

Southend-on-Sea Borough Council

Executive Director of Finance and Resources
Executive Director of Children and Public Health

To
Education Board

On
15th December 2020

Agenda
Item No.

Report prepared by:
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Dedicated School Grant Budget Planning 2021/22 And Forecast Outturn 2020/21

1 Purpose of Report

To present the Education Board with the Dedicated Schools Grant (DSG):

- Final funding methodology for distribution of the 2021/22 Individual School Block (ISB) allocations
- Remaining final indicative DSG budget allocation for 2021/22
- Principle decision on Early years funding rates for 2021/22
- Updated forecast outturn for 2020/21

2 Recommendations

Education Board (EB) are asked to agree:

- 2.1 The remaining 2021/22 total funded amount for Central Block services with note to the Department for Education (DfE) DSG historic commitment funding that has continued to unwind moving forward (As referenced in 9.10).
- 2.2 And with consideration to 2.1, that the indicative and remaining 2021/22 per pupil uplift applied to all individual school block allocations, who have either not benefited from and therefore already funded above the minimum funding rates per pupil for 2021/22 or a 3% uplift to applied to the applicable core National Funding Formulae (NFF) pupil led factors, are set, as illustrated in the October 2020 DSG EB paper with the NFF maximum allowable 2% uplift funding applied per pupil (As referenced in 4.2).

- 2.3 [Maintained School voting rights only] the de-delegation of funding to be centrally retained from the Schools block for the following services: (As referenced in 5.2)
- Staff Costs (Public duties)
- 2.4 The 2021/22 Early years funding rates are set as based on the principle decision recommended in 7.4, if possible.
- 2.5 And therefore on the basis of the decisions undertaken through both this and the previous October 2020 DSG paper, that this DSG paper and the following January 2021 DSG EB paper (which is for EB noting only), will be recommended to Council for final approval in February 2021.

Asked to Note:

- 2.6 In line with the decisions of both the March 2019 EB DSG paper and the December 2020 EB DSG paper, that the growth fund to support schools will continue to be held centrally within the Schools block and distributed to provide the extra required planned places within the authority. (As referenced in 6.1.3)

3 Background

- 3.1 This reports sets out the 2021/22 Draft DSG budget and the final 2021/22 proposed funding methodology for award per pupil led funding to Individual School Budgets.
- 3.2 This reports follows on from the previous “DSG 2019/20 budget update and budget planning for 2020/21” presented and agreed at the last October 2020 EB, which ultimately set the continued and agreed NFF trajectory for Individual School block allocations, subject to the remaining confirmation of awarding the fully applied 2% uplift now proposed in this paper for those applicable schools.

4 Schools Block – Individual School Block (ISB) allocations

2020/21 Budget to Forecast Outturn – on line to budget

2021/22 Individual Schools Budgets

Indicative DSG funding allocation £131.818M (Final tbc in January 2021)

4.1 As per the recommendations approved in the last DSG EB October 2020 report and associated Appendix 2, which is also presented in this report. The 2021/22 per pupil funding amounts for each school will be set on the following basis:

4.1.1 The minimum per pupil levels will be set at £4,180 for primary schools (£3,750 in 2020/21) and £5,415 (£5,000 in 2020/21), where both of these rates now include the rolling of the teacher pay and pension grants into the DSG at a rate of £180 per primary pupil and £265 per secondary pupil. And to remind, from 2020/21 the minimum amounts per pupil are also now a NFF mandatory funding factor.

4.1.2 As per NFF, a 3% increase applied to the underlying core pupil led NFF funding factors, plus a further £180 per primary pupil and £265 per secondary pupil including the rolling of the teacher pay and pension grants into the DSG for 2021/22 attached to the basic entitlement rates.

And the remaining option for decision (which was Noted recommendation 2.1.2 – of the October 2020 DSG EB report):

4.1.3 “All remaining Schools whose per 2020/21 per pupil led funding rate plus the additional DSG applied 2021/22 teacher pay award and pension grant protection funding is either above the revised NFF mandatory 2021/22 minimum funding amounts per pupil or core NFF funding rate as referenced in 4.1.1 and 4.1.2 will receive the same NFF maximum allowable % uplift per pupil. And this will be up to the NFF maximum allowed 2.00% uplift per pupil, which itself remained subject to the options required to the Central block Historic Commitment funding losses.”

