

**TO: SCHOOLS FORUM**  
**DATE: 10 DECEMBER 2020**

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**2021-22 BUDGET PROPOSALS FOR THE SCHOOLS BLOCK AND  
CENTRAL SCHOOL SERVICES BLOCK ELEMENTS OF THE SCHOOLS BUDGET**  
**Executive Director: People**

**1 PURPOSE OF REPORT**

- 1.1 The purpose of this report is to present updated proposals for the 2021-22 Schools Block (SB) and Central Schools Services Block (CSSB) elements of the Schools Budget. Associated decisions need to be agreed at this meeting in order to ensure progress is made in meeting the 21 January 2021 statutory deadline for agreeing the budgets

**2 EXECUTIVE SUMMARY**

- 2.1 Building on previous decisions agreed by the Forum, and with the availability of provisional data from the October 2020 school census, a further stage to the budget setting process can now be presented for consideration. The key elements that remain outstanding where a further impact may arise relate to: the release by the Department for Education (DfE) of the key data that must be used to calculate school budgets; and a decision by the secretary of state as to whether the council can continue to support school budgets with an agreed funding top up from council reserves.
- 2.2 Pupil numbers have increased by 127 (+0.8%) which after taking account of additional funding allocations to schools results in a net gain of £0.154m. The allocation of Dedicated Schools Grant (DSG) funding for the Growth Fund is now forecast to be £0.130m lower than previously expected, which is partially offset by a £0.020m reduction in budget requirement for the associated in-year allocations to schools experiencing significant in-year increases in pupil numbers.
- 2.3 Reflecting on the adverse impact on the economy from the coronavirus pandemic, the provisional change in Free School Meal (FSM) eligibility from the from data held by the council indicates an average increase of 17% which results in further budget allocations to schools of £0.094m. Due to the lagged approach used by the DfE in the Funding Framework, this will not be reflected in DSG funding received by BF for passing on to schools. Therefore, this is a new unfunded budget pressure. However, it is likely to be for one year only as the 2022-23 DSG funding rates will reflect these increased eligibility levels. There is also the potential for reduced entitlements and therefore costs at schools from the October 2021 census should the economy undertake the expected recovery.
- 2.4 Whilst funding received by schools in BF has increased through these reforms, the use of the government of the Minimum Per Pupil Funding (MPPF) as the primary factor in the National Funding Formula (NFF) to distribute funding increases to schools is resulting in a convergence of the average amount of per pupil funding allocated to BF and the minimum amount that must be paid to schools.
- 2.5 The current differences between the DSG allocation received by BF allocation and the MPPF levels are 1.7% for primary aged pupils and 4.9% for secondary aged pupils. An impact of this sees a significant increase in the number of schools on the protected MPPF levels – 42% of schools in 2021-22 compared to 19% in 2020-21 – and should a top slice to NFF funding rates be used to balance the budget, then this can only be recovered from 21 schools rather than 36 which clearly increases the rate of top slice that would otherwise be required to achieve the same level in deduction of funding. For

example, the 0.2% top slice applied to the NFF rates applied in the 2020-21 budget recovered £0.156m. The same 0.2% deduction in the 2021-22 budget would only amount to £0.068m. This needs to be taken into account of when considering the approach to take in balancing the final budget.

- 2.6 The proposals contained in this report, using provisional data, indicate a £0.412m funding shortfall on the SB and a balanced CSSB, which to remove the previously reported £0.080m pressure, uses a combination of budget reductions, the expected use of SB DSG and the council funding a larger share of the combined services budget.
- 2.7 The identified options available to manage the indicated budget shortfall, with a decision in principle needing to be made at this meeting are:
1. Draw down funds from the Reserve created by the council to help finance the additional costs of new and expanding schools.
  2. Should this not be permitted by the secretary of state, a temporary funding swap can be considered between the £20 per pupil contribution for statutory education related duties and the funds set aside by the council in the new school Reserve.
  3. Draw down funds from the Reserve created in the unallocated Schools Budget to support the additional costs of new and expanding schools
  4. Fund schools at a scaled percentage of the NFF rather than the full amount, with 2 potential approaches:
    - a. The same scaling to each factor
    - b. The FSM factor is scaled to ensure no cost pressure from the 17% increase in eligibility that is not recorded in the funding settlement, all other factors subject to the same scaling

The supporting information sets out a recommended approach, which if agreed, would result in a remaining £0.068m funding gap and include average per pupil funding increases of 4.0%. Final budget proposals will need to remove the funding gap.

- 2.8 There is a very tight budget setting timetable to meet, with views of the Schools Forum on the proposals now being sought in advance of the 21 January deadline for submitting to the Department for Education (DfE) the actual Funding Formula for Schools to be used in 2021-22 with associated units of resource and total cost. With a wider funding gap forecast at this stage than normal, it is essential that the Schools Forum carefully considers the approach to be taken in order for they budget setting process to continue with maximum certainty.

