

**2021-22 BUDGET PREPARATIONS FOR THE  
SCHOOLS BLOCK BUDGET AND OTHER FINANCE MATTERS**  
**Executive Director: People**

**1 PURPOSE OF REPORT**

- 1.1 To provide an update to the Schools Forum in respect of information currently available in respect of the 2021-22 Schools Budget for mainstream schools together with other relevant finance related matters.
- 1.2 Whilst the Department for Education (DfE) has yet to provide the final data that must be used to calculate individual school budgets, information is emerging that allows for updates to be provided on some key matters which will aid the finalisation of the budget which must be presented to the DfE by the statutory deadline of 21 January 2021.

**2 EXECUTIVE SUMMARY**

- 2.1 The release of preliminary 2020-21 budget information by the DfE has allowed for schools to be provided with an initial update on the potential financial implications and for early budget preparations to commence. In accordance with the agreed local funding strategy, these calculations have as far as possible replicated the DfE's National Funding Formula (NFF)<sup>1</sup> at an individual Bracknell Forest (BF) school level.
- 2.2 With the coronavirus pandemic, there has inevitably been some delay to the timeframe, including gathering views from schools through the annual financial consultation with schools which is currently underway, rather than the usual summer term circulation.
- 2.3 As expected, the previously announced 3-year high-level financial settlement continues to deliver a better outcome for schools than was received in the recent past, although at this stage the average increase in per pupil funding is estimated at 4.2% for primary schools and 3.1% for secondaries – 3.7% overall average - compared to the average 6.9% in 2020-21. After making initial calculations for local cost pressures – the most significant of which relates to diseconomy funding for new schools - and adjustments that inevitably arise from a funding system that uses lagged data, there is a funding gap on school budgets of £0.429m (meaning 99.5% of NFF funding rates can be afforded) and £0.080m on centrally managed budgets. The 2020-21 budget for BF schools was agreed with a funding shortfall of £0.144m and units of resource at 99.8% of NFF rates.
- 2.4 The options available to manage the indicated budget shortfall, with a decision needing to be made no later than December are:
1. Draw down funds from the Reserve created by the council to help finance the additional costs of new and expanding schools
  2. Draw down funds from the Reserve created in the unallocated Schools Budget to support the additional costs of new and expanding schools
  3. Fund schools at a scaled percentage of the NFF rather than the full amount.

A combination of these options can also be used.

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<sup>1</sup> The NFF distributes funding based on schools' and pupils' needs and characteristics and uses the same factor values for all schools across the country. The exception to this being an area cost adjustment (ACA) uplift which is paid to areas with high costs. BF receives a 5.7% uplift.

- 2.5 These are relatively high-level calculations which will be subject to change as more information becomes available. However, they do present a sound starting point for budget planning and early decision making where appropriate.
- 2.6 There are 3 further scheduled meetings of the Forum before the DfE deadline that will consider budget proposals from the council as more information and data emerges.
- 2.7 For the High needs Block, more information is presented on a separate paper on this agenda. For the Early Years Block, 2021-22 budget setting information has yet to emerge from the DfE.
- 2.8 Furthermore, the DfE are requiring more information to be provided by maintained schools in terms of their medium-term financial planning. From April 2021, 3-year budget plans will need to be submitted by all schools, with those holding deficits in excess of 5% of budget required to submit a recovery plan. Practical requirements of schools on these new conditions are being considered.
- 2.9 Concerns remain relating to financial support provided to schools from the government from the coronavirus pandemic and information will continue to be requested from schools to collate robust information on the implications to help inform actions.

### **3 RECOMMENDATIONS**

#### **To AGREE:**

- 3.1 **That subject to consideration of school responses to the annual financial consultation and general affordability, the approach to setting the 2021-22 budget should be as set out in this report, and in particular:**
1. **That there should be no change to the current budget strategy of:**
    - a. **replicating the NFF at individual BF school level;**
    - b. **setting minimum per pupil increases between financial years at the highest amount permitted by the DfE;**
    - c. **meeting the diseconomy costs at new and expanding schools in a measured way from a combination of council reserves, Schools Budget reserves, and funding allocated for the relevant year from the DfE.**
  2. **That a centrally managed Growth Fund should be maintained for in-year allocation to qualifying schools (Table 2).**
  3. **On-going central retention by the Council of the existing Central School Services Block items (Annex 1).**

#### **To NOTE:**

- 3.2 **The latest update on the School and Education Spending review and the impact anticipated for BF at this time.**
- 3.3 **The areas where schools are being asked to comment on through the annual financial consultation, to inform later decision making.**
- 3.4 **The 3.7% average increase in per pupil funding that would be received by BF schools if the NFF is 100% implemented compared to the national average of 3.1%.**

### **3.5 The new financial requirements of schools**

### **3.6 The current estimated funding gaps at Table 3 of:**

- 1. £0.429m on school budgets, meaning 99.5% of NNF rates can be financed, and**
- 2. £0.080m for the CSSB where options are being considered by the council.**

### **3.7 That an update on the estimated financial impact from the coronavirus pandemic will be presented to the Forum when sufficient new information is available.**

## **4 REASONS FOR RECOMMENDATIONS**

- 4.1 To ensure that the Schools Block (SB) and Central Schools Services Block (CSSB) elements of the Schools Budget are developed in accordance with the views of the Schools Forum and governors, the anticipated level of resources and the statutory funding framework, including the requirement to submit summary details of individual school budgets to the DfE by 21 January 2021.

## **5 ALTERNATIVE OPTIONS CONSIDERED**

- 5.1 These are set out in the supporting information.

## **6 SUPPORTING INFORMATION**

### Overview

- 6.1 This report concentrates on the SB and CSSB elements of the Schools Budget which are intended to fund delegated school budgets and the small number of services that the DfE allows LAs to manage centrally on behalf of schools, where agreed by the local Schools Forum.
- 6.2 The introduction of the current funding framework, including the structure of the Schools Budget commenced in April 2018 and elements of transitional funding protection remain in place to reduce the impact of financial turbulence from the policy change on both schools and LAs.
- 6.3 The DfE has yet to release any financial information in respect of the Early Years Block, and with the expectation that BFC will not be proposing any changes to existing local, discretionary arrangements, there is no update to present at this time.
- 6.4 For the High Needs Block, this is dealt with under a separate agenda item.

