



Classification	Item No.
Open	

Meeting:	Cabinet
Meeting date:	23 February 2021
Title of report:	The Dedicated Schools Grant and setting the Schools Budget 2021-22
Report by:	Leader of the Council and Cabinet Member for Finance and Growth
Decision Type:	Key Decision
Ward(s) to which report relates	All

Executive Summary:

- 1.1 The Dedicated Schools Grant (DSG) is the ring-fenced grant from Government that provides each local authority with an allocation of funding for schools and services for pupils.
- 1.2 The DSG contains 4 blocks determined by a separate national funding formula which calculates the total funding due to Local Authorities. In considering how the DSG is allocated it is necessary to consider each block separately. This report sets out recommendations in relation to the Schools Budget for approval by Cabinet. The details set out in the report has been discussed, and agreed, by the Schools Forum.
- 1.3 Under the Council's Constitution, the Overview and Scrutiny Committee is required to advise and consider the Cabinet's budget and council tax proposals and report to Cabinet on the outcome of its deliberations before the matter is referred to Council.

Recommendation(s)

That Cabinet:

- Approve the Dedicated Schools Grant Budget for 2021/22 at £190.923m and approve the allocations between the 4 funding blocks;
- Approve the Schools and Academies 2021/22 funding unit values as recommended by Schools' Forum and detailed at Appendix 1;
- Approve the 2021/22 hourly rates for all early years providers as follows:
 - £4.44 per hour for 3 and 4 year olds, and:
 - £5.36 per hour for 2 year olds.

Key considerations

Background

2 Dedicated Schools Grant

- 2.1 In September 2019, the Chancellor of the Exchequer presented the 2019 Spending Round (SR19) to Parliament and this included notification that, nationally, schools funding would increase by £2.6bn in 2020/21, £4.8bn in 2021/22 and £7.1bn in 2022/23. The Government also advised that the high needs funding for schools would increase by £700m nationally. This 3-year funding allocation has helped with financial planning for our schools and has remained largely unchanged and forms the basis for the 2021/22 budget to schools.
- 2.2 For schools this means that the minimum per primary school pupil amount has increased from £3,500 in 2019/20, £3,750 in 2020/21, and will increase to £4,180 for 2021/22. The Secondary minimum per pupil amount has increased from £4,800 in 2019/20, £5,000 in 2020/21, to £5,415 for 2021/22. For Bury, an additional £13.281m has been allocated over and above the 2020/21 allocation.
- 2.3 The allocations for Bury are set out in the following table.

Dedicated Schools Grant	2020/21 £m	2021/22 £m	(Increase)/ Decrease £m's
Schools Block	129.940	139.599	(9.659)
Central Schools Services Block	0.774	0.952	(0.178)
Early Years Block	13.869	14.064	(0.195)
High Needs Block	33.059	36.308	(3.249)
Total DSG	177.642	190.923	(13.281)

- 2.4 The 4 blocks that make up the DSG are:

- ***The Schools Block***

This provides funding for individual mainstream schools and academies as well as growth funding for any planned growth in schools. It is the responsibility of the Council to propose and decide any changes to the formula which is used to allocate Schools Block DSG to all primary and secondary schools. The Schools Forum is consulted on any proposed changes and informs the governing bodies of all consultations.

- ***The High Needs Block***

This provides funding for the education of pupils subject to Education, Health and Care plans from age 0-25 in a range of provision including special schools, mainstream schools, alternative provision, independent specialist provision and council centrally retained expenditure for high needs support and inclusion. It is the responsibility of the local authority to propose and decide the allocation of High Needs Funding. The Schools Forum is consulted on any proposed changes and informs the governing bodies of all consultations.

- ***The Early Years Block***

This provides funding for two-year olds, early years funding in schools and in the Private, Voluntary and Independent (PVI) sector as well as centrally retained expenditure for under 5s. Local Authorities must pass through a minimum of 95% of funding for the universal 15-hour entitlement for 3- and 4-year olds and the additional 15 hours entitlement for 3 and 4 year old children of eligible working parents directly to settings. This means that up to 5% can be retained by the Council to contribute to early years functions delivered by education services, for contingency to allow in-year funding to be provided to providers for increased early years pupil participation and for Early Years SEND inclusion funds.

It is the responsibility of the local authority to propose and decide on the allocation of early years funding. The Schools Forum and all early year's providers are consulted annually and given an opportunity to give their view on the proposals.