### **3 RECOMMENDATIONS**

#### **To AGREE:**

- 3.1 **That the final budget proposals for the 2021-22 budget, to be presented to the Forum in January, are in accordance with principles included in the supporting information, as summarised in Table 1, and in particular that:**
1. **That no changes are made to the Start-up and diseconomy funding policy for new and expanding schools (paragraph 6.18).**
  2. **That the Growth Fund, including appropriate elements is set at the amount reported in Annex 1**
  3. **That budgets for de-delegated services are increased by 1% (paragraph 6.24)**

**4. That the CSSB budget, including appropriate elements is set at the amount reported in Annex 2.**

**3.2 The preferred approach to be taken in balancing the £0.412m forecast shortfall on the SB (paragraph 6.37).**

**To NOTE:**

**3.3 The significant increase in numbers of schools on the protected MPPF values – 42% of schools compared to 19% in 2020-21 – results in the burden of financing any agreed top slice to NFF funding rates to be met by only 21 of the 36 BF schools (paragraph 6.27).**

**3.4 That the 2020 Spending Review confirmed no significant changes to previously announce funding levels for education and schools, with the overall increase in funding remaining at £2.2bn (paragraph 6.41).**

**3.5 The DfE are expected to publish a policy document by the end of December to set out proposals to move to a “Hard” formula with limited LA involvement with associated consultation documents at the start of the new year (paragraph 6.8 1.f.).**

#### **4 REASONS FOR RECOMMENDATIONS**

**4.1 To ensure that the 2021-22 Schools Budget is developed in accordance with the views of the Schools Forum, 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 considered during each stage of the budget process.**

#### **6 SUPPORTING INFORMATION**

##### Background to School and Education Funding

**6.1 The Forum has been kept up to date with DfE school and education funding reform, most notably through the introduction of a NFF since change was first announced in March 2016.**

**6.2 The Schools Budget is funded by a 100% ring fenced government grant called the Dedicated Schools Grant (DSG). The DSG comprises 4 funding Blocks, each with a separate calculation and funding allocation; the Schools Block (SB); the Central School Services Block (CSSB) the High Needs Block (HNB); and the Early Years Block (EYB). The SB and CSSB directly support mainstream schools and are generally delegated to governors, the HNB and EYB are centrally managed by LAs although the majority of funds are ultimately used to pay schools and other providers for services to children.**

**6.3 The DSG can only be spent on the purposes prescribed by the DfE. Any under or overspending in a year must also be ring-fenced and applied to a future Schools Budget. There is a general ring-fence in place in that SB funding must be spent on school budgets, although where agreed by the local Schools Forum, up to 0.5% of the SB**

(circa £0.400m) can be transferred to fund costs that fall into other Blocks. Money can be freely transferred from other Blocks into the SB or from the SB to CSSB.

- 6.4 The government has recently introduced a change to the funding framework that could have an adverse effect on the amount of funds available for individual school budgets. Rather than requiring the size of the Schools Budget to be at least at the size of the DSG, LAs are no longer permitted to add funds from their own resources without the express permission of the secretary of state. This has been introduced to strengthen the ring-fence principle of the DSG in that the funding responsibilities for meeting the duties rest with the DfE and not individual LAs.
- 6.5 Reflecting local cost priorities, the council's Executive has agreed to support a 4-year funding strategy and will provide £1m from council balances to March 2023 to help finance the diseconomy funding required from the new school building programme. As reported at the November Schools Forum meeting, there is a risk that the DfE will prevent the council from adding the remaining £0.409m into individual school budgets. An update is still awaited from the DfE. A decision on this is expected by the end of December.
- 6.6 The Executive Member for Children, Young People and Learning has responsibility for agreeing most aspects of the SB although within the overall budget setting process, there are several areas where the Forum holds responsibility, and these will be presented for a decision at the January meeting.
- 6.7 This report focuses on the SB and CSSB elements of the Schools Budget where DSG funding is allocated to LAs by way of:
- A pupil-led NFF that uses the most up to date census data relating to number on roll, deprivation, low prior attainment and English as an additional language measures (SB)
  - School based funding, based on prior year costs for business rates and other property factors such as schools operating across split sites (SB)
  - Two funding protection mechanisms (SB):
    - A minimum per pupil funding amount for the year (£4,180 for primary aged pupils in 2021-22 and £5,415 for secondary).
    - A minimum increase / maximum decrease in per pupil funding from the previous year (+2% for 2021-22)
  - A per pupil amount for defined on-going LA education related responsibilities (CSSB)
  - Contribution to previously agreed historic costs (for supporting vulnerable pupils) (CSSB)

Funds allocated through the CSSB continue to be subject to transitional funding adjustments as a result of the reforms, with BF experiencing a 2.5% reduction in the per pupil amount (£0.015m) from 2020-21 and 20% in the base historic costs amount (£0.065m). The historic amount of funding is expected to reduce by a further 20% per annum to a nil value at 2025-26.

## Summary of the 2021-22 SB funding framework

6.8 The previous meeting of the Forum received the following update which is repeated here for context.

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>1</sup> has been incorporated so that deprivation funding allocated through the formulae is based on the latest data.

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<sup>1</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).