### Provisional budget position for 2021-22

#### *DfE announcements*

- 6.5 This section on *DfE announcements* sets out information that has in general already been provided to schools to help them with their initial preparations for next financial year. The section on the CSSB is the only new addition.

## Schools Budget:

### Overview

1. There will be no significant changes to the way school and education related funding is allocated next year with:
  - a. The DfE using the same separate formulae to allocate funding to LAs for Schools, Central School Support Services, High Needs pupils and Early Years provisions.
  - b. The DfE will continue to use the NFF to calculate each school's individual budget with no changes in the factors used. The NFF distributes funding based on schools' and pupils' needs and characteristics and uses the same factor values for all schools across the country. The exception to this being an area cost adjustment uplift which is paid to areas with high costs, such as those paying London Weighting to staff salaries. BF receives a 5.7% uplift.
  - c. LAs will continue to receive funding based on the DfE running each school's data (mainly October 2019 census, so lagged) through the NFF at 2021-22 factor values and aggregating together every school's allocation to determine the amount to be paid to that area. This is then converted to an average primary and secondary per pupil funding value which with final October 2020 pupil numbers will be used to calculate each LAs 2021-22 funding for their schools.
  - d. The DfE place a ring-fence on funding provided to LAs for schools and education. This means it can only be used for the purposes defined by the DfE and cannot be diverted to fund other costs.
  - e. LAs will continue to be responsible for allocating funding to schools in their areas although the government are working towards directly managing the whole process in the very near future with limited LA involvement. Proposals on this are expected later this year.
  - f. Whilst LAs have responsibilities to set funding allocations for their schools, they must work within parameters set by the DfE which very closely follow the NFF and other national priorities.
  - g. In allocating funds to schools, LAs must use pupil and other relevant data provided by the DfE which is generally made available at the end of the autumn term.
2. There are only a small number of changes to the national process to allocate funds.
  - a. Funding from the teachers' pay grant and the teachers' pension employer contribution grant, including the supplementary fund, has been added to schools' NFF allocations from 2021-22. This replaces the specific grant funding approach which will discontinue at 31 March 2021.
  - b. The 2019 update to the Income Deprivation Affecting Children Index (IDACI)<sup>2</sup> has been incorporated so that deprivation funding allocated through the formulae is based on the latest data.

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<sup>2</sup> IDACI uses post code data to calculate the probability of a family with children living in that area being eligible to income support benefits. The higher the probability, the higher the funding top-up, within bandings determined by the DfE.

- c. Following the cancellation of assessments in summer 2020 due to the coronavirus pandemic, funding allocations to schools for low prior attainment will use 2019 assessment data as a proxy for the 2020 reception (primary schools) and year 6 cohort (secondary schools).

National funding decisions for 2021-22

**Note: all amounts quoted for BFC in this section are provisional and subject to update as budget calculations progress and the final data is released by the DfE.**

3. 2021-22 is the second year of a three-year funding settlement that will see core school funding increase by £2.6bn in 2020-21 compared to 2019-20, and by a further £2.2bn and £2.37bn in 2021-22 and 2022-23 respectively. In addition to this, there is around a further £2bn to fund additional teachers' pay and pension costs previously separately funded by grant.
4. School funding through the NFF is increasing by 3.8% in cash terms which is equivalent to 3.1% per pupil. The main features are:
  - a. The key factors in the NFF will increase by 3%. The exceptions being funding for pupil eligibility to a FSM which will increase by 2.2% to reflect the expect cost increase in providing a free meal, and the factor values of some of the IDACI bands by more than 3.0% to ensure that the average funding per eligible pupil allocated through IDACI increases by 3.0%, to reflect the lower IDACI scores being recorded on the updated census.
  - b. The minimum per pupil funding levels (MPPFL)<sup>3</sup> will ensure that every primary school receives at least £4,000 per pupil (£3,750 in 2020-21), and every secondary school at least £5,150 per pupil (£5,000 in 2020-21).
  - c. Provisional data indicates that 14 BF primary and 2 BF secondary schools will be funded at these MPPFLs.
  - d. Where the normal operation of the NFF does not allocated at least 2% more pupil-led funding per pupil compared to its 2020-21 NFF baseline, top-up funding is added to meet this rate of increase. Provisional data indicates that 5 primary and 1 secondary school receive this funding top-up.
  - e. Additionally, on average, primary schools will receive a further £180 and secondary £265 per pupil respectively to cover additional teachers' pay and pension costs previously funded through the separate grants. These amounts increase the MPPFL to £4,180 and £5,415 respectively.
  - f. Additional funding is to be provided for small and remote schools in 2021-22, with primary schools now attracting up to £45,000, compared to £26,000 previously. This is a first step towards expanding the support the NFF provides for such schools from 2022-23. No BF schools qualify on the eligibility criteria which requires primary schools to have less than an average of 21.4 pupils per year group and be at least 2 miles away as the crow flies from the second nearest compatible school. For secondary schools the thresholds are an average of 120 pupils per year group and be at least 3 miles away as the crow flies from the second nearest compatible school.

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<sup>3</sup> The NFF includes MPPFLs that are applied equally to all primary and secondary schools (£4,180 and £5,415 respectively in 2021-22). LAs must also apply these minimum rates in their local funding formula. The only factors not included in per-pupil funding for the purpose of the MPPL calculation are premises e.g. business rates, split site factor and growth funding.

5. Using this initial data indicates that average per pupil funding for BF primary schools will increase by 4.2% to £4,069 and secondary schools by 3.1% to £5,404. To enable a proper like-for-like comparison, these rates are quoted before adding the £180 and £265 for the teachers' pay and pensions' grant additions (£190 and £280 respectively for BFC after reflecting the 5.7% area cost uplift). These increases are intended to ensure that BFC can closely replicate the allocations in the NFF and pay their schools at the same values as calculated by the DfE although this may not be the case where there are local factors to consider that are not reflected adequately in the NFF.

