805.50	£177,739,423
Schools Block – lump sum premises					£2,730,395
Schools Block – growth fund formula					£1,268,468
Total Schools Block					£181,738,286
Central Schools Block					£1,387,804
High Needs Block (after import/export adjustments & recoupment)					£37,024,161
Early Years Block					£19,441,547
Total Dedicated Schools Grant Allocation 2021-22					£239,591,798

Schools Block

6. The schools block is funded on three different methodologies. Primary and secondary NFF units of funding cover core schools funding which includes:
 - Pupil-led factors - basic per-pupil, deprivation, low prior attainment, English as an additional language, minimum per pupil funding, funding floor and transitional protections.
 - School-led factors - lump sum, sparsity.
 - The area cost adjustment – this is a multiplier that applies to both pupil-led and school-led factors.
7. The Primary and Secondary units of funding (PUF/SUF) have been calculated using the NFF and based on the 2021-22 pupil and school characteristics, including MFG but excluding business rates and growth fund items and divided by the adjusted number of pupils on roll on the October 2020 school census.

8. The allocation for 2021-22 is then based on the PUF/SUF multiplied by the NOR on the October 2020 school census. This has yielded per pupil funding of £177.739m.
9. In addition there is a Schools Block lump sum. This is funding for business rates and is based on historical allocations totalling £2.730m.
10. There is an overall net increase in the schools block of baseline funding available on an ongoing basis of £10.842m however this includes the Teacher's Pay and Pension Grants which have been rolled into the NFF and will no longer be provided as a separate grant.

Schools Block	Growth Fund	NFF Baseline	TPG/TPECG	Totals
2020-21	£2,704,165	£168,191,554	£0	£170,895,719
2021-22	£1,268,468	£172,435,997	£8,033,822	£181,738,287
Net change	-£1,435,697	£4,244,443	£8,033,822	£10,842,568

Growth Fund

11. From 2019-20 growth funding has been allocated to LAs using a new formulaic method based on lagged growth data.
12. Growth funding can only be used to:
 - Support growth in pre-16 pupil numbers to meet basic need
 - Support additional classes needed to meet the infant class size regulation
 - Meet the costs of new schools
13. Growth funding may not be used to support:
 - Schools in financial difficulty
 - General growth due to popularity; which is managed through lagged funding

Table 2 – growth fund 2021-22 proposed commitments

Category	£'000
Licences	£163
Primary Expansion	£562
Secondary Expansion	£530
Total commitments 2021-22	£1,253

14. Funding for licences has been allocated based on the amount notified by the DfE
15. Primary expansions is based on a number of legacy schools still potentially requiring bulge class funding plus a contingency for bulge classes in older year groups
16. Secondary expansions is based on the school roll projections (published July 2020) which suggest there will be a shortage of places of around 74 in September 2021. In addition, this has been scaled up to reflect the proportion of places that had to be initially over offered in September 2020, taking the potential shortfall to 108 and rounding up to 4FE. This has been calculated using KS3 basic entitlement.

Proposed Schools Funding Formula 2021-22

17. The NFF continues to be the method of distributing funding for 2021-22. There are no proposed changes to the structure of the formula for 2021-22. The Harrow Schools Funding formula now reflects the National Funding Formula entirely. The funding rates applied in each factor are equal to those in the NFF plus Harrow's Area Cost Adjustment.
18. In 2021-22 the NFF factor values have increased by 3% with the exception of Free School Meals which has increased by 2% to reflect inflation, and business rates are based on actual estimates of costs for 2020-21. In addition, IDACI factors have increased between 2% and 10% to reflect the re-banding undertaken in 2019. The final funding formula factors and distributed funding is shown at Appendix A.

Teachers' Pay Grant (TPG) and Teacher's Pension Employer Contribution Grants (TPECG)

19. The most significant change in 2021-22 is that funding previously received through the TPG and TPECG, including the supplementary fund for LAs, to mainstream schools for pupils from reception to Y11 will be allocated through the NFF thus increasing schools' baselines.
20. In addition to the 3% general inflationary amount added to each formula factor a further £180 has been added to the primary basic entitlement factor and £265 to each of the KS3 and KS4 basic entitlement factors. This funding (plus the Area Cost Adjustment) is equivalent to the funding received in the TPG and TPECGs for September 2018 and September 2019 pay awards. No further funding will be allocated for pay changes in September 2020 or beyond.