### Progress to date

6.9 The Forum has agreed the following budget decisions at previous meetings:

- that the factor values in the BF Funding Formula should be set at the national rates used by the DfE. Should this not be affordable, then each factor value would be scaled by the same proportionate amount.
- that Minimum Per Pupil Funding (MPPFL)<sup>2</sup> values are set at £4,180 for primary aged pupils and £5,415 for secondary aged pupils. These are the same values as used by the DfE in the NFF.
- that the Minimum Funding Guarantee (MFG)<sup>3</sup> is set at the maximum amount permitted by the DfE and delivers per pupil funding increases from 2020-21 for all schools of at least +2.00%.
- any cost associated with providing all schools with the agreed minimum percentage increase in per pupil funding from 2020-21 should be met by those schools receiving the largest increases in per pupil funding, typically those above the average percentage increase
- that de-delegation of budgets for the services requested by the council continues for maintained mainstream schools
- that a £20 per pupil contribution continues to be made by maintained schools towards the cost of delivering 'general' education related statutory and regulatory duties
- 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.
- That a centrally managed Growth Fund should be maintained for in-year allocation to qualifying schools.
- On-going central retention by the Council of the existing Central School Services Block items.

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<sup>2</sup> The SNFF includes MPPF levels that are applied to all school budgets where a top up is added if the normal operation of the Funding Formula does not deliver sufficient funds – for 2021-22 this is £4,180 for primary aged pupils and £5,415 for secondary. LAs had discretion to apply these values in their local funding formula but are now mandatory at local level, unless agreed by the DfE that they are unaffordable. The MPPF calculation required by the DfE excludes funding for business rates.

<sup>3</sup> The MFG compares per pupil funding allocations between years and where the change is below the minimum threshold, a funding top-up is added to meet the minimum per pupil change requirement. The MFG calculation required by the DfE excludes funding for business rates and fixed lump sum allocations. The cost of top-up funding is financed by scaling back increases to schools experiencing funding gains.

## Updated budget proposals for 2021-22

- 6.10 Whilst the data that must be used for funding purposes is not expected to be made available by the DfE until towards the end of December, more work has been undertaken on budget calculations, reflecting the current BFC estimate of October 2020 census data and the latest budget decisions made by the Forum. This provides a sound basis for making updates but is still expected to be subject to further change.

### Schools Block DSG income

- 6.11 The provisional October 2020 census data shows that pupil numbers have increased by 127 (+0.8%) to 16,407 and this generates a further £0.747m DSG income and £79.129m in total.
- 6.12 The separate funding allocations to LAs for non-pupil-based school expenses will not change as they are always distributed annually in arrears, with 2021-22 funding reflecting actual costs from 2020-21 which are already known. This is mainly intended to finance the cost of business rates and other specific costs agreed with individual LAs e.g. transitional funding for amalgamating schools. Funding for these costs will be £1.870m 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 payment, generally for 1 year only, to schools that amalgamated in 2019 (Holly Spring and Ascot Heath Schools)

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. For example, neither of the schools that amalgamated in 2019 will receive a share of the £0.169m funding in their 2021-22 budgets as the DfE only permitted additional funding to be paid in 2020-21.

- 6.13 In terms of the Growth Fund<sup>4</sup>, this has now been recalculated at £0.770m (down £0.130m).
- 6.14 Therefore, the overall DSG grant income for the SB is now estimated at £81.769m, an increase of £0.617m compared to the amount previously expected to be available.

### Funding allocations to schools:

#### *Changes in pupil numbers*

- 6.15 The additional 127 pupils expected in schools from the provisional October 2020 census delivers an additional £0.775m which is £0.028m above the extra DSG income and generally reflects the increase in pupil numbers in secondary schools that receive higher per pupil funding through the BF Funding Formula than the council receives from the DSG. Of this increase, £0.593m relates to existing schools and £0.182m to new schools. As new schools are funded through the *Start-up and diseconomy funding policy for new and expanding schools*, which is presented separately below in paragraph 6.16, there is no impact on this area of the budget. Overall, there is a net £0.154m additional income from the re-calculation of funding implications from changes in pupil numbers (£0.028m

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<sup>4</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.

over allocation to existing secondary schools added to the £0.182m additional DSG income relating to new schools).

