

Meeting date: 22 February 2021
Report to: Cabinet Portfolio Holder for Children,
Education & Skills



Subject/report title: Dedicated Schools Grant and School Budgets 2021-22
Report from: Director of Children's Services and Skills
Report author/lead contact officer: Steve Fenton Head of Access and Development

Wards affected: All Wards

Public/private report: Public

1. Purpose of Report

- 1.1 To consider the implications of the final settlement for dedicated schools grant received by the Local Authority for 2021-22.
- 1.2 To be informed of decisions taken by Solihull School Forum in respect to central services and top-slice of maintained school budgets for 2021-22
- 1.3 To approve school budgets as detailed in section 4 and 5, and early years funding as described in section 6.

2. Decision(s) recommended

- 2.1 Cabinet Member is asked to:
 - (a) Approve school budgets as detailed in paragraph 4.4 to 4.7
 - (b) Approve an increase of 3% in top-up rates payable to special schools (paragraph 5.3), and note the requirement to provide funding for teacher pay and pension grants in addition to this.
 - (c) Approve Early Years hourly rates as shown in paragraph 6.22.
 - (d) Note the Forum approved decisions in relation to central services as described in section 7.

3. Matters for Consideration

- 3.1 The government announced details of Solihull's final dedicated schools grant

allocations on 19th December 2019, as shown in the table below:

DSG Grant Final Settlement 2020-21	2020-21	2021-22	Difference	% change
Schools Block	164,127,179	179,352,437	15,225,258	9.3%
Central Services Schools Block	2,282,678	2,514,069	231,391	10.1%
High Needs Block (before deductions)	30,416,885	33,488,420	3,071,535	10.1%
EY Bloc, 3&4 and Admin	15,030,824	15,900,090	869,266	5.8%
Teacher Pay and Pension Grants	7,656,709	0	-7,656,709	-100%
	219,514,275	231,255,016	11,740,741	5.3%

- 3.1.1 The change in the grant level reflects a combination of volume changes (changes in the numbers of pupils) and cash increases to unit rates.
- 3.1.2 The Schools Block represents changes to the National Funding Formula and unit values as announced by the government last August. The underlying inflation increase is around 3%, but individual NFF rates (e.g. the funding per pupil) have increased by up to 9% - reflecting the incorporation of teacher pay grant into the NFF. The application to Solihull schools is described in section 4 below.
- 3.2 **Central Services Block** – this has a 3.5% unit value increase, together with a supplement for teacher pay grants relating to centrally employed teachers. The balance of the grant increase relates to increases in pupil numbers.
- 3.2.1 The reduction in central grant for “historic commitments” has continued, a £42,600 reduction. However it is pleasing to report that the DfE are protecting the £1.1m grant for prudential borrowing (the loan used to fund the North primary school rebuilding/refurbishment programme). However this now means there is a zero budget for any local initiatives.
- 3.3 **High Needs Block** – the £2.8m increase for 2020-21 continues with a further £3.0m increase for 2021-22; however this does include provision of £717,000 for teacher pension and pay grants in special and alternative provision schools.
- 3.4 **Early Years Block** – the government have made no supplement for teacher pension and pay costs; the unit value increase is just 1.35% for 3/ 4 year olds and 1.5% for 2 year old grant. The increase in grant is largely to do increased numbers of pupils in 3/ 4 year old settings and increases in the 30 hours offer.
4. **Schools Budgets**
- 4.1 From the Schools Block grant allocation, Solihull operates a local formula that emulates the national funding formula. As agreed with School Forum, Solihull aims to replicate the NFF as fully as possible, in terms of the methodology, the formula factors used, and the values of each unit used in the formula. In practice Solihull has implemented the NFF in full except that the AWPU (Age Weighted Pupil Unit factor is adjusted to precisely balance the overall schools block.