21. Therefore, as shown at Appendix B, despite an additional approx. £11m of funding in the NFF for 2021-22 nearly £8m of this represents funding already being received by schools through the TPG and TPECG.

Minimum Per Pupil Funding Levels (MPPL)

22. The MPPL is set at £4,180 for primary schools and £5,415 for secondary schools. As per Appendix B there are 4 schools who are eligible for this funding whose funding as calculated through the NFF is below the national thresholds for primary or secondary schools.

Income Deprivation Affecting Children Index (IDACI)

23. The IDACI dataset has been updated in 2019 so that the IDACI bands are now assigned based on rank rather than score. For example, Band A now consists of pupils in the most deprived 2.5% of lower super output areas (LSOAs), instead of consisting of pupils in LSOAs with an IDACI score greater than 0.5.

24. As set out at Appendix B nearly all schools will lose funding as a result of this change. In order to compensate slightly some of the factor values have increased above the 3% generic inflation but this still does not mitigate the overall losses.

25. The impact of the banding changes is that is that more pupils are in Band G which is the least deprived band and attracts no funding and more are in Band F which attracts the lowest rate of funding. Table 3 below sets out the comparison between the IDACI2015 and IDACI2019 datasets and changes in funding levels.

Table 3 – IDACI Changes 2015 to 2019

Pupil Nos.	G	F	E	D	C	B	A	Total
IDACI15	22,741	3,863	4,630	930	1,096	916	15	34,192
%	67%	11%	14%	3%	3%	3%	0%	100%
IDACI19	25,617	5,034	2,542	931	86	17	0	34,228
%	75%	15%	7%	3%	0%	0%	0%	100%
Pri chge	£0	£155,079	-£365,719	£45,586	-£265,455	-£251,255	-£659	
Sec chge	£0	£208,544	-£308,687	-£16,596	-£263,229	-£259,680	-£12,916	
Total	£0	£363,623	-£674,406	£28,990	-£528,684	-£510,935	-£13,575	-£1,334,988

Indicative School Budgets 2021-22

26. Indicative Individual School Budgets for 2021-22 are shown at Appendix B and a crude analysis of the changes between years at Appendix C. Note, these are the budgets derived through the formula and do not include funding for early years nurseries, EHCPs, SEN units, Pupil Premium, Universal Infant Free School Meals, Devolved Formula Capital and any other specific grants. These figures do include funding towards Teacher's Pay and Teacher's Pension increases which will no longer be funded from separate grants.
27. These budgets are indicative and subject to Harrow Cabinet ratification and DfE approval of the school funding formula in February 2021.

Minimum Funding Guarantee

28. In 2021-22 the Minimum Funding Guarantee will continue to protect schools from per pupil losses between years. For the second time in the last two years LAs must set a positive MFG (meaning schools will see an increase in their per pupil budgets between years). The MFG must be between +0.5% and +2.0%. This is calculated on the whole school unit but excluding business rates and the lump sum and then divided by the total number of pupils on roll.
29. In the previous financial years Schools Forum agreed to set a negative MFG at -1.5% in order that schools reach the NFF as soon as possible to ensure there won't be significant losses if the MFG protection is no longer applied.
30. However, in 2020-21 not only was it mandatory to set a positive MFG, there was also capacity within the overall schools block that meant that a positive MFG of +4.24% was set in order to allocate out all of the schools block.
31. In the consultation with all schools in Autumn Term 2020 the LA sought views on the value of the MFG for 2021-22. In the responses 100% (10) supported a maximum MFG of +2% subject to affordability within the overall formula.
32. In the overall formula it is affordable to set the maximum MFG, therefore the school budgets at Appendix B have been prepared using +2% MFG in the funding formula for 2021-22. It is not planned to cap gains in the formula which is consistent with approach in previous years.
33. The total cost of the MFG to the schools block is £3.933m with 42/54 schools receiving MFG protection of +2% per pupil. The remainder of schools do not attract any MFG funding as they are already receiving +2% or higher per pupil through the funding formula.