- ***The Central Schools Service Block***

This provides funding for the local authority to carry out central functions on behalf of pupils in both maintained schools and academies. The local authority proposes the spending allocations funded from the Central Services block but the final decision is made by the Schools Forum. Central Schools Services includes the admissions service, schools forum administration, school improvement and other statutory and regulatory duties.

2.5 There is limited flexibility for councils to transfer funding between the 4 blocks. For 2021/22 the Education and Skills Funding Agency (ESFA) has limited the movement between blocks to 0.5% of the total Schools Block allocation but only with the agreement of the Schools' Forum. Any proposed increase on this is subject to approval by the Secretary of State.

2.6 For 2021/22, Bury's Schools' Forum has unanimously approved a transfer of 0.2% from the Schools' Block to help support the pressures being faced on the High Needs Block. This equates to £0.254m contribution to help sustain the recovery of the High Needs deficit.

3 DSG Allocation

Schools Block National Funding Formula Allocation

3.1 The Schools Block allocation for 2021/22 is £139.599m. This is an increase of £9.659m from the 2020/21 allocation.

- 3.2 In September 2017, the National Funding Formula (NFF) for Schools and Central Schools Services was introduced. Following consultation with all schools and academies, Bury applied the NFF with effect from 1 April 2018 with the Secondary Schools opting to move to this immediately and Primary Schools taking a 3 year phased approach. From 2020/21, the national funding formula has been applied to all schools in Bury as previously agreed. The 2021/22 funding factors continue to comply with the national funding formula values
- 3.3 The Schools Forum has considered the allocation of the Schools Block and have made their recommendations. These have been applied to the formula used to determine individual school allocations and ensure full compliance with statutory requirements.
- 3.4 It should be noted that the funding increase to the Schools Block includes the transfer of the Teachers Pay and Pension Grants into the DSG from 2021/22. To ensure schools can continue to meet the cost of increased pay and pensions for teachers, the schools' delegated budgets are enhanced through an increase to the per-pupil Basic Entitlement funding.
- 3.5 A full summary of the funding formula factors is set out at Appendix 1 and these are recommended for approval by Cabinet.
- 3.6 In addition to the Schools Block funding, additional external funding is available directly for schools and academies. It should be noted that these are estimated figures, based on 2020/21 actuals and are subject to pupil census and other data updates. A summary is set out in the following table.

Estimated external Funding available to schools and academies in 2021/22	
	£m
Pupil Premium Grant	8.786
Universal Infant Free School Meals Grant	2.211
Primary PE and Sport	1.123
Covid Catch Up Grant – Summer Term 2021	0.986
Devolved Formula Capital	0.532
TOTAL	13.638

- 3.7 During 2020/21 schools were also provided with additional funding to support them through the coronavirus pandemic and any additional costs incurred as a result of schools' compliance to Government lockdown guidance. This included the Covid Exceptional Costs Reimbursement Scheme, Covid Catch-Up Grant (Autumn 2020 and Spring 2021), and the Workforce Fund. There is no guarantee these grants will be provided to contribute to any ongoing costs faced by schools in 2021/22.

Early Years Block National Funding Formula Allocation

- 3.8 The Early Years Block allocation for 2021/22 is £14.064m. This is an increase of £0.195m from the 2020/21 allocation.
- 3.9 Early Years funding to providers is based on hourly rates for eligible 2-, 3- and 4-year olds accessing their entitlement to free early education. The hourly funding rate applied to 3- and 4-year olds must also meet a minimum level of an average across all providers of at least £4.22 per hour.
- 3.10 The hourly rate determined must include a universal base rate and a mandatory supplement for deprivation applied to all providers. Any supplements must not be more than 10% of the total hourly rate funding to providers.