CSSB:

6. The ongoing responsibilities element of the CSSB, which funds all LAs for central functions they have to deliver for all pupils in maintained schools and academies, is paid to LAs as an amount per pupil. There is a protection to ensure no LA sees losses of greater than 2.5% per pupil, compared to 2020-21. BF received this funding protection as it has historically spent above the per pupil funding limits now set by the DfE in their funding formula.
7. The historic commitments element of the CSSB, which funds some LAs for commitments they made prior to 2013-14 that support the most vulnerable pupils is being reduced by 20% per annum from LAs funding, commencing in 2020-21. This equates to around £0.081m per annum in BF and £0.406m over the 5-year period.
8. The Forum agreed to fund the £0.146m funding shortfall in place at 2020-21 from both these deductions.

*Financial consultation with schools*

- 6.6 The annual financial consultation with schools ordinarily takes place in the summer term in order for the Forum to consider the outcomes early in the autumn as budget planning commences. With the coronavirus pandemic, this was deferred and is now underway with responses requested by 23 October.
- 6.7 There are 5 questions on the consultation, all of which are regularly asked of schools as follows:
  1. Should funds continue to be allocated to mainstream schools as closely as possible to the way the DfE allocates funds to the council?
  2. Should we aim to set the minimum per pupil funding increase from 2020-21 at the highest permitted rate of 2% for all school types i.e. mainstream and special?
  3. Should schools receiving the highest increases in per pupil funding finance the cost of ensuring all schools receive a minimum increase in per pupil funding from 2020-21?
  4. Should funds from maintained mainstream schools continue to be "de-delegated" back to the council on permitted budgets where there are strategic, risk sharing or cost-effective benefits to gain?
  5. Should maintained schools continue to make a financial contribution to the education related statutory and regulatory duties required of the council that are no longer financed through a grant from the DfE?

Views from schools on the same questions are necessary as the Schools Forum is required to decide each year on some budget matters and therefore needs to be confident that these are taken in the light of current opinions. Responses to the consultation are expected to be reported to the Forum at the next meeting on 19 November.

### Initial budget planning

- 6.8 It is important that budget planning now commences, and whilst there is not the level of certainty in some areas as usual for this meeting, work has been undertaken to model the potential impact on the BF Schools Budget to enable the Forum to consider whether the right approach is being taken and to consider some early conclusions.

### Estimated Schools Block Dedicated Schools Grant (DSG)<sup>4</sup>, income to be paid to BFC

- 6.9 The Forum will be aware that to determine an LAs SB DSG funding, the DfE applies the same uniform NFF factors and values to every school in the country, using lagged pupil number and other data e.g. FSM, test results. The resultant individual primary school budgets for an LA are then aggregated together and divided by total primary pupil numbers to determine an LAs standard primary per pupil funding rate – called the Primary Unit of Funding (PUF). The same calculation is also made for secondary schools to determine the Secondary Unit of Funding (SUF). Each LA is then funded at these per pupil funding rates on the most recent October census data.
- 6.10 For next year, the DfE will calculate the PUFs and SUFs against the confirmed 2021-22 NFF units of resource and the 2019 census data, so on a partially lagged basis. This approach is taken to provide schools and LAs key budget data at an early stage of the budget setting process as the most up to date October 2020 census data is not validated and provided to LAs until December 2020. Waiting for actual data would mean a release date of around a month before budgets must be finalised and approved through the local democratic process.
- 6.11 The DfE has now confirmed the PUFs and SUFs that will be used to calculate 2021-22 DSG allocations and these will be £4,253.32 for the BF PUF and £5,681.78 for the BF SUF and reflect the addition of the funding previously paid separately through the Teachers' Pay and Pension Grants which will in future be included within main school budgets. Adjusting for the effect of the additional Teachers' Grants, this equates to a 3.4% increase in the per pupil funding rate for primary aged pupils and 3.2% for secondary and an average 3.3% increase in per pupil funding on a like for like basis. Including the extra funding for Teachers' Pay and Pension Grants shows a cash increase in per pupil funding of 8.4%
- 6.12 Based on there being no change in the 16,280 pupils recorded on the actual October 2019 school census data, this would deliver £78.381m of SB DSG income, a cash increase of £6.044m.
- 6.13 The DfE has also confirmed the separate funding allocations to LAs for non-pupil-based school expenses. This is mainly intended to finance the cost of business rates and other specific costs agreed with individual LAs. Funding for these costs will be £1.870m and is allocated based on 2020-21 actual spend and for BFC comprises:
1. £1.626m for business rates
  2. £0.075m for split site costs (Warfield Primary)
  3. £0.169m for additional lump sum payments, generally for 1 year only, to schools that amalgamated in 2019 (at Ascot Heath and Holly Spring)

As with all funding that is received on a lagged basis, there will be differences in the amounts received by BFC and what is then provided to individual schools as this must use the most up to date data.

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<sup>4</sup> The DSG is the ring-fenced grant allocated by the DfE through a formula to LAs to fund most of their expenditure on school and education related services.

- 6.14 In terms of the Growth Fund<sup>5</sup>, the DfE will continue to use the existing formula which measures pupil growth between the two most recent October census points across small geographical areas to allocate funding where there is a net increase in numbers, with no net-off against areas that experience a reduction.
- 6.15 The greatest cost pressure to BF in the Growth Fund relates to diseconomy funding payments to new schools.
- 6.16 The DfE has recently released limited data to assist LAs in calculating potential Growth Fund DSG income, which for BF, using provisional October 2020 pupil numbers, suggests around £0.900m of DSG for this purpose.
- 6.17 Therefore, at this stage, the overall income for the SB is estimated at £81.152m, an overall increase from last year of £6.156m. Table 1 below sets out a summary of the change in funding from each element of the SB DSG.