4.2 Now given the Local Authority as the lead commissioner of the Central Block historic commitment services has now determined its plan to manage the funding losses over the next 3 years (as referenced in 9.8 and Part 2 Appendix 4). It is welcome to confirm, that all remaining Schools who will either be above the NFF 2021/22 minimum funding rates or NFF 3% increase applied to the core NFF underlying core pupil led funding factors can now be recommended to benefit from the fully applied NFF maximum allowed 2.0% uplift per pupil.

4.3 And as referenced, in the last DSG EB paper, with the exception of those schools who will attract the 2021/22 minimum per pupil funding levels or 2.0% per pupil led uplift, all other school per pupil funding rates (i.e. those illustratively attracting their core underlying NFF funded rate per pupil) are indicative and therefore subject to minor changes once the DfE have processed and released the October 2020 school census data. Following that, the final illustrations will be shown in the next January DSG EB paper and will therefore be for noting only (which will also include any applicable and separate funding adjustments

for 2021/22 Business rate charges and ofcourse updated Numbers on Roll of each school as recorded through to the DfE in the October 2020 school census).

5 School block – Centrally retained de-delegated public duties (Voting rights Maintained only)

2020/21 Budget to Forecast Outturn – circa (£2,000) underspend

- 5.1 It is yet to be confirmed how many academy schools have bought into this fund this year in addition to the de-delegated sum from the maintained schools. However, it is currently expected that the de-delegated fund will be underspent this year regardless and therefore the attached forecast is simply an estimate of that underspend. It also remains minded any underspend or overspend on this fund is rolled forward in future years to support this fund through an isolated DSG reserve.

2021/22 Indicative DSG funding allocation £2,797 (Final tbc in January 2021)

- 5.2 In continuation of the decision undertaken last year, and now the only current proposed item for de-delegation, Maintained Schools are asked to approve the continued de-delegation of public duties at the reduced rate of £0.50 per pupil for 20/21/22 (£1.00 rate at 2020/21), which will also be multiplied by their Numbers on Roll as at the October 2020 Census. The rate of £0.50 per pupil in 2021/22 is proposed given the fund is expected to underspend this year and does hold a small level of £11,310 in reserve as at 1st April 2020.
- 5.3 The fund enables Maintained schools within the Borough to reclaim the cost of staff who undertake Public Duties (usually jury service or sitting as a magistrate), and to undertake trade union duties in work time, in accordance with the facilities agreement for schools.
- 5.4 And Academy Schools can continue to be able to buy in to this fund and therefore those that buy in are eligible to claim from this fund with the same charge rates as shown in 5.2.

6 Schools Block – Centrally retained Growth Fund

2020/21 and 2021/22 Budget Planning

- 6.1 As referenced and agreed, in the March 2019 EB “DSG Growth Fund application 2019/20 and future years” paper and the December 2019 EB “DSG budget planning 2020/21” paper:
- 6.1.1 The application of applied Growth fund is now managed on a long term basis, allowing any one year to either overspend or underspend against the DfE’s allocated amount for Growth provided that the total distribution of the growth fund is affordable over the life of the planned growth. The per pupil Growth rates to be paid out from Sept-21 can also be no lower than the minimum agreed per pupil rate tolerances declared in the March 2019 EB DSG paper.

6.1.2 The actual total growth fund amount for 2021/22 will be shown by the DfE in late December 2020, separated and shown within the Final 2021/22 School Block funding allocations.

6.1.3 Therefore, in accordance with the previous agreement and conditions, the growth fund rates from Sept-21 will be presented in the next January 2021 DSG paper, alongside any potential for growth funding rates to be increased from Sept-20 if affordable over the planned life of the growth. The growth model will therefore be revised and displayed as an Appendix once the DfE have confirmed the final 2021/22 growth funding allocations.

6.2 The current (£225,000) 2020/21 forecast underspend on growth remains as originally modelled and forecast in the January 2020 EB DSG paper. Which therefore increases the current isolated DSG growth reserve to £206,000 as at the 31st March 2021, which itself in turn funds expected future years overspends on growth as planned.

7 Early Years Block

2020/21 Budget to Forecast Outturn – £310,000 overspend

7.1 We must continue to remain minded, the Early Years Block 2020/21 DSG allocations remain provisional until the DfE have processed the January 2021 Early Years census, and will therefore announce revised and final funding allocations for 2020/21 in July 2021. However, at this time, we know there will be a difference for the 2020/21 DfE funding update as both the Summer and Autumn 2020 Early years funding period will continue to be based on the January 2020 Early Years census, and not a revised January 2021 Early Years census. The DfE have announced this adjustment due to the impacts of the Covid pandemic and therefore lower head count take up of early years provision during these periods, but whilst encouraging local authorities to continue to pass port funding at expected rates to support sustainability of provision, a position that both our Local Authority and Education Board recognise/agree too and have continued to support.