4.2 A comparison of school block grant to last year is shown below:

DSG 2021-22 Allocation - Schools Budgets	DSG Schools Block 2020-21	DSG Schools Block 2021-22	Change in DSG Schools Block	Actual in Solihull Formula - Scaled back to DSG	Difference to DSG Allocation
	£	£	£	£	£
Final 2021-22 NFF funding through the NFF pupil-led and NFF school-led factors, with transitional protections applied at individual school level	160,506,835	175,818,361	15,311,526	175,535,477	-282,884
DSG - premises (PFI/Rates/Split Site factors)	2,891,819	2,888,533	-3,286	2,798,610	-89,923
DSG - Growth funding	728,525	645,543	-82,982	1,018,350	372,807
Teacher Pay and Pension Grants	7,656,709	0	-7,656,709		
Total Schools Budget	171,783,888	179,352,437	7,568,549	179,352,437	0

% Change

4.4%

4.3 The application of the school block grant to school budgets is shown below:

	£
Full NFF Modelling with Growth	180,146,339
Total DSG Schools Block available	179,352,437
Reduction to AWPU required	793,902

1.24%

4.4 This shows that to achieve full NFF emulation with local actual levels of premises costs and levels of growth would require a further £794,000 of schools block grant. In order to balance the schools block the AWPU has been reduced by 1.24%. (£38.85pp primary, £57.57pp secondary).

4.5 Adjusting the AWPU is the same approach taken as last year to match school allocations with grant, but the 2020-21 shortfall was £208,000. The main differences are that growth is higher in Solihull than the grant received by £373,000 and a combination of MFG and minimum per pupil funding appears greater than in the national model. So other than having to adjust the AWPU, to balance to the total grant available, Solihull fully replicates the NFF.

4.6 For 2021-22, as for 2020-21, each of the governments key objectives has been implemented: removal of capping and scaling applied to schools that benefit from formula changes, implementation of the minimum values per pupil of £4,180 primary, £5,415 secondary, a MFG (minimum funding guarantee) of 2.00%, all factors increased in line with government changes to the NFF (broadly a 3% increase).

4.7 The ESFA have confirmed the Solihull schools block allocation to schools meets all statutory and validation requirements.

4.8 Appendix 1 gives the total NFF budget for each school on a 1 April financial year basis.

5. Special School Budgets

- 5.1 The NFF does not apply to special schools or alternative provision providers as they are funded from the high needs block. The HNB has increased significantly by 10.1%, and as the Cabinet Member is aware this reflects the government recognising the tremendous financial pressures that the HNB is facing.
- 5.2 Last year the budget recognised the pressures on specialist school budgets were similar to mainstream schools and a 4.00% increase to top-up funding was approved.
- 5.3 For 2021-22 approval is sought to increase specialist school budgets in a similar way to mainstream schools- this would imply a 3.0% general increase with a further increase (not yet determined) to represent teacher pay and pension grants that are no longer available in 2021-22. The change in specialist school budgets to reflect funding of teacher pay grants is a requirement upon the local authority.
- 5.4 The cost to the High Needs Block of a 3.0% top-up increase would be £180,000; whilst the additional funding in the HNB earmarked for teacher pay and pension grants is £717,000. This will leave a balance of £2.2m to allocate against other cost pressures within the HNB, e.g. the purchase and creation of additional in-borough places, and to the ongoing revenue budget shortfall.

6. Early Years

- 6.1 The grant settlement breaks down as follows:

Early Years Block Grant	2020-21	2021-22	Difference
EY Bloc, 3&4 and Admin	9,070,869	9,480,010	409,141
EY 30 hours	3,894,345	4,381,405	487,060
EY 2 YO	1,856,405	1,794,813	-61,592
EY Pupil Premium	148,320	171,907	23,587
EY Disability Access Fund	60,885	71,955	11,070
Total	15,030,824	15,900,090	869,266
% Change			5.8%

- 6.2 Solihull receives a grant per pupil, per hour as follows:

- 6.2.1 For 2 Year olds grant of £5.40 per hour, increase of 8p (1.5%) from 2020-21. For 3 and 4 year olds a grant of £4.50 per hour; an increase of 6p from 2020-21.