Schools Block Allocation and Commitments

34. Table 4 shows the 2021-22 schools block allocation and commitments as set out at the above paragraphs.

Table 4 – schools block allocation and commitments 2021-22

Schools Block	Allocation	Total Distributed	Difference
ISB	£180,469,819	£181,116,896	£647,077
Growth Fund	£1,268,468	£1,253,391	-£15,077
Total	£181,738,287	£182,370,287	£632,000
Allocation from contingency			-£632,000
Revised Difference			£0

35. A summary of the assumptions in these figures is as follows:

- NFF continues to be method of distribution
- MFG set at +2%, growth on gains not capped
- Growth Fund committed as per Table 2
- No transfers between any blocks

36. As shown above at Table 4 £632k has been allocated from the contingency to support school budgets in 2021-22. This has been added to the funding formula in the per pupil basic entitlement factor and has been treated as a technical adjustment so as not to impact on the MFG. This is because the funding is one off and would inflate the MFG which would have a negative impact on future years

37. This technical adjustment is subject to DfE approval.

38. It should be noted that at its meeting in November 2020 Schools Forum agreed an allocation of £532k from the contingency. In addition, £100k was earmarked from the contingency for secondary expansions. However, this £100k was affordable within the overall schools block growth fund so a further £100k is freed up to allocate to the schools funding formula as a one off adjustment.

39. This change is subject to Schools Forum approval further on.

Schools Contingency

Description	Nov-20	change	Jan-21
High Needs Block Projects	£274		£274
Secondary school bulge classes	£100	-£100	£0
Raising Achievement BBCH Project Y1 (agreed & released)	£80		£80
Raising Achievement BBCH Project Y2 (agreed in principle)	£150		£150
Establishment of 'Covid Support Fund'	£551		£551
Allocated to Schools Funding Formula 2021-22	£532	£100	£632
Total	£1,687	£0	£1,687

De-delegation for Trade Union Duties

40. In September 2020 the LA consulted with academies and free schools in relation to pooled funding to support backfill arrangements for schools whose employees are trade union representatives undertaking trade union duties on behalf of maintained schools, academies and free schools in Harrow.

41. The final value of the fund required has been calculated and is shown at Table 5.

Table 5 – centrally pooled funding for TU Duties

NEU allocation (max 2 days per week)	£24,000
NAHT allocation (max 1 day per week, from Sept 2021)	£15,000
Total required	£39,000
Total pupils	34,314
Charge per pupil	£1.14

42. For maintained schools this has already been deducted at source through the process of de-delegation in the schools funding formula. For academies and free schools this amount will be invoiced in April to cover the period April 2021-March 2022.

43. Any unclaimed funding at the end of 2022 will transfer back into the schools contingency.

High Needs Block

44. Table 6 shows the provisional High Needs Block allocation for 2021-22 This will be updated in year to reflect the revised import/export adjustments.

Table 6 – 2021-22 High Needs Block

Description	Value
High Needs Block Allocation (excl basic entitlement factor)	£36,656,775
Basic Entitlement Factor (excl TPG/TPECG)	£2,643,647
Basic Entitlement related to TPG/TPECG Special Schools	£436,202
Import/Export Adjustments (2020-21 figure)	-£1,620,000
Additional Funding for Special Free Schools	£12,000
Hospital Education	£197,092
AP & INMSS TPG/TPECG allocation	£130,445
Total HNB before academy recoupment	£38,456,160
Academy recoupment for SEN units, special schools and FE	-£1,432,000
Net High Needs Block 2020-21	£37,024,160

45. It should be noted that the import/export adjustment figure will be updated in June 2021 to reflect the January census.
46. As with the mainstream schools, the TPG/TPECG for special schools has also been rolled into the HNB funding formula and included in the basic entitlement. This totals £436k and is required to be passported to special schools. In addition, a further £130k lump sum has been added to the HNB for TPG/TPECG related to Alternative Provision settings and INMSS. Again, this must be passported to providers.
47. In 2021-22, not including the £566k of TPG/TPECG rolled into the HNB there is an increase in funding of approx. £2.9m. This will contribute to the increasing shortfall in funding provided for the HNB and mitigate some of the estimated £6m deficit projected for March 2021 but does not allow for growth in demand for increased numbers and complexity of need.
48. The additional HNB is welcomed although the pressure on the High Needs Block in 2020-21 is £6m and this is projected to continue and to grow as growth in demand continues and the LA becomes even more reliant on expensive out of borough provision.