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

- 6.16 The change in pupil numbers from the October census does have an impact on diseconomy funding top up as this is the balancing amount that is added to a budget to get from the BF Funding Formula allocation to that set out in the *Start-up and diseconomy funding policy for new and expanding schools*. Latest calculations indicate a £0.041m reduction in the previously calculated pressure, which is now estimated at a £0.030m increase from last year. This calculation is mainly based on number of classes required, not actual pupils on roll so presents a different outcome to that of the BF Funding Formula change set out above in paragraph 6.15.
- 6.17 There is also a centrally managed Growth Fund that is used to finance in-year growth allowances at schools experiencing significant increases in pupil numbers and funding to support Key Stage 1 Class Size Regulations at existing schools as well as start-up and post opening costs at new schools. The Forum has agreed relevant funding policies to determine eligible schools once relevant data becomes available. Recent experience shows that the cost for growth allowances is reducing whereas KS1 class size allocations have increased and an overall budget reduction of £0.020m is considered appropriate for next year.
- 6.18 In terms of diseconomy costs at new schools, these are calculated in accordance with the agreed policy, of which the key elements are:
1. An allocation for pre-opening / start-up costs. New / expanding schools will incur start-up costs associated with planning and preparation activities required to ensure readiness to admit pupils. These costs would need to be assessed on a case by case basis
  2. An allocation for diseconomies of scale. This relates to the need to incur a disproportionate amount of fixed management and premises costs as new schools build up their pupil numbers. An enhanced fixed lump sum is therefore included.
  3. An allocation for day to day operational expenses. The new / expanding schools will all be opening after the census point used for funding purposes and will generally experience significant increases in pupil numbers at the start of each academic year and will therefore need additional funding which is delivered through a per class funding allocation rather than per pupil.
  4. An allocation for rates. To operate in the same way as the NFF. A full budget allocation at the estimated cost of rates.
  5. Post opening funding. To support new schools get through the initial high costs of stocking up with general resources through a top up to the normal school budget which is only sufficient to finance established schools where less consumables and smaller value items would generally be required, an amount per new class is allocated.
  6. Discretion for the relevant Director to consider making adjustments to the funds allocated to new / expanding schools in exceptional circumstances. Any changes would subsequently be reported to the Schools Forum.

No changes are proposed to the *Start-up and diseconomy funding policy for new and expanding schools* which can be viewed at

[2020-21 funding policy for new and expanding schools \(bracknell-forest.gov.uk\)](https://bracknell-forest.gov.uk)

- 6.19 Annex 1 sets out the proposed budget requirement for the whole of the Growth Fund, including allocations due to individual schools which the Forum is recommended to agree.

*Changes in pupil characteristics – Additional Educational Needs*

- 6.20 The outstanding DfE data set will include updated pupil profile measures to reflect the latest levels of deprivation (Free School Meals (FSM) and Ever6 FSM<sup>5</sup>. Note: IDACI has already been updated and included in the budget calculations), English as an additional language (EAL) and high in-year pupil mobility. This is the data that must be used in the local Funding Formula and may therefore result in changes in the funding currently estimated to be allocated to schools in this report.
- 6.21 Reflecting on the adverse impact on the economy from coronavirus pandemic, the expectation is that levels of deprivation as measured through income support will have increased. With IDACI scores updated at 4 yearly intervals, and most recently in 2019, these changes were already included in earlier budget updates. For Ever6 data, this is updated each year against the preceding January position, so before any impact from the pandemic. Therefore, the only measure that will significantly impact on school budgets is the actual FSM numbers recorded on the October 2020 census.
- 6.22 The provisional change from data held by BFC indicates an average increase in FSM eligibility of 17%. Based on NFF funding rates, this equates to a further allocation of £0.094m (£0.039m in primary and £0.055m in secondary). With the national Funding Framework allocating resources to LAs on October 2019 eligibility, but with a requirement to fund schools on October 2020 data, the lagged funding approach to LAs by the DfE will result in a £0.094m shortfall in the DSG allocation to LAs. This is an unfunded budget pressure in 2021-22 but is likely to be for one year only as the 2022-23 DSG funding rates to be paid to BF will reflect these increased eligibility levels, so all things being equal will rise, with the potential for reduced entitlements and costs at schools from the October 2021 census should the economy undertake the expected recovery.

*Rates: revaluation and inflation*

- 6.23 Further updates have been received on expected business rates charges which takes account of a lower than originally expected inflationary increase of 0.5%, resulting in a cost reduction of £0.026m.

*Uplift on de-delegated budgets*

- 6.24 Recognising that 90% of maintained school responses to the financial consultation supported on-going de-delegation of the requested permitted services, this was agreed by the Forum in November. Therefore, maintained schools will return relevant funds to the council for central management by way of a per pupil deduction. Rates of funding are increased each year to reflect rising costs. With the expected public sector pay freeze (see paragraph 6.41 below) a relatively low increase is appropriate, with the Forum

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<sup>5</sup> Pupils who have been eligible for free school meals at any point in the last six years. This is considered a more balanced measure than actual FSM numbers as it includes pupils close to the eligibility limit and that move in and out of the funding count.

recommended to approve an uplift of 1% on the circa £0.969m budget which would amount to £0.010m.

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

6.25 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 permitted:

1. amount of per pupil funding for the relevant year i.e. the MPPF value
2. increase in per pupil funding from the previous year i.e. the MFG

#### *MPPF values*

6.26 The DfE has set mandatory MPPF values 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 agreed by the DfE. These proposals generate additional payments of £0.741m, with 13 primary schools receiving £0.694m in aggregate and 2 secondaries receiving £0.047m. This is an increase of £0.436m compared to 2020-21 when 5 primary schools received £0.204m and 2 secondary schools £0.101m and generally reflects the closeness of the primary per pupil funding rate paid to BFC (£4,253) compared to the minimum amount that has to be passed on to schools (£4,180) with only a 1.7% difference.

