

## Appendix 5 – DSG Budget setting 2021/22

### Recommendations

1. To agree to the DSG financial strategy set out in section 2.
2. To agree to the arrangements for the Schools Block for 2021/22 and the allocation of £222.315m, as set out in section 3 and in Part B.
3. To the Central School Services budget for 2021/22 of £1.181m in Table 3 of section 4.
4. Agree the approach to allocating and distributing the Early Years Block Funding of £20.092m, as set out in section 5.
5. Agree the revised high needs top-up rates for 2021/22 set out in Table 4 of section 6 and the allocation of the High Needs Block budget (£51.672m) for 2021/22, as summarised in table 5 of section 6.

### 1. Introduction

- 1.1. Schools Forum has been engaged with officers in recent months to consider the detailed implications of how the DSG can best be deployed in 2021/22. The recommendations put forward in this report have been considered by Schools Forum at its meeting on 14<sup>th</sup> January 2021. The next few paragraphs briefly outline what is proposed about the use of the DSG for 2021/22 and any points Schools Forum may have wished Cabinet and Council to be aware of prior to final decisions.

### 2. Financial Strategy

- 2.1. The DSG, particularly the High Needs Block, looks set to incur a deficit in 2020/21 (£0.5m) and there are high risks that a further deficit will be incurred in 2021/22 (£0.9m in-year, £1.4m cumulative by March 2022). At a school level, the financial position is not good. 19 out of 70 maintained schools have licenced deficits for 2020/21 financial year. Lambeth has the lowest national rises for Schools Block and Early Years Block. Then, we must take account of the local impact of an increase in the Lambeth Pension Fund contributions for support staff in April 2021.
- 2.2. In the circumstances, it is important to allocate the DSG in full for 2021/22. Moreover, it is important to increase High Needs Top-Up rates to take account of the increased costs of support staff in 2021/22. The forecast of a deficit to carry forward from 2020/21 and the risks of further pressure in the High Needs Block in 2021/22 are real and a cumulative deficit at the end of 2021/22 is likely. Nonetheless, this approach is being pursued with two aims in mind:
  - a) **Individual schools' budgets.** To incur a short-term deficit centrally in the DSG to mitigate the impact of the Lambeth Pension Fund increase on the budgets of individual schools. Schools will still need to manage their increase, but by providing the additional high needs funding required for support staff, this ought to assist in adapting to the new arrangements
  - b) **Medium Term Financial Strategy.** 2021/22 is the second year of the £7.1bn national funding increase for schools. While that has not helped Lambeth Schools Block, nor the Early Years Block, it has provided stepped increases in the High Needs Block. On the expectation that 2022/23 will be the third and final year of a stepped increase, the aim would be to incur a short-term deficit in 2021/22 and to balance the DSG by March 2023

- 2.3. Uncomfortable as it may be to risk a deficit position, this would appear to be the most appropriate approach for the circumstances that Lambeth finds itself in at this point. From a technical perspective, the in-year 2021/22 DSG will budget to bring forward part of the 2022/23 DSG to the extent that there are risks of overspend. The forecast 2020/21 DSG deficit, whatever it might finally be, will be deferred to 2022/23.

**Table 1: Proposed DSG budget 2021/22**

<b>Block</b>	<b>(Estimated) Brought forward 2021/22 £'000</b>	<b>Provisional DSG 2021/22 £'000</b>	<b>Proposed budget requirement 2021/22 £'000</b>	<b>(Estimated) Carry Forward 2021/22 £'000</b>	<b>Comment</b>
Schools Block	235	222,315	222,315	(235)	Schools Block to budget for full requirement, such that the brought forward on the Growth Fund can be carried forward to 2022/23.
Central School Services Block	0	1,181	1,181	0	CSSB to be fully committed.
Early Years Block	0	28,092	28,092	0	Plan to allocate all the Early Years Block
High Needs Block	0	51,672	52,454	782	A planned temporary overspend in 2021/22, to be addressed with the expected third year of stepped High Needs budget increases in 2022/23.
De-delegated budgets	123	0	100	(23)	Vulnerable Schools Fund
Unallocated	(874)	0	0	874	
<b>Total</b>	<b>(516)</b>	<b>303,260</b>	<b>304,142</b>	<b>1,398</b>	A planned temporary deficit to support schools with the aim of recovering by March 2023.