Early Years Block

49. The government introduced a new National Funding Formula for Early Years from April 2017.

3 & 4 year old funding

50. The key points on LA funding of providers are that local authorities:

- Continue to set a single funding rate for both entitlements for three and four year olds (that is, both the universal 15 hours and the additional 15 hours for working parents).
- Must plan to spend at least 95% of the three and four year old funding on the delivery of the entitlements. We intend to continue to pass on 95% of the 3 & 4 year old funding to settings.
- May request that 95% requirement be dis-applied in specific, exceptional circumstances. We are not in a position to do this.
- Harrow provides a universal base rate for all types of provider in the formula.
- Must use a deprivation supplement in the funding formula, and any other supplements must fall within one of the allowable categories. The supplements we have chosen remain the same.
- Must not channel more than 10% of funding through funding supplements.
- Must provide a SEN Inclusion Fund (SENIF) for three and four year olds.
- Must pass on Early Years Pupil Premium (EYPP) and Disability Access Fund (DAF) in full to providers for eligible three and four year olds.

51. Harrow has already implemented all of the above principles in its EYSFF.

52. In 2020-21 the hourly rate per pupil that the LA receives will increase by £0.06.

53. It is proposed to distribute the additional funding through the existing formula structure and proportionately increasing each supplement.

Table 7 – indicative 2021-22 EYSFF

Description	2021-22		
	Hourly	Pupils	Total
Total Early Years Block	£5.72	5,404.19	£17,619,821
5% LA Early Years Service Retention			£880,991
Funding available to providers	£5.43		£16,738,830
Top-slice SEN inclusion fund 5%			£836,942
Funding available to providers through formula			£15,901,889
Base rate minimum 90%	£4.65		£12,932,214
Supplements up to 10%	£0.51		£1,424,768
Funding available to providers through formula	£5.16		£14,356,982

2 year old funding

54. There is also a rate increase for the funding for 2 year olds. This will increase from £6.00 to £6.08 per hour from April 2021.

Other School Budgets

Capital

55. The DfE have yet to confirm the 2021-22 capital allocation. This is expected later in January and any Devolved Formula Capital will be included in the final school budgets.

Pupil Premium

56. Schools will continue to receive the Pupil Premium and funding rates remain the same as 2020-21. Eligibility and funding rates are shown at Table 7.

Table 7 – Pupil Premium rates 2021-22

Category	Per pupil value
Pupils in year groups reception to year 6 recorded as Ever 6 FSM	£1,345
Pupils in years 7 to 11 recorded as Ever 6 FSM	£955
Looked-after children (LAC) defined in the Children Act 1989 as one who is in the care of, or provided with accommodation by, an English LA	£2,345
Children who have ceased to be looked after by a local authority in England and Wales because of adoption, a special guardianship order, a child arrangements order or a residence order	£2,345
Pupils in year groups reception to year 11 recorded as Ever 6 service child or in receipt of a child pension from the Ministry of Defence	£310

57. It should be noted that for the first time the October 2020 census will be used to calculate pupil premium funding. This is a change to the current process which uses January census to calculate funding. This could have an impact for many schools where FSM is generally higher on the January census vs October census. Pupil premium funding for Alternative Provision and PRUs will still use the January census.

Universal Infants Free School Meals (UFSM)

58. There have been no announcements in respect of this grant but assume it will continue at the same rate as in 2020-21.

Primary PE and Sports Premium

59. There have been no announcements in respect of these beyond the 2020-21 academic year

60. Teachers Pay and Teachers Pension Grants

These are now rolled into the Schools Funding Formula and will not be paid as separate grants.

Section 3 - Contact Details

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Background Papers

Schools Forum Report – 17 November 2020

- Item 4 – 2021-22 Budget Setting