Table 1: Forecast SB DSG for 2021-22

	<b>Total £'000</b>	<b>Total £'000</b>
<b>Total DSG for 2020-21</b>		<b>74,996</b>
<u>Forecast changes for 2021-22:</u>		
Effect of 3.3% increase in DSG funding rates	2,372	
Effect of Teachers' Pay and Pensions Grant	3,672	
Change in business rates funding	<b>-53</b>	
Change in school amalgamation funding	57	
Change in Growth Fund	108	
Total forecast change		6,156
<b>Total forecast DSG for 2021-22</b>		<b>81,152</b>

Update on budgets for schools and council managed Schools Block items

- 6.18 The SB base budget approved at the January 2020 meeting of the Schools Forum amounted to £75.103m, of which £74.850m was funded by SB DSG income and £0.253m was added from the council as part of a 4-year funding plan to contribute £1m to the extra costs arising from new schools. The 2020-21 budget process agreed to transfer £0.146m to the CSSB budget to meet the cost pressures and funding reductions being experienced on services that support the most vulnerable pupils (see Annex 1).
- 6.19 The final 2020-21 budget delegated to schools equated to 99.8% of the NFF values. This is £0.144m below the full amount and reflected the agreed, affordable level to draw down from reserves of £0.253m in order to part fund the additional expenditure arising from local cost pressures.

<sup>5</sup> The Growth Fund comprises 3 elements: funding for significant in-year increases in pupil numbers at existing schools; allocations to schools requiring additional financial support to meet Key Stage 1 Infant Class Size Regulations; and pre-opening, diseconomy and post opening costs for new schools.

Provisional update for 2021-22

**Change in pupil numbers**

- 6.20 The current budget planning assumption is that any change in pupil numbers from the October 2020 census that will drive 2021-22 school budgets will have a broadly cost neutral effect when compared to the consequential change in DSG funding, and are therefore excluded at this stage from potential budget adjustments.

**Teachers' Pay and Pensions Grant**

- 6.21 As set out above in paragraph 6.5 2.a, the funding shortfall in school budgets for the September 2018 Teachers' pay award and the 7.2% increase in employers contribution to Teachers' Pension Fund, effective September 2019, which were previously paid as separate grants to schools, will in future be included within main school budget allocations. The DfE have allocated £180 per primary aged pupil and £265 for each secondary school pupil in the NFF through the basic per pupil funding factor (AWPU). With replicating the NFF to the affordable level being the agreed funding strategy in BF, the same approach will be adopted, although after adding the 5.7% ACA uplift, the values here will be £190 and £280 respectively which are considered sufficient to cover estimated costs.

**Update to IDACI (deprivation measure) data**

- 6.22 The 2019 update to the Income Deprivation Affecting Children Index has been incorporated into the data set by the DfE so that deprivation funding allocated through the formulae is based on the most up to date measures. This shows that a reduction in overall deprivation has occurred which equates to £0.043m less funds being allocated to schools.

**Growth Fund - Impact from new / expanding schools and other criteria**

- 6.23 Forum members will be aware that the SB Budget is experiencing a significant medium-term pressure from the additional cost of new schools. The amount of additional support to be provided is set out in the *Start-up and Diseconomy Funding Policy for New and expanding schools* of which the most recent update was approved in December 2019. The agreed policy can be viewed at item 129 of the following link:

<http://democratic.bracknell-forest.gov.uk/ieListDocuments.aspx?CId=187&MId=9035&Ver=4>

- 6.24 No changes are proposed for 2021-22, although in accordance with the policy, some of the factor values will need to be updated to current prices, in particular to reflect the new values of the MPPFLs which are a key element of the funding policy calculations.
- 6.25 In recognising that the financial impact arising from new schools is not being fully funded through the Growth Fund element of the SB DSG, the council's Executive agreed to provide £1m of funding over a 4-year period from the council's reserves as part of a medium-term budget strategy that was agreed by the Forum. This strategy also utilises the £1m held in the earmarked New School Start-up / Diseconomy Reserve of the Schools Budget that was created for this purpose and part of the annual increase in SB DSG.
- 6.26 In the absence of the October 2020 census, only a broad estimate of likely costs arising from new schools can be established. Similarly, the budget provision for Growth Fund responsibilities managed by BFC in existing schools will also be reviewed once the census data is available to assess the amount of funds that are likely to be required.

- 6.27 Table 2 below summarises the estimated financial implications for 2021-22 which indicates a £0.071m (6.3%) cost increase.

Table 2: Proposed financing and associated budget for the Growth Fund (provisional)

	Primary £'000	Secondary £'000	Potential 2021-22 £'000	Budget 2020-21 £'000	Indicated Change £'000
<b><u>New schools:</u></b>					
Diseconomy costs	198.9	910.1	1,109.0	1,038.0	71.0
	198.9	910.1	1,109.0	1,038.0	71.0
<b><u>Retained Growth Fund</u></b>					
Start-up costs	0.0	0.0	0.0	0.0	0.0
Post opening costs	15.0	0.0	15.0	15.0	0.0
In-year pupil growth	150.0	150.0	300.0	300.0	0.0
KS1 classes	50.0	0.0	50.0	50.0	0.0
	215.0	150.0	365.0	365.0	0.0
<b>Total estimated costs</b>	<b>413.9</b>	<b>1,060.1</b>	<b>1,474.0</b>	<b>1,403.0</b>	<b>71.0</b>
<b><u>Costs by school:</u></b>					
KGA - Oakwood	158.5	0.0	158.5	157.8	0.8
KGA - Binfield	55.4	910.1	965.5	895.3	70.2
<b>Total estimated costs</b>	<b>213.9</b>	<b>910.1</b>	<b>1,124.0</b>	<b>1,053.0</b>	<b>71.0</b>

- 6.28 Clearly, the funding plan will need to be kept under review. For the longer-term expectations, September 2023 is the latest point that KGA Binfield Secondary school will be resourced through the new school funding policy. At the point funding moves to the BF Funding Formula and overall costs of the new schools are forecast to reduce by £0.5m from the relevant September, and £0.9m in a full year. Costs are therefore expected to significantly reduce from 2023-24.

#### ***Impact from business rates revaluation***

- 6.29 Forum members are aware that there was a business rates revaluation at April 2017 of which the outcome was a cost increase to most schools. However, the full financial impact is being phased in through a 5-year transitional protection scheme. There is also an annual uplift to charges levied through the business rates scheme, currently estimated at 2.0%. Taking account of the latest available information, including the changing school estate, there is estimated to be a net cost reduction to school rates of £0.021m which will be subject to update.