6.27 An impact of this significant increase in numbers of schools on the protected MPPF values – 42% of schools compared to 19% in 2020-21 – is that should a top slice to NFF funding rates be required to balance the budget, then this can only be recovered from 21 schools rather than 36 which clearly increases the rate of top slice that would otherwise be required. For example, the 0.2% top slice applied to 2020-21 NFF funding rates amounted to £0.159m. The same 0.2% rate of deduction in the 2021-22 budget would only amount to £0.068m. This impact should be considered when balancing the final budget.

6.28 Provisions do exist in the Funding Regulations to seek a reduction to the MPPF levels, which may be an approach to take in BF if a top slice is required as this would more evenly share the impact. However, informal discussions with DfE have made clear that the secretary of state is extremely unlikely to agree any such proposal and all LA requests made for the 2020-21 budget were rejected.

#### *MFG*

6.29 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%.

The Forum has previously agreed that the maximum +2.0% increase is applied. MFG top-up payments are financed from capping gains above the MFG at other schools and are therefore self-financing. Schools receiving top-ups to the MPPF values are excluded from contributing to the cost of the MFG. Based on the latest modelling no schools qualify for MFG top-up, with a lowest increase of 2.75%. In 2020-21 just 1 school received an MFG funding top up in the value of £0.003m. The current nil MFG estimate is subject to change as a result of the final budget data set provided by the DfE.

### 2021-22 individual school budgets

6.30 These budget proposals, using NFF funding rates, result in a 4.0% average per pupil funding increase<sup>6</sup> from 2020-21, with the following headline summary data available from individual school budgets (NB in this context, per pupil funding is calculated from the whole Formula Budget allocation less business rates):

- 1 Primary schools receive an average increase in per pupil funding of 4.6%, and secondaries 3.3%.
- 2 The highest per pupil increase in a primary school is 6.4%, with 3.8% in secondary. The lowest increases are 2.5% and 2.9% respectively.
- 3 No schools receive an MFG top up when the guaranteed increase is set at the maximum 2% permissible by the DfE.
- 4 The MPPF level amount has increased by 6.2% for Primary and the secondary rate has increased by 2.7% with 15 schools needing to receive top ups to this level
- 5 The average per pupil funding amount for a primary school would be £4,253 and £5,681 for a secondary.

### *Centrally managed budgets within the CSSB*

6.31 It was reported to the October Forum that a funding reduction of £0.080m would be applied by the DfE to the CSSB in 2021-22 and that the council would examine ways to manage this cost increase outside of the Schools Budget. This is in addition to the accumulated £0.146m funding shortfall that the Forum has previously agreed would be funded from within the Schools Budget.

6.32 After careful review, a number of budgets are proposed to be reduced that will result in a balanced budget. Based on recent, ordinary levels of expenditure, a number of budget reductions are proposed: £0.004m on Domestic Abuse, £0.014m for general boroughwide initiatives in schools, £0.002m for expenses of the Schools Forum and £0.012m on boarding placements for vulnerable children. The £0.018m Young People in Sport budget will be removed, with the availability of one-off sports funding in a specific reserve available to support these activities. The £0.030m Education Health Partnerships budget will be removed, with the council proposing to fund £0.015m from LA resources (subject to the council's annual budget consultation exercise). Annex 2 sets out the proposed CSSB budgets which the Forum is recommended to agree.

### Summary of proposed changes – SB and CSSB

6.33 Based on the provisional October 2020 census and other relevant data, a series of changes have been set out above that the council proposes are reflected in the revised budget proposals for the 2021-22 Schools Block and Central Schools Services Block budgets. Table 1 below summarises the changes proposed which leaves a funding shortfall of £0.412m on school budgets compared to NFF rates, an improvement of £0.017m from the previous proposals. Annex 3 sets out the changes made in Table 1 from the October Forum meeting.

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<sup>6</sup> This average excludes funding for new schools and those subject to amalgamation in 2019 as there are separate, specific funding rules in place for calculating these budgets.

Table 1: Summary updated budget proposals for 2021-22

Item	Schools Block		Central	Total
	Delegated school budgets	Growth Fund - LA Managed	Services Schools Block	
	1 £'000	2 £'000	3 £'000	4 £'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>81,404</b>	<b>365</b>	<b>858</b>	<b>82,627</b>
<b>Internal Schools Block funding transfer</b>	<b>20</b>	<b>-20</b>	<b>0</b>	<b>0</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>81,278</b>	<b>345</b>	<b>1,004</b>	<b>82,627</b>
<b>+Surplus of income / - Deficit of income</b>	<b>6,540</b>	<b>-20</b>	<b>-80</b>	<b>6,440</b>
<b><u>Changes for 2021-22</u></b>				
Add: Teachers' Pay and Pension Grants	3,672	0	0	<b>3,672</b>
Impact of change in pupil numbers (+127)	593	0	0	<b>593</b>
New schools - 2021-22 change in cost pressure	30	0	0	<b>30</b>
Impact from changes in IDACI scores	-43	0	0	<b>-43</b>
Estimated impact from change in FSM eligibility	94	0	0	<b>94</b>
In-year growth allowances, KS1 classes etc	0	-20	0	<b>-20</b>
Rates: revaluation and inflation	-47	0	0	<b>-47</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>
Reductions on Central School Services	0	0	-80	<b>-80</b>
<b>Total core changes required for 2021-22</b>	<b>6,952</b>	<b>-20</b>	<b>-80</b>	<b>6,852</b>
<b>Shortfall to DSG Funding</b>	<b>-412</b>	<b>0</b>	<b>0</b>	<b>-412</b>