### **3. Schools Block**

- 3.1. It is not proposed to transfer any funding from the Schools Block to the High Needs Block for 2021/22; national funding increases have not translated into much more funding for mainstream schools, but they have for High Needs. Schools Forum decided that £0.180m would be set aside for the Growth Fund and £0.585m for the Falling Rolls Fund.
- 3.2. The remaining £221.550m would be distributed to all mainstream schools and academies using a local funding formula which was the subject of consultation with all schools and was supported by Schools Forum at its December 2020 meeting.
- 3.3. The Minimum Funding Guarantee will be set at 0.5% (ie every school will be guaranteed to receive 100.5% of its 2020/21 per pupil funding (excluding lump sum and business rates) in 2021/22. The formula values are those set out in Part B below. The formula allocations (summarised in Table 2 below) will have had to be submitted to the ESFA by 21<sup>st</sup> January 2021, but they are aware that any submission is subject to political ratification.

**Table 2: Components of proposed Schools Block 2021/22**

<b>Component</b>	<b>2021/22 £'000</b>
Basic Entitlement (i.e. Pupil Numbers)	168,892
AEN Factors (i.e. Pupil Characteristics)	33,278
School Factors (i.e. Premises and lump sums)	17,732
Minimum Funding Guarantee	1,649
<b>Total Formula Funding</b>	<b>221,551</b>
Falling Rolls Fund	180
Growth Fund	585
<b>Total Allocation</b>	<b>222,315</b>

3.4. At its meeting on 14th January 2021, Schools Forum fully supported the approach outlined. They also wanted Cabinet to be aware that this approach had been deliberated at length in recent months, including through a sub-group and full consultation with all schools.

#### **4. Central School Services Block**

4.1. The existence of DSG reserves has helped sustain support for the range of statutory, regulatory and other services and functions that a local authority has to provide, regardless of the number of academies it might have. This has included funding for central services that exceed the in-year block allocation. It was agreed in the 2020/21 budget setting process that the budget plans for the Central School Services Block from 2021/22 would be limited to the amount in the CSSB DSG. Spending within the DSG in 2020/21 was £2.032m, but the budget plans for 2021/22 are limited to £1.181m. The implications of this for the Council's General Fund were taken into account in the most recent iteration of the Medium Term Financial Strategy. Table 3 summarises the proposed allocations for 2021/22.

**Table 3: Allocation of CSSB 2021/22, compared to 2020/21.**

<b>Component</b>	<b>Allocation 2020/21 £'000</b>	<b>Proposed allocation 2021/22 £'000</b>	<b>Difference £'000</b>
<b>Statutory and Regulatory</b>	1,010	185	<b>(825)</b>
<b>Education Welfare</b>	220	220	<b>0</b>
<b>Asset Management</b>	100	0	<b>(100)</b>
<b>Admissions</b>	500	500	<b>0</b>
<b>School Licences</b>	177	177	<b>0</b>
<b>Schools Forum</b>	25	25	<b>0</b>
<b>Pay and Pension Grant on central services</b>	0	74	<b>74</b>
<b>Total</b>	<b>2,032</b>	<b>1,181</b>	<b>(851)</b>

4.2. At its meeting on 14<sup>th</sup> January 2021, Schools Forum fully supported this budget proposal.

## 5. Early Years Block

- 5.1. Funding rates for 2021/22 have barely changed. Funding for 2 year olds has increased by 8p per hour to £6.66, but funding for 3 and 4 year olds remains £7.32 per hour for the third consecutive year. Budget proposals for 2021/22 are little different to those for 2020/21, but participation levels have reduced, as expected. This particularly affects the central budget, where the LA may retain up to 5% of funding to manage and monitor the service or support other initiatives. The lower participation means that the £77k reduction available to retain centrally is shared proportionately between the central Early Years Team and Children's Centres.

**Table 3: Early Years proposed allocations 2021/22, compared to 2020/21**

Planned spending component	Jan 2019			Jan 2020			Change £'000
	PTE pupils (570 hours)	Rate per hour (£)	Original Planned 2020/21 (£'000)	PTE pupils (570 hours)	Rate per hour (£)	Total Planned 2021/22 (£'000)	
2 year old funding	845	6.580	3,170	786.2	6.660	2,985	(185)
3&4 YO Universal & Extended rates	6,202	6.270	22,165	5,827	6.270	20,825	(1,340)
Deprivation	6,202	0.325	1,149	5,827	0.325	1,079	(70)
Quality	6,202	0.135	477	5,827	0.135	448	(30)
Maintained Nursery Supplements	6,202	0.122	431	5,827	0.122	405	(26)
SEND Inclusion Fund	6,202	0.110	389	5,827	0.110	365	(24)
Retained central support	6,202	0.358	1,266	5,827	0.358	1,189	(77)
Contingency for variations in pupils etc	6,202	0.000		5,827	0.000	0	
<b>Total for 3 and 4 year olds</b>		<b>7.320</b>	<b>25,877</b>		<b>7.320</b>	<b>24,312</b>	<b>(1,567)</b>
Maintained Nursery Supplements (national)			523			533	10
EY Pupil Premium			178			195	17
Disability Access Fund			64			66	2
<b>Total spend at the same participation level</b>			<b>29,814</b>			<b>28,092</b>	<b>(1,722)</b>