#### ***Split site schools***

- 6.30 Warfield Primary school operates on 2 sites with a walking distance of 1.167 miles which presents unique issues and after two years' experience of managing the split site school, the school had identified a number of additional costs that needed to be incurred as a result of the site configuration for which there is no additional funding allocation.
- 6.31 The Headteacher has continued to monitor the additional costs being incurred and with no substantial changes to the characteristics of the school considers the current funding allocation remains the valid amount. No change is therefore proposed to the current base budget for this item.

- 6.32 The DfE has agreed to fund this cost, with additional income being received at the £0.075m payment made to the school. As a consequence, there is no financial effect on the Schools Budget from the split sire factor.

### ***School amalgamations***

- 6.33 2 school amalgamations occurred in September 2019 which resulted in additional funding being allocated to the relevant schools in 2020-21 to allow for more time to implement change towards a reduced on-going budget allocation. The School Funding Regulations provide for amalgamated schools to ordinarily receive a 1-year budget uplift. The £0.168m funding allocated through the current budget will therefore be removed in 2021-22 resulting in an equivalent amount of saving.
- 6.34 Governors at Ascot Heath Primary School have raised concerns that cost reductions arising from the 2019 amalgamation are occurring at a slower rate than expected and have requested that enhanced funding continues for a second year. As any additional funding allocation would have to be specifically agreed and provided by the DfE, albeit on a lagged basis, the Forum agreed that a request should be made. Information has been provided by the school and an application has now been made to the DfE. Until a determination is received, the budget preparations assume that the maximum additional £0.050m spend will be approved.
- 6.35 Therefore, the net financial implication currently anticipated on the 2021-22 budget from school amalgamations is a saving of £0.119m.

### ***Meeting DfE per pupil funding requirements***

- 6.36 After LAs have calculated school budgets through their local Funding Formula, there are 2 mandatory checks required by the DfE to ensure that each individual school budget has received the minimum levels permitted relating to:

1. the amount of per pupil funding received for the year i.e. the MPPFL, and
2. the increase in per pupil funding from the previous year i.e. the MFG

#### ***MPPFL***

- 6.37 The DfE has set mandatory MPPFL of £4,180 for primary aged pupils and £5,415 for secondary. These are the minimum per pupil funding rates that an LA must pay their schools unless specifically agreed by the DfE. The provisional calculations made at this stage indicate additional payments of £0.793m, with 14 primary schools receiving £0.737m in aggregate with 2 secondaries receiving £0.056m. This is an increase of £0.484m compared to 2020-21 when 5 primary schools received £0.205m and 2 secondary schools £0.105m.
- 6.38 This reflects the greater proportionate increase in MPPFL at 6.7% for primary and 3% for secondary compared to the ordinary 3% increase in NFF factor values. For areas like BF that are relatively lowly funded, and with the primary MPPFL very close to the amount of DSG received in BF through the specific PUF (£4,253 compared to £4,180), there will be a large number of primary schools receiving funding top-ups to achieve the minimum permitted level.

#### ***MFG***

- 6.39 To limit turbulence between financial years at individual school level, the MFG must be applied to each school's per pupil funding rate. Where the normal operation of the local Funding Formula does not deliver the necessary change, an appropriate top-up is paid. For 2021-22, the DfE requires each LA to set their MFG at between +0.5% and +2.0%.

- 6.40 Reflecting on the additional funding included in the NFF, the council considers that subject to affordability, the maximum +2.0% increase is applied, and this is one of the questions included in the financial consultation with schools. MFG top-up payments are ordinarily financed from capping gains above the MFG at other schools and are therefore self-financing. Schools receiving top-ups to the MPPLF values are excluded from contributing to the cost of the MFG. The potential impact from a +0.2% MFG level has not been estimated at this stage as it is a volatile calculation and is best undertaken once the provisional October 2020 census data is available.
- 6.41 The DfE recognise that there can be circumstances when the normal operation of the MFG can result in unexpected outcomes and LAs can therefore make a request for a “disapplication” of the MFG.
- 6.42 MFG disapplication requests have been approved previously where “the normal operation of the MFG would produce perverse results for very small schools with falling or rising rolls”. Indeed, the DfE approved a request from BFC for 2020-21 for the scenario being faced at Kings Academy Group schools of Binfield and Oakwood where the diseconomy funding model results in a reduction in per pupil funding between years as the significant increase in pupil admissions each year result in a lower per pupil funding allocation as the significance of diseconomy funding top-ups reduce.
- 6.43 The same issue is again faced in 2021-22 requiring an MFG disapplication request to again be made to the DfE.

### **The Central School Services Block**

- 6.44 The central school services block has been created to ensure LAs can continue to carry out their important role in supporting the provision of excellent education for all children of compulsory school age. It covers pre-defined service budgets, with the local Schools Forum holding the statutory decision-making responsibility for agreeing the amount of funds that can be spent on each budget.
- 6.45 It covers two elements which are treated differently within the national funding formula: ongoing responsibilities and historic commitments. On-going responsibilities, where an existing budget has previously been agreed by the BF Schools Forum, and comprises school admissions, servicing of the Schools Forum, places in independent schools for non-SEN pupils, contribution to responsibilities that local authorities hold for all schools and boroughwide initiatives (capped at up to 0.1% of the total Schools Budget).
- 6.46 Historic commitments, which generally support the most vulnerable children, have an educational benefit and link to other programmes funded by the Council which together result in better, more effective use of resources with improved outcomes for children than if provided and managed independently. Amongst other things, the funding is used to support the Family Intervention Project, Virtual School for Looked After Children, Young People in Sport and Education Health Partnerships.
- 6.47 Funding for ongoing responsibilities to LAs is distributed 90% according to a per-pupil factor and 10% of funding according to a deprivation factor. Both elements are adjusted for area costs. The DfE has implemented transitional funding arrangements to limit losses at individual LA to no more than 2.5% per annum. The new formula results in a 10.7% funding reduction for BFC through the per pupil funding element and will therefore be receiving funding reductions.
- 6.48 The baseline set by the DfE for funding historic commitments is 2013. No new commitments have been allowed since then and neither have budget increases, with the DfE introducing a 20% funding cut at the start of this financial year, which will be extended by further 20% reductions in each of the next 4 years.

