

Classification	Item No.
Open	



Meeting:	Overview and Scrutiny Cabinet
Meeting date:	Overview and Scrutiny – 8 February 2022 Cabinet - 16 February 2022
Title of report:	The Dedicated Schools Grant and setting the Schools Budget 2022-23
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 four 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.

Recommendations

That Overview & Scrutiny:

- Note content of this report
- Consider whether they wish to make any recommendations to Cabinet on the content of this report

That Cabinet:

- Approve the Dedicated Schools Grant Budget for 2022/23 at £202.629m, which includes an additional DSG Grant for 2022/23, and approve the allocations between the 4 funding blocks;
- Approve the Schools and Academies 2022/23 funding unit values as recommended by Schools' Forum and detailed at Appendix 1;
- Approve the 2022/23 hourly rates for all early years providers as follows:
 - £4.46 per hour for 3 and 4 year olds, and:
 - £5.56 per hour for 2 year olds.

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 receive a one year increase by £700m nationally in 2020/21 compared to 2019/20. This three year funding allocation, which was enhanced further following the Comprehensive Spending Review 2021 (CSR-21) announcement of additional schools and high needs DSG, has helped with financial planning for our schools and forms the basis for the 2022/23 budget to schools.
- 2.2 For schools this means that the minimum per primary school pupil amount has increased from £4,180 for 2021/22 to £4,265 for 2022/23. The Secondary minimum per pupil amount has increased from £5,415 for 2021/22 to £5,525 for 2022/23. For Bury, an additional £11.616m has been allocated over and above the 2021/22 allocation.
- 2.3 The allocations for Bury are set out in the following table.

Dedicated Schools Grant	2021/22	2022/23	Increase/(Decrease)
	£m	£m	£m's
Schools Block	139.599	147.222	7.623
Central Schools Services Block	0.952	0.991	0.039
Early Years Block	14.064	13.486	(0.578)
High Needs Block	36.398	40.930	4.532
Total DSG	191.013	202.629	11.616

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 leaves a balance of up to 5% that 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 2022/23 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 2022/23, Bury's Schools' Forum has unanimously approved a transfer of 0.5% from the Schools' Block to help support the pressures being faced on the High Needs Block. This equates to £0.715m 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 2022/23 is £147.222m. This is an increase of £7.623m from the 2021/22 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 2022/23 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 included 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 2021/22 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 2022/23	
	£m
Pupil Premium Grant	9.059
Universal Infant Free School Meals Grant	2.074
Primary PE and Sport	1.045
Covid Recovery / School Led Tutoring – to 31 August 2022	0.460
Devolved Formula Capital	0.797
TOTAL	13.435

- 3.7 During 2021/22 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, Covid Recovery Grant and the Workforce Fund. There is no guarantee that all or any of these grants will be provided to contribute to any ongoing costs faced by schools in the 2022/23 academic year. In addition the council received funding to provide Free School Meal vouchers for eligible pupils during holiday periods.

Early Years Block National Funding Formula Allocation

- 3.8 The Early Years Block allocation for 2022/23 is £13.486m which includes funding recognition for inflation and cost pressures in Early Years. This funding actually shows a decrease of £0.578m from the 2021/22 allocation due to the demographic impact of previous low birth rates impacting on 2, 3 and 4 year old Early Years pupil numbers.
- 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 £4.38 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 2022/23 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 2022/23 hourly rates proposed ensure the increased funding provided through the Early Years Block of 20 pence per hour for 2 year olds and 16 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 In accordance with the statutory requirements Council is required to approve these hourly rates applicable with effect from 1 April 2022, 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	2022/23 Allocation Per Hour (£)
Universal rate allocated to all providers	4.30
Deprivation Supplement (average)	0.16
Hourly rate allocated to all providers	4.46

Central Provided Services (up to 3%)	0.15
Total for 3 and 4 year olds	4.61

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	2022/23 Allocation Per Hour (£)
Universal rate allocated to all providers	5.56
Deprivation Supplement	n/a
Total for 2 year olds	5.56

- 3.16 Early Years settings may also receive additional funding for eligible pupils through the Early Years Pupil Premium Grant (EYPPG) at £0.60 per hour, and/or Disability Access Fund (DAF) at £800 lump sum per eligible child.

High Needs DSG Budget Allocation

- 3.17 The 2022/23 allocation for High Needs DSG is £40.930m. This represents a £4.532m increase from the 2021/22 allocation.
- 3.18 High Needs funding is based on SEND pupil numbers as of October 2021 in mainstream, special and resources provision maintained schools and academies, and SEND pupil numbers at January 2022 in independent provision.
- 3.19 Of the total allocation of £40.930m, the ESFA will allocate around £1.092m direct to Further Education (FE) establishments for high needs places. The funding remaining for the Council to manage is therefore £39.838m to fund all in-borough and out-borough provision and specialist support delivering SEND and inclusion priorities. From the £39.838m the ESFA will also allocate £3.074m direct to Bury's Academies with specialist places.
- 3.20 It should be noted that the funding increase to the High Needs Block also included 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 was increased by £660 to £10,660 per place from April 2021.