- 5.2. At its meeting on 14<sup>th</sup> January 2021, Schools Forum fully supported these budget proposals. Schools Forum indicated that these are unpredictable times, but the LA is doing all it can to support settings. They also wanted Cabinet to be aware that much work has gone into these budget proposals and the Early Years representatives were consulted prior to the meeting.

## 6. High Needs Block

- 6.1. Spending on the **High Needs** block is forecast to be £52.5m. The £51.7m High Needs DSG for 2021/22 represents a £4.6m increase, of which £0.6m is the transfer of grants into the DSG. It represents a stepped increase of 8% on a like-for-like basis, the second stepped increase in successive years, as part of the DfE's planned three-year £7.1bn increase in funding for schools.
- 6.2. Officers have costed all known commitments for places and top-ups that are currently open or agreed. Provision has been made for place number changes which are not yet resolved (eg some Further Education and Alternative Provision places), new cases (at a rate of 25 new ones per month) and leavers (around 150 in the summer of 2021). The main change is in the rates for Lambeth top-ups, which have been increased to take account of teachers pay and general inflation (1.2%) and the 10% increase in employer contributions for schools to the Lambeth Pension Fund

from 1<sup>st</sup> April 2021 (7.5%). To assist with the affordability of the revised top-ups, Schools Forum agreed that the Disproportionate SEND Fund (£0.592m in 2020/21) be scaled down to £0.100m and the threshold for eligibility be raised to 4% to target those few schools with the very highest needs. The proposed revised top-up rates arising from this approach are set out in Table 4.

**Table 4: Proposed High Needs Top-up rates 2021/22**

<b>Special School (S) Band</b>	<b>S1</b>	<b>S2</b>	<b>S3</b>	<b>S4</b>	<b>S4+</b>	
Special School Rates 2020/21	£10,857	£12,712	£16,008	£21,003	£26,050	
<b>Special School Rates from 1<sup>st</sup> April 2021</b>	<b>£11,501</b>	<b>£13,414</b>	<b>£16,812</b>	<b>£21,961</b>	<b>£27,164</b>	
Increase (£)	£644	£702	£804	£958	£1,114	
<b>Resource Base (R) Band</b>	<b>R1</b>	<b>R2</b>	<b>R3</b>	<b>R3+</b>		
Resource Base Rates 2020/21	£3,750	£6,500	£10,857	Bespoke		
<b>Resource Base Rates from 1<sup>st</sup> April 2021</b>	<b>£4,695</b>	<b>£7,332</b>	<b>£11,501</b>	<b>Bespoke</b>		
Increase (£)	£945	£832	£644			
<b>Mainstream (M) Band</b>	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</b>	<b>M5+</b>
Mainstream School Top-up Rates 2020/21	£2,755	£5,330	£8,935	£12,540	£16,660	Bespoke
<b>Mainstream School Top-up Rates from 1<sup>st</sup> April 2021</b>	<b>£3,356</b>	<b>£6,108</b>	<b>£9,961</b>	<b>£13,814</b>	<b>£18,217</b>	Bespoke
Increase (£)	£601	£778	£1,026	£1,274	£1,557	
<b>Alternative Provision (A) Band</b>	<b>A1</b>			<b>A2</b>		
Alternative Provision Top-up Rates 2020/21	£9,570			£10,091		
<b>Alternative Provision Top-up Rates from 1<sup>st</sup> April 2021</b>	<b>£10,175</b>			<b>£10,712</b>		
Increase (£)	£605			£621		

- 6.3. Council is invited to agree a budget of £52.5m as set out in Table 5. As indicated earlier, this draws on 2022/23 DSG in advance, which is permissible under the DSG terms of grant. The expectation would be that the third year of stepped increases to the High Needs Block, arising from the £7.1bn national increases in schools funding, will allow a balanced position to be achieved by March 2023.
- 6.4. There are risks associated with this strategy. The on-going volatility of the high needs budget is one and the potential for the third year of the national increases in school funding to be focussed elsewhere in the DSG is another. Should monitoring during 2021/22 suggest that these risks are likely to materialise, alternative strategies for maintaining a medium-term balanced position will be developed.