- 3.11 Up to 5% of the 3- and 4-year old funding may be retained by the Council to contribute to central early years functions, contingency for in-year increases to early years pupil participation in settings and for Early Years SEND Inclusion Fund.
- 3.12 The 2-year-old funding rate allocated is higher in order to contribute to funding the greater staffing ratios required and associated costs of supporting 2-year-old children. The 2 year old aspect does not include any mandatory supplements and is not subject to the 95% pass-through requirement.
- 3.13 The Early Years block for 2021/22 continues to include the Maintained Nursery School (MNS) funding protection which is allocated as an additional lump sum outside of the universal hourly rates used.
- 3.14 The 2021/22 hourly rates proposed ensure the full increased funding provided through the Early Years Block of 8 pence per hour for 2-year olds and 6 pence per hour for 3- and 4-year olds is allocated directly to all Early Years providers through their funding allocations based on actual numbers on roll and hours of pupil participation in their settings.
- 3.15 Bury's 3- and 4-year-old hourly rate for early years provision is higher than the minimum set out by the Government. It is however proposed that the additional allocation in the settlement, equivalent to £0.06 be added to the 2021/22 rate. In accordance with the statutory requirements Council is required to approve the hourly rates applicable with effect from 1 April 2021, as recommended by Schools' Forum. These are set out in the tables below.

Table 1

Early Years Allocation for 3- and 4-year olds - Funding Per Hour	
Factor	2021/22 Allocation Per Hour (£)
Universal rate allocated to all providers	4.14
Deprivation Supplement (average)	0.16
Central Provided Services (3%)	0.14
Total for 3 and 4 year olds	4.44

Note: The deprivation allocation above is an average and may vary to individual settings as their actual amount is determined according to the latest deprivation indices for all children on roll according to their home postcode.

Table 2

Early Years Allocation for 2-year olds - Funding Per Hour	
Factor	2021/22 Allocation Per Hour (£)
Universal rate allocated to all providers	5.36
Deprivation Supplement	n/a
Total for 2 year olds	5.36

- 3.16 Early Years settings may also receive additional funding for eligible pupils through the Early Years Pupil Premium Grant (EYPPG) at £0.53 per hour, and/or Disability Access Fund (DAF) at £615 per eligible child.

High Needs DSG Budget Allocation

- 3.17 The 2021/22 allocation for High Needs DSG is £36.308m. This represents a £3.249m increase from the 2020/21 allocation.
- 3.18 High Needs funding is based on SEND pupil numbers as of October 2020 in mainstream, special and resources provision maintained schools and academies, and SEND pupil numbers at January 2021 in independent provision.
- 3.19 Of the total allocation of £36.308m, the ESFA will allocate around £1.002m direct to Further Education (FE) establishments for high needs places. The funding remaining for the Council to manage is therefore £35.306m to fund all in-borough and out-borough provision and specialist support delivering SEND and inclusion priorities. From the £35.306m the ESFA will also allocate £2.784m direct to Bury's Academies with specialist places.
- 3.20 It should be noted that the funding increase to the High Needs Block also includes the transfer of the Teachers Pay and Pension Grants into the DSG from 2021/22. To ensure Bury's Special Schools and Pupil Referral Unit (PRU) can continue to meet the cost of increased pay and pensions for teachers, the statutory place funding has been inflated by £660 to £10,660 per place.

Central Schools Services Block (CSSB) DSG Budget Allocation

- 3.21 The allocation of the Central School Services DSG (CSSB) block is £0.952 in 2020/21, this represents an increase of £0.178m from the 2020/21 allocation. The use of the CSSB is one for the Schools Forum to decide based on proposals from the council in respect to funding ongoing responsibilities and central functions undertaken on behalf of schools and academies.
- 3.22 It should be noted that the funding increase to the CSSB also includes the transfer of the Teachers Pay and Pension Grants into the DSG from 2021/22. This is to meet the cost of increased pay and pensions for centrally employed teachers.

4 DSG HIGH NEEDS RECOVERY PLAN

- 4.1 Costs of high needs have exceeded the available budget for a number of years and the position on the DSG reserve is a cumulative deficit of £20.067m at the end of 2019/20. The deficit has accrued for a number of reasons including increasing volumes of pupils receiving Education, Health and Care Plans (EHCPs), increasing complex needs, increasing costs of provision, increased numbers of pupils in out of borough placements, as well as investment made into in-borough inclusion.
- 4.2 The DfE has announced the removal of the link between the council's general reserves and DSG deficit balances although the statutory override that is required to do so is still awaited. Until then, the DSG deficit is offset by the Council's own reserves.
- 4.3 The DfE want to ensure that DSG deficits are recovered and have set up a DSG Safety Valve Project team to work with the councils with the greatest deficits to develop an agreed recovery plan.
- 4.4 Bury has one of the largest deficits on the Dedicated Schools Grant (DSG) in the country and has been selected along with 5 other Local Authorities to work with the

Department for Education (DfE) in respect to developing and agreeing a recovery plan.