- 6.49 As well as facing funding reductions, like most services, those held within the CSSB are also facing significant cost pressures, in particular in respect of pay and pensions. Reflecting on these circumstances, the Schools Forum agreed to fund the aggregate 2020-21 funding shortfall of £0.146m through a funding transfer from the SB, and this budget update assumes the continuation of this approach.
- 6.50 In respect of the funding reduction to be applied to the CSSB in 2021-22, this is estimated at a further £0.080m. The council is currently examining ways to manage this cost increase outside of the Schools Budget and an update will be provided to a future Forum meeting.
- 6.51 Annex 1 sets out the services included in the CSSB, showing the 2020-21 base budget and the provisional funding for 2021-22.

***Illustrative 2021-22 individual school budgets***

- 6.52 In order to prepare this budget update, individual school budgets have been modelled in accordance with the overall budget strategy of reflecting the NFF funding rates in the BF Funding Formula and incorporating all of the potential budget changes that are set out above. At this stage all calculations use October 2019 information for pupil numbers and all of the other pupil characteristics used for funding purposes other than IDACI where the new data is used, such as FSM eligibility, test results etc. Final budgets will be calculated against October 2020 data.
- 6.53 Using these key assumptions, the following headline data is available for illustrative school budgets (NB in this context, per pupil funding is calculated on the MPPFL methodology of the whole school budget excluding business rates, with comparisons between years being made on the basis that the Teachers' Pay and Pensions grant were included in school budgets in both 2020-21 and 2021-22):
- 1 Primary schools would receive an average increase in per pupil funding of 4.2%, and secondaries 3.1%. The average increase for all schools is 3.7%.
  - 2 The highest per pupil increase in a primary school would be 6.4%, with 3.4% in secondary. The lowest increases would be 2.0% and 2.8% respectively.
  - 3 The average increase for 1 FE schools is 3.5%, for 2 FE it is 4.0 %, for 3 FE schools it is 5.2% and for Secondary schools it is 3.1%.
  - 4 The MPPFL level amount has increased by 6.4% for primary with the secondary rate increasing by 2.8%.
  - 5 The average per pupil funding amount for a primary school would be £4,249 and £5,669 for secondary.

**Reasons why the NFF budget will not be delivered in BF**

- 6.54 There are a number of reasons why despite the DfE fully funding the NFF, individual LAs are not always able to replicate the budgets locally. These include:
1. Differences between the lagged data sets used for funding purposes for LAs and the current year data that LAs must use to fund schools.
  2. Differences between DfE funding formula used for supporting the cost of new schools, business rates etc compared to the actual costs funded at a local level.
  3. Differences in the calculation of funding protection between years through the locally set rate of MFG and the 2% threshold used in the NFF.

Summary of proposed changes

6.55 Based on provisional budget data, a series of changes have been detailed above that could be applied in the 2021-22 budget. The Forum is recommended to agree this approach, with further updates planned to be presented at the November, December and January Forum meetings. At this stage, there is a £0.509m funding shortfall: £0.429m on the Schools Budget and £0.080m on the Central School Services Block. Table 3 below provides a summary of the estimated financial implications.

Table 3: Summary initial budget proposals for 2021-22

Para Ref.	Item	Schools Block		Central	Total
		Delegated school budgets	Growth Fund - LA Managed	Services Schools Block	
		1	2	3	4
		£'000	£'000	£'000	£'000
	<b>2020-21 Schools Block budget</b>	<b>74,738</b>	<b>365</b>	<b>1,084</b>	<b>76,187</b>
	<b>2020-21 base budget</b>	<b>74,738</b>	<b>365</b>	<b>1,084</b>	<b>76,187</b>
	<b>Provisional 2021-22 DSG funding</b>	<b>80,787</b>	<b>365</b>	<b>858</b>	<b>82,010</b>
	<b>On-going contribution to CSSB pressures</b>	<b>-146</b>	<b>0</b>	<b>146</b>	<b>0</b>
	<b>2021-22 forecast income</b>	<b>80,641</b>	<b>365</b>	<b>1,004</b>	<b>82,010</b>
	<b>+Surplus of income / - Deficit of income</b>	<b>5,903</b>	<b>0</b>	<b>-80</b>	<b>5,823</b>
	<b><u>Changes for 2021-22 to deliver the NFF</u></b>				
	Add: Teachers' Pay and Pension Grants	3,672	0	0	<b>3,672</b>
	Initial impact from data changes (IDACI)	-43	0	0	<b>-43</b>
	New schools - 2021-22 change in cost pressure	71	0	0	<b>71</b>
	Rates: revaluation and inflation	-21	0	0	<b>-21</b>
	School Amalgamations - impact on lump sum	-119	0	0	<b>-119</b>
	Cost of new year NFF funding rates at circa +3%	2,772	0	0	<b>2,772</b>
	<b>Total core changes required for 2021-22</b>	<b>6,332</b>	<b>0</b>	<b>0</b>	<b>6,332</b>
	<b>Shortfall to DSG Funding</b>	<b>-429</b>	<b>0</b>	<b>-80</b>	<b>-509</b>

Managing the shortfall to DSG funding

6.56 There has always been a funding gap between what is allocated by the DfE and the assessed local budget requirement. For 2020-21, school budgets were funded at 99.8% of the NFF, equivalent to £0.15m and this has been managed through:

1. A draw down funds from the Reserve created by the council to help finance the additional costs of new and expanding schools (current balance is £0.409m).
2. A draw down funds from the Reserve created in the unallocated Schools Budget to support the additional costs of new and expanding schools (current balance is £0.746m).
3. Fund schools at a scaled percentage of the NFF rather than the full amount.

- 6.57 A combination of these options can also be used, and funding proposals will be presented when there is greater certainty on the final budget requirement. In considering a draw down from Reserves, this will need to take account of the £1.154m available amount and the expected duration of additional support, which will remain close to current levels for 3 more years. To allow some flexibility for costs to exceed the current estimated amount, a drawdown of up to £0.250m in each of the next 3 years is considered a reasonable approach to take. This would suggest a similar 99.8% funding of NFF rates in 2021-22 as was approved for 2020-21.
- 6.58 An update to the HNB budget is presented on another agenda item, and this sets out that funding for the Schools Budget is not an LAs responsibility and General Fund money should not be used for this purpose. The Secretary of State has the power to grant exemptions to this, and such a request will need to be made to allow for a financial contribution to be made by the council towards the additional cost of new schools. Such a request is expected to be approved.