7.2 Whilst the forecast overspend is simply a best estimate at this stage, this estimate reflects the additional one off funding agreed to be passported through to Providers to support sustainability of provision, as agreed and noted, in both of the Part 2 Early Years Papers presented at the June 2020 and October 2020 Education Board papers.

7.3 The current expected forecast overspend will be covered from the isolated Early Years DSG balance.

2021/22 Budget Planning

7.4 At the time of writing this paper, we are still awaiting the 2021/22 early years funding announcements from the DfE, and by way of reference the current 2020/21 Early years funding rates are shown in Appendix 3. It is anticipated that an announcement will be made in December prior to the Christmas Break. If the announcement results in no increase, then we will simply have to continue to apply the 2020/21 rates into 2021/22. If the announcement does award a

funding uplift on the hourly rates paid in to DSG for 2021/22, it is therefore simply proposed, based on the current known pressures within the Early Years sector that should an uplift be awarded of less than or up to 2.5% (equivalent max 11p per hour of the current 2020/21 3&4 year old £4.48 hourly funded rate in to the DSG, or equivalent 13p max per hour of the 2020/21 2 year old £5.32 hourly rate in to the DSG). That this funding increase amount is straight passported out and applied through to the Early Year providers on the core hourly rates paid out.

- 7.5 Therefore, on the basis this principle decision is agreed in 7.4, and the DfE make an announcement before the Christmas break the hourly rates for 2021/22 will be set and displayed in the January 2021 DSG EB paper for noting only. This then also enhances the ability for Early Years provider to plan for 2021/22. In the unlikely event, the uplift is higher than 2.5% then there will need to be a separate proposal paper presented to the Education Board in March 2021.

8 High Needs Block

2020/21 Budget to Forecast Outturn – a projected (£1.299M) under spend against allocated services lines expenditure.

- 8.1 The first point to note for 2020/21 is a now further adjustment to the budget allocation, following a revised, apologised and updated allocation from the DfE compared to the original announced July 2020 High Needs funding import and export adjustment caused by a DfE data error that was subsequently recognised. The DfE have now confirmed, that in fact our “net import and export*” high need funding adjustment has reduced from 2019/20 by 8 (from us being a net importer of 84 pupils in 2019/20, to now a net importer of 76 in 2020/21). In funding terms for 2020/21, this reduction means we will now actually receive $8 * £6000$ per place = (£48,000) less funding than previously applied in 2019/20 import and export adjustment.

import and export adjustment - relates to a DfE defined in year High Need funding adjustment compiled from the latest January school census and RO6 Individualised learner record. Whereby a local authority's high needs block funding allocation is compensated if there is a net import increase from the previous year due to more other local authority home based pupils placed in their area, or alternatively reduced if there is a net export increase from the previous year, if more local authority home based pupils are placed in another local authority area..

- 8.2 However, and thankfully, due to our previous treatment of the high need and funding export adjustment which was originally advised and presented as a positive increase of £66,000 (a net increase of 11) as shared in the October 2020 DSG paper. It was simply applied to support future years pressures and therefore no had direct impact on in year service allocations. The now resulting negative adjustment will therefore been treated in the same way, and will reduce our originally planned funding allocation to support future years pressures and again therefore have no impact on in year service budget allocations. This negative funding adjustment therefore further supports our long term DSG budget management position, that a small proportion of High Needs funding should be held back and away from direct Service line allocations in order to absorb any adverse and unavoidable one off funding impacts in that given year which can be either expenditure or income related.

8.3 Appendix 1 – displays the full 2020/21 forecast outturn for High Needs on a line by line basis. Whilst the current forecast underspend (summarized below) has increased from what was presented and planned at the June 2020 EB DSG 2020/21 High Need detail budget allocation paper, you can see the actually increased forecast underspend is mainly on our service provision lines that are more difficult to financially plan, which is due to the nature and volatility of those service lines. We must also remain minded this welcome position is still being achieved after applying much needed funding growth to provision in 2020/21 (following 3 previous years of savings).

Summary table of proposed Original budget and forecast allocation (June 2020 Education Board) to Revised budget and current forecast allocation.