Managing the budget shortfall

- 6.34 The Forum has previously agreed that the 2021-22 budget should be set with each BF factor value at the same amount as the NFF values, if necessary, scaled by the same proportional amount to the affordable value. These proposals result in a £0.412m funding shortfall and therefore an approach to balancing the budget needs to be agreed.
- 6.35 The options identified to manage the provisional £0.412m budget shortfall, with a decision in principle needing to be made at this meeting are:
1. Draw down funds from the Reserve created by the council to help finance the additional costs of new and expanding schools, where £0.409m is available.
  2. Should this not be permitted by the secretary of state, a temporary funding swap can be considered between the £20 per pupil contribution for statutory education related duties and the funds set aside by the council in the new school Reserve. The £20 per pupil contribution amounts to circa £0.230m per annum

3. Draw down funds from the Reserve created in the unallocated Schools Budget to support the additional costs of new and expanding schools, where £0.746m is available.
4. Fund schools at a scaled percentage of the NFF rather than the full amount. Reflecting on the 17% increase in FSM numbers, 2 potential approaches are recommended to be considered:
  - a. The same scaling to each factor
  - b. The FSM factor is scaled to ensure no cost pressure from the 17% increase in eligibility that is not recorded in the funding settlement, all other factors subject to the same scaling

A combination of these options can also be used.

6.36 The Forum will need to consider the affordability of any draw down from Reserves, taking into account the medium term nature of the cost pressure from new schools which required £0.845m of additional support in the last 2 years, with a reduced medium term expectation that around £0.250m will need to be withdrawn each year, the one-off nature of the cost increase arising from addition FSM eligible pupils and the effect of high numbers of schools on the protected MPPF levels, requiring any top slice to NFF rates to be borne by a restricted number of schools.

6.37 The council recommends the following approach:

1. For April 2022, there should be at least £1m in Reserves to fund the medium-term cost of new schools (current balance is £1.155m).
2. Ordinarily, a maximum of £0.250m is withdrawn each year from Reserves.
3. With the increased risk associated with the secretary of state not agreeing use of council funds to support school budgets, the remaining Reserves of £0.409m should be a first call on any funding pressure.
4. If the secretary of state refuses use of council funds to support school budgets, then a temporary funding swap with the £20 per pupil contribution to LA statutory education related duties should take place. The effect of this being maintained mainstream schools would retain the £20 per pupil deduction that is ordinarily taken and the income the council ordinarily received from this source would instead be met from the council's Reserve to support school budgets. This amounts to circa £0.230m per annum.
5. The £0.094m increase in FSM funding allocations to schools that will not be matched by an increase in DSG, can be considered for funding from the Unallocated Schools Budget Reserve as it is one-off in nature. The allocation from Reserves would then exceed the expected £0.250m annual maximum but remains affordable within the minimum £1m Reserves balance objective.
6. A top slice to NFF rates should then be considered, although if the additional cost of increased FSM eligibilities is met from Reserves, then any top slice should be applied equally to all factors in the BF Funding Formula.

6.38 With further changes expected to the final budget proposals that will be presented in January, the recommended approach provides a basis to reach an affordable budget as summarised below in Table 2, divided between where the secretary of state permits the council to continue to add funds to the SB or not.

Table 2: Proposed funding options for SB funding shortfall

Funding source	<u>Option 1:</u> Sec of state agrees council funding for schools	<u>Option 2:</u> Sec of state refuses council funding for schools
Council Reserve for new schools	250	0
School contribution to Education related statutory duties	0	230
One-off from unallocated Schools Budget Reserve re FSM cost increase (DSG funded)	94	94
<b>Total other funds</b>	<b>344</b>	<b>324</b>
Estimated funding shortfall to NFF rates	<b>-412</b>	<b>-412</b>
<b>Balance still to fund</b>	<b>68</b>	<b>88</b>

- 6.39 The top slice to NFF funding rates to achieve the £0.068m funding gap in Option 1 is 0.2%. If the standard £0.250m is the only draw down from Reserves, then there is a shortfall of £0.162m which would require a 0.4% top slice from eligible schools i.e. those not on MPPF levels.

Actual cost pressures estimated for 2021-22

- 6.40 Schools will experience a range of cost pressures next year which in general will need to be met from within the increase in the BF Funding Formula allocation and are estimated at between 0.5% and 1.0% from:

1. As set out above, the Chancellor has announced a public sector pay freeze for 2021-22 meaning there is no pay inflation pressure on school budgets.
2. The overall cost of performance related pay and contractual increments are assumed to be self-financing from appointing new staff on lower pay points than those leaving.
3. The underlying deficit on the Local Government Pension Scheme is being reduced by way of additional lump sum contributions. Payments due from schools in the BF Local Government Pension Scheme are forecast to increase by £0.1m, which is equivalent to around a 0.7% cost increase to the local government pay bill.
4. The general rate of inflation on non-pay costs (September Consumer Price Index) is 0.7%. Schools can expect cost increases of this level on relevant budgets.