6.2.2 It is recommended that the 8p / 6p increase is passed directly to settings, with commensurate changes to inclusion funding, as follows:

Early Years Unit Rates	2020-21 funding rate	2021-22 funding rate	% Change
National Rates - Received by Solihull			
2 YO Rate	£5.32	£5.40	1.50%
3/4 YO Rate	£4.44	£4.50	1.35%
Pupil Premium Rate	£0.53	£0.53	0.00%
Disability Access Fund	£615.00	£615.00	0.00%

Solihull Rates paid to Providers			
2 YO Rate	£5.32	£5.40	1.50%
3/4 YO Hourly Rate	£3.98	£4.04	1.51%
Deprivation Factor Combined	£1.16	£1.18	1.72%
Deprivation Factor - EY Formula	£0.63	£0.65	3.17%
Pupil Premium Rate	£0.53	£0.53	0.00%
Disability Access Fund	£615.00	£615.00	0.00%
Inclusion Fund 1 (for 3-4 year olds)	£1.15	£1.17	1.74%
Inclusion Fund 2 (for 2 year olds)	£5.32	£5.40	1.50%
Inclusion Fund 2 (for 3-4 year olds)	£3.98	£4.04	1.51%

6.2.3 Note that the difference in the 3/ 4 year old hourly rate received in grant and the £4.04 proposed to pay to providers is in respect of funding other than a pure hourly rate; funding for deprivation, inclusion fund, central early years services and a contingency fund.

7. Forum decisions on central Services

7.1 At their meeting on 08 December 2020 Solihull School Forum approved the following:

- (a) That the growth fund be retained at £350,000 and that the growth fund criteria is approved; unchanged from 2020-21.
- (b) That the Central Services Block equal to the amount of DSG grant received (£1,399,069 is approved as set out in the report.
- (c) That the Central Service Block – historical commitments be approved at the expected grant level of £1,115, 000, in respect of prudential borrowing commitment only.
- (d) That central spend of £246,000 Early Years Advisory Team, £249,760 FIS team, and £280,810 EY Services recharge be approved for 2021-22, which is below the statutory limit of 5% of early years funding. However should the early years grant increase in value for inflation, and subject to the 5% limit permit, approval is given for inflation increase of 2.7% for the Advisory Team and FIS team elements.
- (e) That the early years inclusion fund remains at £250,000.
- (f) That the early years contingency fund remains at £130,000.

- (g) A primary school contingency de-delegation of £6.40 per pupil (£100,147) continues as for 2020-21.
- (h) A de-delegation for Trade Union Duties of £5.50 per pupil for 2021-22, a reduction from the £6.00 agreed for 2020-21, the reduction consistent with the long-term aim of Forum.
- (i) In respect of retained statutory duties for mainstream schools Forum agreed to continue to fund at £66.00 per pupil.

7.2 This provides sufficient funding for support services for schools to continue at a similar level to 2020-21.

8. Implications and Considerations

8.1 State how the proposals in this report contribute to the priorities in the [Council Plan](#):

8.2 These proposals do not relate to the Council Plan, they relate to statutory functions of the Council in respect of the determination of school budgets. .

8.3 Consultation and Scrutiny:

8.3.1 Solihull School Forum were consulted, and approved, the budget principles of NFF emulation described in paragraph 4.6 and 4.7, agreed the pass-porting of any early years uplift to the hourly rate paid to providers, and support the treatment of special schools as being commensurate with mainstream schools.

8.4 Financial implications:

8.4.1 As outlined in this report. Each DSG Block is treated as “ring-fenced” and there are no proposals to move funds between blocks.

8.5 Legal implications:

8.5.1 In compiling school budgets and funding related to the other DSG Blocks, all school funding regulations, DSG conditions of grant have been complied with. School budgets have been submitted to the ESFA for validation checks, and on 09 February 2021 confirmed the budget met all their compliance checks.

8.6 Risk implications:

8.6.1 No separate risk assessment has been undertaken; these proposals pass all available grant to education settings in line with statutory requirements. Financial risks remain within the High Needs Block and these are being dealt with under the high needs block recovery plan.

8.7 Equality implications:

No separate equality impact assessment has been carried out. The policy is to emulate the national funding formula as closely as possible. Reliance is made on any EIA undertaken by the government.

9. List of appendices referred to

9.1 Appendix 1 – Individual school budgets 2021-22

10. Background papers used to compile this report

10.1 DfE / ESFA notifications of DSG December 2020, together with Schools and High Needs Block operational guides and technical notes.

11. List of other relevant documents

11.1 n/a