Summary Heading	2020/21 Opening Budget	2020/21 Revised Budget	2020/21 Opening Forecast	2020/21 Revised Forecast
Place funding	£8.064m	£8.064m	£7.857m	£7.823m
Special and PRU/AP top up funding	£6.072m	£6.072m	£5.787m	£5.757m
Subtotal	£14.136m	£14.136m	£13.644M	£13.580m
Schools, early years, post-16 top up funding	£4.112m	£4.112m	£4.112m	£3.927m
Independent Providers	£1.950m	£1.950m	£1.950m	£1.650m
Other Provisions including SLA's	£1.830m	£1.830m	£1.664m	£1.572m
Total services line total	£22.028m	£22.028m	£21.370m	£20.729m
Targeted to High Need DSG reserve balances to support future years funding pressures	£0.532m	£0.484m		
Total	£22.560m	£22.512m	£21.370m	£20.729m

8.4 It must therefore be noted and continually commended, as planned, that given the national and recognised pressures on High Needs Funding, that through the joint work of Southend's Local Authority, Education Board, Applicable Special Schools and Schools (where savings had been made and agreed previous to 2020/21). Southend's own DSG High needs funding position is now restored to a sustainable financial position at this current time, with consideration also applied to the increased 2020/21 funding allocation.

8.5 However, it must, also continue to remain minded that the financial pressures with the distribution of high needs funding are forever continually increasing, so future planning must continue to remain both affordable and considerate.

2021/22 Budget Planning - Indicative allocation of £25.658M (explanation covered in the last October 2020 DSG report, and resulting service expenditure allocations will be set as planned in the pre-agreed June 2021 High Need detailed allocation paper). It remains minded that June was the agreed date through Education Board to set the detail of the high need budget for the following academic year, as this then allows both sufficient time for the most accurate planning of expected top up funding amounts in that year and also therefore considering any affordable uplifts alongside.

9 Central Block

2020/21 Budget to Forecast Outturn – held on line to budget

2021/22 Budget Planning

Indicative Total allocation of £1.454M (Final tbc in January 2021)

9.1 As explained, in depth in the both the October 2019 and October 2020 DSG EB report. The 2021/22 indicative budget allocation (funding into the DSG) for the “Contribution to combined budgets with the Local Authority” is now circa £326,000 less than the original 2019/20 £905,000 allocation, as the DfE have continued to unwind the historic commitment element of the central block funding at rate of 20% from the previous year’s base line.

Financial Year	2019/20	2020/21	2021/22
Funding remaining	£905,000	£724,000	£579,000
% unwound*		20%	20%
Funding loss*		£181,000	£145,000
Cumulative loss		£181,000	£326,000

% and amount unwound* from the previous year.

9.2 As referenced, in the October 2020 DSG EB paper, it quickly remains minded, in 2020/21 due to the lateness of the first funding reduction announcement the EB helpfully agreed for 2020/21 a top slice from the Schools to Central block to cover the first £181,000 funding loss, but on the conditional basis a local authority long term plan was developed to meet this continued funding loss.

9.3 In October 2020, the Education Board was presented with three possible options for 2021/22 which could have required a part or full mitigation requirement. Options 1 and/or 3 requiring Education Board consultation and approval (all key points of each option highlighted below):

9.4 **Option 1 – transfer 2021/22 funding from the Schools Block to part cover or cover this loss in full.** Which was not advised or recommended on the following basis:

9.4.1 That the Education Board helpfully approved the top slice to the schools block to cover this loss in 2020/21 (given the late announcement) but only on the conditional basis a long term plan was developed to manage the continued funding losses from 2021/22 onwards.

9.4.2 That any further school block top slices are simply not a long term sustainable funding option and do divert resources away directly from mainstream schools who themselves are facing additional funding pressures.

9.4.3 That the government have confirmed their commitment to continue with the implementation of a hard NFF which could and will likely remove the ability to top slice school block funds regardless in future years.

9.4.4 That the Central Block Historic commitments for combined budgets were originally formed by top slicing mainstream school funds previous to 2013/2014, so in theory should not to be top sliced again, a DFE view point as well.

9.5 **Option 2 – Do nothing (i.e no funding transfer from another block):**

9.5.1 As the local authority is the lead commissioner of those services, it is the local authority that will need to decide the priority of those services moving forward. Ofcourse, the local authority has the option to cover or part cover the central block funding losses (from other resources), but given both the local and national context of funding pressures within local authorities, these services are therefore unfortunately placed at risk and will need to be considered alongside other wider services in terms of priority to continue to support. The Local Authority has already started to plan for this eventually and this will need to be concluded for 2021/22 by the end of November.