Outcome from the November 2020 Spending Review

- 6.41 The 26 November Spending Review announcement re-affirm the original 3 year budget plan for school sand education where 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. School staff will be included within the public sector pay freeze requirement which will benefit school budgets in terms of lower increases in costs than would otherwise be expected.

- 6.42 Very little details of changes have emerged at the date of publication of this report, with the following highlighted in the national press and recent DfE regional briefings to LAs, which are all subject to confirmation

### Schools

There will be a consultation on future arrangements for the NFF in early 2021 with a view to modelling a transition period towards the 'Hard' DfE formula with no local variations or LA decision making. More information is expected on future plans before the end of the year.

Capital funding has been announced to rebuild or refurbish 500 schools (50 a year) and some additional capital for new T Level facilities, new Institutes of Technology, and new special schools.

Some publications are reporting confirmation of funding for the new package on Free School Meals and that funding for the National Tutoring Programme has been extended for another year.

### SEND

Results from 'Call to evidence' are being combined and fed into the SEND review that is looking at wider SEN reforms across Government Departments. No timescale for publication of proposals.

### Early Years

£22 million has been announced to continue improving the quality of teaching, including funding for mentor time as part of the Early Careers Framework and provides £44 million for early years education in 2021-22 to increase the hourly rate paid to childcare providers for the government's free hours offers. This is on top of the £66 million increase confirmed in 2019 which delivered an additional £0.08 in hourly funding rates to providers for both 2 year olds and 3 and 5 year olds. A similar outcome in BF in the distribution of the extra funds would result in hourly funding rate increases of £0.05.

### Conclusion and Next steps

- 6.43 On average, schools can expect to receive a 4.0% increase in per pupil funding which continues the improved financial settlement experienced in the last 2 financial years.
- 6.44 The Executive Member is expected to agree the 2021-22 Schools Budget on 19 January, based on final recommendations agreed by the Schools Forum at the January meeting, which will then need to be reported to the DfE through submission of the national pro-forma, with individual schools receiving budget allocations by the middle of January.

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

### Borough Solicitor

- 7.1 Key elements of the statutory school funding framework underpinning the narrative and recommendation in this report are summarised in paragraphs 6.1 to 6.4. There are otherwise no specific legal implications arising from the report.

### Director of Resources

- 7.2 Included within the supporting information.

### Equalities Impact Assessment

- 7.3 The budget proposals ensure funding is targeted towards vulnerable groups prioritised by the DfE SNFF and a BFC specific EIA is not required.

### Strategic Risk Management Issues

- 7.4 The likely impact from the funding reforms and the additional resources that will be allocated to schools through the 2020-23 spending review is that schools will be receiving real terms increases in funding in each of the 3 years. However, some strategic risks do exist including:

1. Falling pupil numbers in some primary schools at a time of surplus places will create budget difficulties through having to operate with relatively small class sizes.
2. The ability of schools with deficits to manage their repayments. Two secondary and four primary schools have significant licensed deficits that need to be repaid.
3. Cost pressures on school responsibilities to meet SEND needs of pupils up to the £10,000 limit when numbers are rising.
4. Cost pressures arising from the coronavirus pandemic
5. Managing the additional diseconomy revenue costs arising from the new / expanded schools programme.

- 7.5 These risks will also 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 £0.185m (after academy deduction) to support schools in financial difficulties that meet qualifying criteria.

- 7.6 The financial impact from new schools is also being managed through the measured use of accumulated DSG balances and up to £1m contribution from the council (subject to agreement of the secretary of state).

## **8 CONSULTATION**

### Principal Groups Consulted

- 8.1 People Directorate Management Team, schools and the Schools Forum.

### Method of Consultation

8.2 Written reports to People Directorate Management Team and the Schools Forum, formal consultation with schools

### Representations Received

8.3 Included in previous report.

### Background Papers

None:

### Contact for further information

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### Doc. Ref

[https://bfcouncil.sharepoint.com/sites/fina/bpm/FIBPSCB-FIN9.6/Schools Forum/\(101\) 101220/2021-22 Schools Budget Proposals - December 2020v2 Final for Forum.docx](https://bfcouncil.sharepoint.com/sites/fina/bpm/FIBPSCB-FIN9.6/Schools%20Forum/(101)%20101220/2021-22%20Schools%20Budget%20Proposals%20-%20December%202020v2%20Final%20for%20Forum.docx)