**Table 5: Proposed High Needs Budget 2021/22**

<b>Component</b>	<b>Latest budget 2020/21 £'000</b>	<b>Proposed Budget Requirement 2021/22 £'000</b>	<b>Difference £'000</b>	<b>Comment</b>
1. Places only	10,500	11,683	1,183	Known and expected places, including transfer of grants
2. SEN Top-Ups	32,446	37,602	5,156	Open cases plus 25 new cases per month and 150 leavers in summer 2021 at average costs. Includes full cost pressures for Lambeth settings and 1% provision for cost drift across all settings
3. AP Top-Ups	1,989	1,307	(682)	Current budgets have been abated to recognise payments for actual participation only.
4. Other High Needs provision	2,232	1,862	(370)	Disproportionate SEND reduced to £0.100m for exceptional circumstances only
<b>Total expenditure</b>	<b>47,167</b>	<b>52,454</b>	<b>5,286</b>	
High Needs DSG Funding	47,167	51,672	4,505	Budgets updated to reflect Dec 2020 ESFA notification
<b>Total funding</b>	<b>47,167</b>	<b>51,672</b>	<b>4,505</b>	
<b>Net position</b>	<b>0</b>	<b>782</b>	<b>782</b>	This would produce an in-year deficit that would be managed as part of the strategy to balance the DSG overall by March 2023

6.5. At its meeting on 14th January 2021, Schools Forum fully supported the budget proposals for the High Needs Block and asked that Cabinet be aware that the issues have been the subject of much debate.

**Part B – DSG Formula Values 2021/22**

Factor type	Factor	2021/22 Lambeth Value Primary	2021/22 Lambeth Value Secondary	Units Primary	Units Secondary	Amount distributed 2021/22 £'000
Age-Weighted Pupil Unit (AWPU)	Primary (Yr R-6)	£4,383.23		20,816.00		<b>£91,241</b>
	Key Stage 3 (Yr 7-9)	£6,450.84		7,302.75		<b>£47,109</b>
	Key Stage 4 (Years 10-11)	£6,637.50		4,601.50		<b>£30,542</b>
Deprivation	FSM	£398.32	£398.32	6,350.01	3,917.73	<b>£4,090</b>
	FSM6	£497.90	£727.37	7,342.27	5,644.72	<b>£7,761</b>
	IDACI Band F	£186.17	£268.43	3,140.09	1,855.17	<b>£1,083</b>
	IDACI Band E	£225.14	£359.35	3,770.88	2,205.76	<b>£1,642</b>
	IDACI Band D	£355.02	£502.23	3,069.72	1,883.94	<b>£2,036</b>
	IDACI Band C	£385.33	£545.52	3,553.59	2,269.03	<b>£2,607</b>
	IDACI Band B	£411.31	£588.82	923.01	724.97	<b>£807</b>
	IDACI Band A	£536.87	£749.01	181.51	114.29	<b>£183</b>
Looked After Children (LAC)	LAC X March 19	£0.00		106.70		<b>£</b>
English as an Additional Language	EAL 3 Primary	£476.25		5,200.11		<b>£2,477</b>
	EAL 3 Secondary		£1,285.88		743.14	<b>£956</b>
Mobility	Pupils starting school outside of normal entry dates	£779.32	£1,117.03	29.32	0.00	<b>£23</b>
Prior Attainment	Primary		£948.17	32.47%	6,284.56	<b>£5,959</b>
	Secondary (year 7)	64.53%	£1,437.41	21.37%	2,543.17	<b>£3,656</b>
	Secondary (year 8)	63.59%		22.46%		
	Secondary (year 9)	58.05%		21.24%		
	Secondary (year 10)	48.02%		20.76%		
	Secondary (year 11)			16.51%		
Basic Entitlement	7) Lump Sum	£170,000		79.00		<b>£13,430</b>
Premises	10) Split Sites					<b>£430</b>
Premises	11) Rates					<b>£3,662</b>
Premises	12) PFI funding					<b>£209</b>
Minimum Funding Guarantee	MFG					<b>£1,649</b>
Growth Fund						<b>£180</b>
Falling Rolls Fund						<b>£585</b>
Unallocated						
<b>GRAND TOTAL SCHOOLS BUDGET</b>						<b>£222,315</b>