9.6 **Option 3 – Seek a funding transfer from the 2021/22 High Needs block to either cover or part cover this loss:**

9.6.1 However, again this could not be a long term sustainable option as the spend attributable to high needs will always be a subject to volatility and risk. These services have also never been funded by a transfer from High Needs. It would therefore only be possible that this could be considered on a year by year basis, given the context of the overall affordability to the high needs block alongside the schools and providers that funding supports, plus in recognition the required £326,000 funding loss cover in 2021/22 will also be a larger sum in 2022/23. The local authority will therefore continue to need to plan the long term mitigation of these funding losses from the Central Block.

9.7 The 3 options were discussed at the Education Board in October 2020, it was also rightly pointed out that the Education Board have adopted the boarder NFF principles of each block of DSG being affordable within its own funding allocation, a position that the DSG budget management position has moved to over the last few years – which has also been to the benefit of sustainability within each block. It was also rightly raised that the High Needs block was only now in this financial position because of the dedicated and effective work of the Local Authority, Education Board and Schools involved, so should therefore not be penalized for this position.

9.8 Whilst not easy, and in view of boarder funding considerations and recognition of long term sustainability of funds associated within block of the DSG, the Local Authority (As the lead commissioner of the Central Block historic commitment services) has now planned the unwinding of the Central Block funds for a further 3 years 2021/22, 2022/23 and 2023/24. And this is on the assumption the DfE continue to unwind this funding at a rate of 20% for each of those years from the previous years baseline. The full details of that plan are within the Part 2 – Appendix 4 Central block historic commitments funding plan 2021/22 to 2023/24 and this plan therefore supports **option 2**. In pure financial terms, the plan itself, does enable the isolated DSG Central block reserve to increase in 2021/22, which therefore allows the revised 2021/22 DSG contributions levels to stay at the same rate for the next 3 years, i.e. by drawing remaining funds down from the Central block reserve.

9.9 Whilst, this plan does present a position for next 3 years, which is a sensible and balanced position. It does mean further reduced funding plans from

2024/25 do need to continue to be planned. However, it is not advised these are brought to the Education Board in detail until during 2022/23 or even 2023/24, as this allows further time for wider Local Authority funding considerations in view of any further Government funding announcements.

9.10 The Education board are therefore asked to approve the allocation of the Central Block 2021/22 funds as follows:

	2021/22 Amount
From Central Services Block	
Combined Budgets (historic commitments)	£579,129
CLA/MPA Licences	£138,779
Schools Admissions	£275,617
Servicing of Schools Forum	£18,700
ESG Retained Duties*	£441,536
	£1,453,762

ESG Retained Duties * - ongoing funding (former Education Service Grant) to support LA Statutory duties - Child and Educational Leadership, Planning and Budget planning, monitoring, Education Welfare and Asset Management

10 DSG Funding

2020/21 Budget to Forecast Outturn – £151,000 additional income, relating to the previously explained Early years DSG funding adjustment for 2020/21

2021/22 Budget Planning

10.1 The current indicative DSG funding allocation for 2021/22, is shown as £170.629M. However, we continue to note that the total school block funding allocation will also be updated once the October 2020 census has been processed by the DfE, with the results released late December 2020, and therefore will be displayed in the next January 2021 DSG EB paper.

11 Latest forecast DSG reserve balances

11.1 The table below updates the current expected DSG reserve balances by year end.

Block	Schools – ISB	Schools - growth	Schools – de-delegated	Early Years	High Needs	Central	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reserves surplus / (deficit)							
1 April 2020 B'fwd	0	(18)	8	776	410	73	1,248
Issued to 2021 budget	0	0	0	(112)	0	0	(112)
19/20 Early years funding adj	0	0	0	151	0	0	151
2020/21 forecast Variance	0	224	2	(310)	1,783	0	1,750
Transferred in year	0	0	0	0	0	0	0
31 March 2021	0	206	10	506	2,193	73	2,988

12 Conclusion

- 12.1 Overall, it has to continue to be recognised that the 2021/22 funding announcements for both the Schools and High Needs block, are both a positive and welcome message for Dedicated School Grants funds and therefore the children and educational services provision those funds support.
- 12.2 And both the positive in year forecast and DSG reserve balance position does also continue to highlight current and effective management of DSG funds over recent years through both the Local Authority and Education Board. This continues to therefore further support long term and sustainable funding, of course a very welcome and positive position for Southend, Southend Schools, pupils and our educational community.

13 Appendices

Appendix 1 - DSG Budget 2020/21 and 2021/22 and Outturn 2020/21

Appendix 2 - DSG Illustrative Individual School Budget per pupil led rate funding rate 2021/22

Appendix 3 - Early years funding rates 2020/21

Part 2:

Appendix 4 - Central Block historic commitments funding plan 2021/22 to 2023/24