Summary of Per Pupil funding rates

- 6.59 It is recognised that School Funding uses a considerable amount of jargon and that many different values are quoted for per pupil funding rates, each of which have subtle, but important differences. The mainstreaming of Teachers' Pay and Pension Grants into school budgets for the first time adds to the complication and the number of figures being presented. To provide a comprehensive update to the Forum, his report necessarily reflects these issues, and the following table has been included in an attempt to summarise key data and implications into one section.

Table 4: Summary of key per pupil funding values

	Section 1		Section 2		Section 3	
	Allocation to BFC from DfE (PUF/SUF)		Minimum per pupil funding for a school (MPPFL) as prescribed by DfE		Estimated average allocation to BF schools if 100% NFF values affordable	
	Amount	Change	Amount	Change	Amount	Change
Primary	£4,253.32	3.4%	£4,180	6.4%	£4,249	4.2%
Secondary	£5,681.78	3.2%	£5,415	2.8%	£5,669	3.1%

To ensure a proper like for like comparison, change in Table 4 is quoted after uplifting the 2020-21 data to include the funding received separately through the Teachers' Pay and Pension Grants.

- 6.60 Some key points from per pupil funding amounts in the above Table are:
1. The estimated average funding to be allocated to primary aged pupils should the NFF values be affordable (Section 3 of the Table) is only 1.7% above the MPPFL (Section 2). This means a large proportion of BF schools are likely to require top ups to achieve the MPPFL as the normal operation of the NFF delivers funding below this level. These increases will be up to 6.4% from 2020-21 funding levels.
  2. The estimated average funding to be allocated to secondary aged pupils should the NFF values be affordable (Section 3) is 4.7% above the MPPFL (Section 2), meaning a lower proportion of schools require top ups to achieve the MPPFL.
  3. The estimated average allocation to BF schools at Section 3 is likely to be reduced in final budgets as the current calculations assume NFF values are

affordable which is only likely to be possible through use of a significant proportion of the surplus balances.

#### Issuing 2021-22 budgets to schools

- 6.61 Publication of 2021-22 individual school budgets will follow last year's timeline, with provisional budgets issued in early January 2021 and final budgets in March 2021. The expectation is that the January provisional budgets will reflect the October 2020 verified census data (subject to this being provided by the DfE no later than mid-December) and the final budget decisions of the Schools Forum and will therefore be very close to final allocations.

#### New Financial requirements of schools

- 6.62 Forum members will be aware that LAs are required to publish schemes for financing schools that set out the statutory financial relationship between them and the schools they maintain. The Secretary of State may by a direction revise LA schemes and notification has been received of 2 significant changes that will come into effect from April 2021 as follows.
- a. schools must submit a 3-year budget forecast each year, by 30 June
  - b. schools must submit a recovery plan to the local authority when their revenue deficit rises above 5% at 31 March of any year. Local authorities may set a lower threshold than 5% for the submission of a recovery plan if they wish.

- 6.63 These changes are therefore mandatory for all schools. The council will be considering the practical implications arising from these changes and will provide more comment in due course

#### Update on current year financial impact from coronavirus pandemic

- 6.64 Whilst the financial implications of the coronavirus pandemic on schools are not yet known, it is expected to be significant and is therefore something to be monitored and analysed. Schools have therefore been requested to assist with termly data collections.
- 6.65 At the Forum's previous meeting, an update paper was presented on provisional summer term financial implications, including initial information on the estimated costs to schools and the funding bids made to the DfE exceptional costs associated with coronavirus (COVID-19)\_grant. The key points from the arrangements in place at that time were:
- 1 Funding by schools would be capped (£25k to schools with the least pupils, raising to £75k to those with the most) and could only be claimed for:
    - i. Increased premises costs from keeping schools open in holidays
    - ii. Support for FSM eligible children not attending school
    - iii. Additional cleaning from confirmed or suspected coronavirus cases
    - iv. Exceptional costs that could be bid for and would be considered on a case by case basis
  - 2 Information collected from mainstream schools by 30 June indicated:
    - i. Average available grant to claim is £36,304
    - ii. Average initial grant claim is £8,176 equivalent to 23% of potential funding
    - iii. £188k of eligible grant spend has been spent, with 44% associated with premises costs, 32% FEM and 24% cleaning
    - iv. There is a potential £663k shortfall between costs and the amount of income that can be claimed for

- v. At £436k, loss of income is the largest, single unfunded item.
- vi. Schools have identified £152k of possible cost reductions

6.66 As the DfE has yet to determine the outcomes from school bids for exceptional costs (paragraph 6.65 1iv above), it is not possible to provide a meaningful update at this time. However, of the 15 schools that did not make an exceptional cost claims, DfE has completed payments and the average receipt has been £12,909 or 31.2% of maximum amount ordinarily available. Whilst the percentage achieved has increase significantly, which is attributable to the Bursar workshop facilitated by the council, it remains significantly below the maximum amount available.

6.67 The council is continuing to request schools retain records of their extra expenditure in order to be in a position to provide reliable information on costs in order to help evaluate the true financial impact and also to determine whether any further actions should be taken. A number of other grants have subsequently been announced to help schools, most of which come into effect from September and financial information will also be requested on these. The initial overview already provided to schools is presented again here.

- a. Coronavirus (COVID-19) catch-up premium. This is aimed at helping pupils catch up from the disruption from coronavirus and is divided into 2 elements:
  - ii. Universal catch-up premium funding. Which will be paid to all state-funded mainstream and special schools, and alternative provision. Schools' allocations will be calculated on a per pupil basis, providing each mainstream school with a total of £80 for each pupil in years reception through to 11. Special, AP and hospital schools will be provided with £240 for each place. These are academic year funding amounts and will be paid in 3 tranches with £46.67 and £140 respectively to be received in 2020-21 financial year. Schools have the flexibility to spend their funding in the best way for their cohort and circumstances.
  - iii. National Tutoring Programme. This is targeted support for those children and young people who need the most help. The programme will comprise of at least 2 parts in the 2020 to 2021 academic year, including:

1. a 5 to 16 programme that will make high-quality tuition available to 5 to 16 year olds in state-funded primary and secondary schools from the second half of autumn term 2020

Schools will be able to use their catch-up premium to cover the subsidised cost of the programme.