Central Schools Services Block (CSSB) DSG Budget Allocation

- 3.21 The allocation of the Central School Services DSG (CSSB) block is £0.991m in 2022/23, this represents an increase of £0.039m from the 2021/22 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 included 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 forecast deficit of £22.172m at the end of 2021/22. 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 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.
- 4.3 Bury 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.
- 4.4 Bury subsequently agreed to enter into the formal Safety Valve agreement and work with the DfE on recovering the deficit in full. The formal agreement was signed by all parties and published by the DfE on 19 March 2021 and the agreement was ratified by Cabinet at the meeting of 24 March 2021.
- 4.5 A transformation plan aimed at recovering the position has since been developed and, approved by the Secretary of State in March 2021. This agreement has provided Bury with an additional £20m revenue DSG to help clear the balance of the accumulated deficit by the end of 2024/25, plus an additional £3.781m High Needs capital allocation to contribute to developing in-borough provision and places to help reduce cost pressures of expensive out of Borough placements.
- 4.6 Bury has also secured approval for two Special Free Schools to address in borough sufficiency and capacity of SEND places, specifically for Autistic Spectrum Disorder (ASD) and Social Emotional Mental Health (SEMH). Bury currently has a lack of sufficient provision to meet the needs and prevalence of these cohorts and this results in increased high-cost out of Borough placements
- 4.7 The transformation plan has involved intensive input from SEND and Finance colleagues and has been completed in accordance with the DfE timeframes and reporting requirements. The original January 2020 plan has been refreshed and re-submitted to the DfE in December 2021 in order to ensure the most up to date priorities and progress of SEND transformation is reported to the DfE as per their assurance requirements and to ensure continued financial support from the DfE is sustained.
- 4.8 The DfE have acknowledged the considerable progress made since producing an ambitious but achievable action plan that will see the recovery of the deficit through a robust, comprehensive, and manageable delivery plan incorporating key milestones and performance indicators.

- 4.9 The DfE recognised the Council needed additional support to recover the deficit in full and undertake the extensive transformation required. Within the Safety Valve programme revenue funding agreement there is recognition of the additional capacity required to deliver Bury's SEND transformation and deficit recovery priorities, with £4m included to support increased capacity within SEND, Finance and data including systems developments and Programme Management. The DfE has also committed their support by providing Bury with additional advice, support and guidance from their own specialist colleagues covering SEND and Finance, as well as helping Bury to learn from best practice being developed across the other Safety Valve participants.
- 4.10 The continuation of any additional financial support is subject to demonstrable delivery of Bury's recovery plan priorities.
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Community impact / Contribution to the Let's Do It Strategy

Delivery of the Let's Do It Strategy is dependent upon 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*
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- (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.*
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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 2022. Failure to approve the budget would mean that schools and early years providers do not have their funding allocations agreed for 2022/23.	All proposals have been discussed with the Schools Forum and are based on the latest financial information.

Consultation:

The School's Forum has been consulted on the proposals set out in the report and the recommendations are fully supported by them.

Legal Implications:

The Dedicated Schools Grant (DSG) is payable to Local Authorities under S14 of the Education Act 2002, guidance is issued annually. The Executive Director of Finance (s151 officer) is required to report on the deployment of the DSG as required by the Accounts and Audit (England) Regulations 2015. The Secretary of State has the right to recover the grant if there is evidence the Local Authority has failed to comply with the conditions of the grant.

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:

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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	2021/22 Per Pupil	2022/23 Per Pupil
		£	£
Basic Entitlement Age Weighted Pupil Unit (AWPU)	Primary	3,123	3,217
	Key Stage 3	4,404	4,536
	Key Stage 4	4,963	5,112

Deprivation – Amount Per Pupil			
Factor	Sub Level	2021/22 Per Pupil	2022/23 Per Pupil
		£	£
Free School Meals - Ever 6	Primary	575	590
	Secondary	840	865
Free School Meals	Primary	460	470
	Secondary	460	470
Income Deprivation Affecting Children Indices (IDACI) - Primary (Amount Per Pupil)	IDACI F	215	220
	IDACI E	260	270
	IDACI D	410	420
	IDACI C	445	460
	IDACI B	475	490
	IDACI A	620	640
Income Deprivation Affecting Children Indices (IDACI) - Secondary (Amount Per Pupil)	IDACI F	310	320
	IDACI E	415	425
	IDACI D	580	595
	IDACI C	630	650
	IDACI B	680	700
	IDACI A	865	890

Funding Unit Values recommended to Cabinet by the Schools Forum				
Factor		Sub-level	2021/22 Per Pupil	2022/23 Per Pupil
Additional Education Needs Factors – Amount Per Pupil			£	£
Low cost, high incidence SEND Low Prior Attainment	Primary		1,095	1,130
	Secondary		1,660	1,710
English as an Additional Language (EAL)	Primary		550	565
	Secondary		1,485	1,530
Mobility	Primary		900	925
	Secondary		1,290	1,330

School-Led Factors		Amount per School	
		2021/22	2022/23
		£	£
Lump Sum	Primary	117,800	121,300
	Secondary	117,800	121,300