- 4.5 Bury met with the DfE Safety Valve Project team in December 2020 for an initial introduction and outline of the DfE expectations and detail about the recovery plan process and requirements.
- 4.6 A transformation plan aimed at recovering the position has been developed and, if approved by the DfE, will be presented to the Secretary of State in March 2021 at which point the outcome, including potential funding, will be known.
- 4.7 The transformation plan has involved intensive input from SEND and Finance colleagues and will be completed in accordance with the DfE timeframe by the end of January 2021 so they can scrutinise it in February prior to reaching the expected agreement and approval of the Secretary of State prior to 31 March 2021.
- 4.5 The DfE have acknowledged the considerable progress made since their initial visit in December 2020 in producing an action plan that will see the recovery of the deficit through a robust, comprehensive, and manageable delivery plan incorporating key milestones and performance indicators.
- 4.6 The DfE recognise the Council may need additional support to recover the deficit in full and they will consider how they can support Bury with increased revenue and capital funding and with any other professional expertise, advice and guidance they can provide.
- 4.7 The determination of any additional financial support is subject to acceptance of Bury's recovery plan and will be provided in this, and next financial year if confirmed.

Community impact / Contribution to the Bury 2030 Strategy

Delivery of the Bury 2030 strategy is dependent on resources being available. The delivery of the strategy may be impacted by changes in funding and spending.

Equality Impact and considerations:

24. *Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:*

A public authority must, in the exercise of its functions, have due regard to the need to -
 - (a) *eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;*
 - (b) *advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;*
 - (c) *foster good relations between persons who share a relevant protected characteristic and persons who do not share it.*
25. *The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations and*

demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.

Assessment of Risk:

The following risks apply to the decision:

Risk / opportunity	Mitigation
The Council has a statutory requirement to set its annual budget before 1 March 021. Failure to approve the budget would mean that schools and early years providers do not have their funding allocations for 2021/22.	All proposals have been discussed with the Schools Forum and are based on the latest financial information.

Consultation:

The Schools Forum has been consulted on the proposals set out in the report and the recommendations are supported by them.

Legal Implications:

The Council has a continuing responsibility for financial regularity in schools and the Section 151 Officer has set out the necessary arrangements for local financial and management controls in accordance with legislative provisions and guidance.

Financial Implications:

The financial implications are set out in the report and all proposals can be delivered within the funding available.

Report Author and Contact Details:

Lisa Kitto

Interim Director of Financial Transformation (S151 Officer)

Background papers:

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning
DSG	Dedicated Schools Grant

Appendix 1

Funding Unit Values recommended to Cabinet by the Schools Forum			
Factor	Sub-level	2020/21 Per Pupil	2021/22 Per Pupil
		£	£
Basic Entitlement Age Weighted Pupil Unit (AWPU)	Primary	2,873	3,123
	Key Stage 3	4,040	4,404
	Key Stage 4	4,586	4,963

Deprivation – Amount Per Pupil			
Factor	Sub Level	2020/21 Per Pupil	2021/22 Per Pupil
		£	£
Free School Meals - Ever 6	Primary	563	575
	Secondary	819	840
Free School Meals	Primary	452	460
	Secondary	452	460
Income Deprivation Affecting Children Indices (IDACI) - Primary (Amount Per Pupil)	IDACI F	211	215
	IDACI E	251	260
	IDACI D	377	410
	IDACI C	407	445
	IDACI B	437	475
	IDACI A	603	620
Income Deprivation Affecting Children Indices (IDACI) - Secondary (Amount Per Pupil)	IDACI F	302	310
	IDACI E	407	415
	IDACI D	538	580
	IDACI C	583	630
	IDACI B	628	680
	IDACI A	845	865

Funding Unit Values recommended to Cabinet by the Schools Forum			
Factor	Sub-level	2020/21 Per Pupil	2021/22 Per Pupil
Additional Education Needs Factors – Amount Per Pupil		£	£
Low cost, high incidence SEND	Low Prior Attainment	1,071	1,095
		1,619	1,660
English as an Additional Language (EAL)	Primary	541	550
	Secondary	1,448	1,485
Mobility	Primary	880	900
	Secondary	1,257	1,290

School-Led Factors		Amount per School	
		2020/21	2021/22
		£	£
Lump Sum	Primary	120,000	117,800
	Secondary	115,023	117,800