Details of funding eligibility and allocations have yet to be released.

2. a 16 to 19 fund for school sixth forms, colleges and all other 16 to 19 providers to provide small group tutoring activity for disadvantaged 16 to 19 students whose studies have been disrupted as a result of coronavirus (COVID-19).

This funding is ring-fenced for 16 to 19 small group tuition only and will be allocated by the DfE proxy measure for disadvantage: learners with low prior attainment, meaning those who did not have a GCSE grade 4 or above in English and / or maths at age 16 in the value of £150 per student (pro rata for part time students).

Providers must accept or decline the extra funding and confirm that they will be able to spend this effectively and in line with the guidance.

- b. High value courses for school and college leavers: a one-year offer for 18 and 19-year-olds: This is a short-term funding for an additional programme of study of high value level 2 and 3 qualifications for up to a year from September 2020 if they cannot find employment or work-based training. A £400 uplift will be paid once per learner to cover the costs of putting on additional courses at short notice, recruiting extra students, and preparing staffing and facilities
- c. School and college responsibility for autumn exams: guidance. Schools should pay fees for all students who were due to sit exams in the summer, rather than passing the cost on to students or their families. The DfE has established an Exam Support Service to provide funding if needed to ensure that schools do not incur a net loss, taking their autumn fees and any rebates/credit notes they receive in respect of summer exams together.
- d. Alternative provision (AP): year 11 transition funding: This one-off funding is intended to fund additional transition support provided by AP settings for year 11 pupils from now to the end of the 2020 autumn term. This cohort are considered vulnerable and at greater risk of becoming not in education, employment or training (NEET) than their peers. AP settings will receive up to £750 for each year 11 pupil. The grant only covers the additional costs actually incurred, up to the limits. Claims will need to be submitted.
- e. Exceptional costs associated with coronavirus (COVID-19): There will be a second period for schools to claim additional costs arising from the coronavirus pandemic. This follows on from the claims process that covered the period April-July 2020. The DfE has yet to publish eligibility criteria and period for which this funding round will operate.

### **Conclusion and Next steps**

- 6.68 Due to the historic low funding levels, BF schools are in general gaining from the national funding reforms. However, there are local budget pressures that are not adequately resourced by the DfE that result in an overall gap to meeting the NFF and CSSB requirements, currently estimated at £0.509m.
- 6.69 Further updates will be provided to the Forum in November, December and January as more information emerges which will allow for budget decisions to be considered.

## **7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

### Borough Solicitor

- 7.1 The relevant legal provisions are addressed within the main body of the report.

### Director of Finance

- 7.2 Included within the supporting information.

### Equalities Impact Assessment

- 7.3 A decision on the need for an EIA will be taken when the final budget proposals are confirmed.

## Strategic Risk Management Issues

- 7.4 Whilst the funding reforms and financial settlement in general result in schools receiving additional funds, a number of strategic risks exist, most significantly:
1. Insufficient funding to cover anticipated pay and price inflation and changes in contributions to the Pension Funds for schools receiving the lowest increases.
  2. The ability of schools with licensed deficits to manage their repayments. Two secondary schools and four primary schools have significant deficits that need to be managed during a period of financial change.
  3. Managing the additional revenue costs arising from the new / expanded schools programme and increased number of high needs pupils.
  4. The ability of schools to achieve school improvement targets.
- 7.5 These risks will be managed through support and assistance to schools in the budget setting process which is a well-established programme. It has ensured that schools develop medium term solutions to budget shortfalls and draws on funding retained to support schools in financial difficulty or through the allocation of short to medium term loans. There remains a de-delegated budget of £0.190m (after academy deduction) to support maintained schools in financial difficulties that meet qualifying criteria – subject to on-going agreement to the funding.

## **8 CONSULTATION**

### Principal Groups Consulted

- 8.1 People Directorate Management Team. School governors, head teachers, Schools Forum and other interested parties will be consulted throughout the budget setting process.

### Method of Consultation

- 8.2 Written reports to People Directorate Management Team and Schools Forum; formal consultation with schools.

### Representations Received

- 8.3 Included in body of the report.

### Background Papers

None:

### Contact for further information

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## Central School Services Block

Item	2020-21 Budget	2021-22	Change
<b><u>Budgets</u></b>			
<u>Combined Services Budgets:</u>			
Family Intervention Project	£100,000		
Educational Attainment for Looked After Children	£133,590		
School Transport for Looked After Children	£42,890		
Young People in Sport	£18,050		
Common Assessment Framework Co-ordinator	£42,470		
Domestic Abuse	£6,000		
Education Health Partnerships	£30,000		
SEN Contract Monitoring	£32,680		
<u>Miscellaneous (up to 0.1% of Schools Budget):</u>			
Forestcare out of hours support service	£5,150		
Borough wide Initiatives	£28,930		
Support to Schools Recruitment & Retention	£7,920		
<u>Statutory and regulatory duties:</u>			
'Retained' elements	£275,830		
<u>Other expenditure:</u>			
School Admissions	£186,690		
Schools Forum	£22,740		
Boarding Placements for Vulnerable Children	£62,470		
Central copyright licensing	£89,030		
<b>Central School Services Total Budget</b>	<b>£1,084,440</b>		
<b><u>Funding</u></b>			
Historic commitments	£324,544	£259,635	-£64,909
On-going responsibilities	£614,057	£598,711	-£15,346
<b>Total Funding</b>	<b>£938,601</b>	<b>£858,346</b>	<b>-£80,255</b>
Assumed transfer from Schools Budget (2020-21 amount)	£145,770	£145,770	
<b>Central School Services Total Funding</b>	<b>£1,084,371</b>	<b>£1,004,116</b>	<b>-£80,255</b>

\* Combined Service Budgets funded by the DSG generally support vulnerable children, have an educational benefit and link to other programmes funded by the Council which together result in better, more effective use of resources with improved outcomes for children than if provided and managed independently.