## Proposed financing and associated budget for the Growth Fund

	Primary £'000	Secondary £'000	Current Proposed 2021-22 £'000	Previously Reported 2021-22 £'000	Change £'000	Actual 2020-21 £'000
<b><u>New schools:</u></b>						
Diseconomy costs	288.2	780.2	1,068.3	1,109.0	-40.7	1,038.0
	288.2	780.2	1,068.3	1,109.0	-40.7	1,038.0
<b><u>Retained Growth Fund</u></b>						
Start-up costs	0.0	0.0	0.0	0.0	0.0	0.0
Post opening costs	15.0	0.0	15.0	15.0	0.0	15.0
In-year pupil growth	77.5	77.5	155.0	300.0	-145.0	300.0
KS1 classes	115.0	0.0	115.0	50.0	65.0	50.0
	207.5	77.5	285.0	365.0	-80.0	365.0
<b>Total estimated costs</b>	495.7	857.7	1,353.3	1,474.0	-120.7	1,403.0
<b><u>Costs by school:</u></b>						
KGA - Oakwood	162.3	0.0	162.3	158.5	3.8	157.8
KGA - Binfield	140.9	780.2	921.1	965.5	-44.4	895.3
<b>Total estimated costs</b>	303.2	780.2	1,083.3	1,124.0	-40.7	1,053.1

### Services proposed to be centrally managed by the Council

Item	Schools Budget Funded			Comment on proposed change
	2020-21 Budget	2021-22 Proposed	Change	
<u>Combined Services Budgets:</u>				
Family Intervention Project	£100,000	£100,000	£0	
Educational Attainment for Looked After Children	£133,590	£133,590	£0	
School Transport for Looked After Children	£42,890	£42,890	£0	
Young People in Sport	£18,050	£0	-£18,050	Funds ad hoc coaches / instructors in delivery of sports activities in schools. £0.060m one-off sports funding in reserve available for continuation of activities.
Common Assessment Framework Co-ordinator	£42,470	£42,470	£0	
Domestic Abuse	£6,000	£2,000	-£4,000	Reflects ordinary level of expenditure e.g. Multi Agency Risk Assessment Conference
Education Health Partnerships	£30,000	£0	-£30,000	BFC to fund 50% of existing costs to provide support to children and young people with SEND to maximise their potential and lead happy, healthy and fulfilled lives from LA budget.
SEN Contract Monitoring	£32,680	£32,680	£0	
<i>Central School Services - historic commitments</i>	<i>£405,680</i>	<i>£353,630</i>	<i>-£52,050</i>	
<u>Other Permitted Central Spend</u>				
<u>Miscellaneous (up to 0.1% of Schools Budget):</u>				
Forestcare out of hours support service	£5,150	£5,150	£0	
Borough wide Initiatives	£28,930	£15,000	-£13,930	Used to fund special projects that would otherwise not take place e.g. Pupil Premium, SEND initiatives.
Support to Schools Recruitment & Retention	£7,920	£7,920	£0	Reflects recent spend profile.
<u>Statutory and regulatory duties:</u>				
'Retained' elements	£275,830	£275,830	£0	
<u>Other expenditure:</u>				
School Admissions	£186,690	£186,690	£0	
Schools Forum	£22,740	£20,935	-£1,805	Reflects ordinary level of expenditure.
Boarding Placements for Vulnerable Children	£62,470	£50,000	-£12,470	This is a very volatile budget, with future budget to be set at recent expenditure levels
Central copyright licensing	£89,030	£89,030	£0	
<i>Central School Services - on-going responsibilities</i>	<i>£678,760</i>	<i>£650,555</i>	<i>-£28,205</i>	
<b>Total Central School Support Services</b>	<b>£1,084,440</b>	<b>£1,004,185</b>	<b>-£80,255</b>	
<u>Funding</u>				
Historic commitments	£324,544	£259,635	-£64,909	Allocation from DfE based on previous spend. Reduced by 20% per annum.
On-going responsibilities	£614,057	£598,711	-£15,346	Allocation from DfE based on pupil numbers. Reduces by 2.5% per annum
Total Funding	£938,601	£858,346	-£80,255	
Existing agreed transfer from Schools Budget	£145,770	£145,770	£0	
Central School Services Total Funding	£1,084,371	£1,004,116	-£80,255	

## Changes from 22 October Forum to 10 December Forum

Item	Schools Block		Central	Total
	Delegated school budgets 1 £'000	Growth Fund - LA Managed 2 £'000	Services Schools Block 3 £'000	4 £'000
<b>2020-21 Schools Block budget</b>	0	0	0	0
<b>2020-21 base budget</b>	0		0	0
<b>Provisional 2021-22 DSG funding</b>	617	0	0	617
<b>Internal Schools Block funding transfer</b>	20	-20	0	0
On-going contribution to CSSB pressures	0	0	0	0
<b>2021-22 forecast income</b>	617		0	617
<b>+Surplus of income / - Deficit of income</b>	617		0	617
<b><u>Changes for 2021-22</u></b>				
Add: Teachers' Pay and Pension Grants	0	0	0	0
Impact of change in pupil numbers (+127)	593	0	0	593
New schools - 2021-22 change in cost pressure	-41	0	0	-41
Impact from changes in IDACI scores	0	0	0	0
Estimated impact from change in FSM eligibility	94	0	0	94
In-year growth allowances, KS1 classes etc	0	-20	0	-20
Rates: revaluation and inflation	-26	0	0	-26
School Amalgamations - impact on lump sum	0	0	0	0
Cost of new year NFF funding rates at circa +3%	0	0	0	0
Reductions on Central School Services	0	0	-80	-80
<b>Total core changes required for 2021-22</b>	600		-80	520
<b>Shortfall to DSG Funding</b>	17			