



<b>Classification</b> Open	<b>Item No.</b>
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<b>Meeting:</b>	Overview and Scrutiny 9 <sup>th</sup> February 2023 Cabinet 15 <sup>th</sup> February 2023 Council 22 <sup>nd</sup> February 2023
<b>Title of report:</b>	The Dedicated Schools Grant and setting the Schools Budget 2023-24
<b>Report by:</b>	Cabinet Member for Finance and Communities
<b>Decision Type:</b>	Key Decision
<b>Ward(s) to which report relates</b>	All

### 1. Executive Summary:

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.

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 at its meeting on the 17<sup>th</sup> January 2023.

## 2. 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 and commend to Council:

- Approve the Dedicated Schools Grant Budget for 2023/24 at £210.431m, and approve the allocations between the four funding blocks as set out in this report;
- Approve the Schools and Academies 2023/24 funding unit values as recommended by Schools' Forum and detailed at Appendix 1;
- Note that, following the autumn statement, Bury mainstream schools will be receiving an additional grant with an indicative value of £5.1m to help with pay and energy cost rises. This will be paid in addition to the DSG in two instalments during the year in the summer term and autumn terms. The formula is determined by the DfE and there is no local discretion.
- Note the position and risks associated with Project Safety Valve and the recovery of the Dedicated Schools Grant deficit within the timeframe agreed by DfE
- Approve the 2023/24 hourly rates for all early years providers as follows:
  - £4.74 per hour for 3 and 4 year olds, and:
  - £5.62 per hour for 2 year olds.

## 3. Background

### Dedicated Schools Grant

A three-year settlement, for the years 2022/23, 2023/24, and 2024/25, was announced in 2021. This announcement included an annual cash increase of £7 billion nationally by 2024/25 when compared with 2021/22. The government has published school and high needs funding for 2023/24, the second year of the three-year funding settlement. This includes a change following the 2022 autumn statement, which further increased school funding in 2023/24.

For schools this means that the minimum per primary school pupil amount has increased from £4,265 in 2022/23 to £4,405 in 2023/24. The Secondary school pupil amount has increased from £5,525 in 2022/23 to £5,715 in 2023/24.

The allocations for Bury are set out in the following table.

<b>Dedicated Schools Grant</b>	<b>2022/2 3</b>	<b>2023/2 4</b>	<b>Increase/ (Decrease) £m's</b>
	<b>£m</b>	<b>£m</b>	
Schools Block	147.202	149.832	2.630
Central Schools Services Block	0.991	1.038	0.047
Early Years Block	13.486	14.552	1.066
High Needs Block	40.930	45.009	4.079
<b>Total DSG</b>	<b>202.609</b>	<b>210.431</b>	<b>7.822</b>

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.

There is limited flexibility for councils to transfer funding between the 4 blocks. For 2023/24 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.

For 2023/24, Bury's Schools' Forum approved a transfer of 0.35% from the Schools' Block to help support the pressures being faced on the High Needs Block. This equates to a £0.521m contribution to help sustain the recovery of the High Needs deficit. A transfer of 0.35% was recommended and approved on the basis that in order to transfer 0.5% this would not have left sufficient funding within the schools block to meet the national funding formula. This decision can only be made on an annual basis and will be reviewed again next year.

#### 4. DSG Allocation

##### Schools Block National Funding Formula Allocation

- 4.1. The Schools Block allocation for 2023/24 is £149.832m. This is an increase of £2.629m from the 2022/23 allocation.
- 4.2. In September 2017, the National Funding Formula (NFF) for Schools and Central Schools Services was introduced. The 2023/24 funding factors continue to comply with the national funding formula values
- 4.3. 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.
- 4.4. 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.
- 4.5. A full summary of the funding formula factors is set out at Appendix 1 and these are recommended for approval by Cabinet.
- 4.6. 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 2022/23 actuals and are subject to pupil census and other data updates. A summary is set out in the following table.

<b>Estimated external Funding available to schools and academies in 2023/24</b>	
	<b>£m</b>
Mainstream Schools Additional Grant	5.118
Pupil Premium Grant	9.485
Universal Infant Free School Meals Grant	2.148
Primary PE and Sport	1.179
Covid Recovery Premium/ School Led Tutoring	1.630
Devolved Formula Capital	0.809
<b>TOTAL</b>	<b>20.369</b>

## 5. Early Years Block National Funding Formula Allocation

5.1. The Early Years Block allocation for 2023/24 is £14.552m which includes funding recognition for inflation and cost pressures in Early Years. The Early Years Block will be adjusted in-year in respect to fluctuations in Early Years participation. The final funding allocation is based on two sets of January census data: January 2023 accounts for April 2023 to August 2023 (5/12ths) January 2024 accounts for September 2023 to March 2024 (7/12ths) Therefore the allocation identified in this report remains indicative.

DSG Early Years Block	2023-24 Indicative
3&4 year old Basic Entitlement	£8,073,865
3&4 year old Extended Entitlement	£4,159,587
2 year old Funding	£1,863,735
Early Years Pupil Premium	£157,889
Disability Access Fund	£86,112
Maintained Nursery Supplementary Funding	£211,014
<b>TOTAL</b>	<b>£14,552,202</b>

5.2 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.

5.3 Up to 5% of the funding for 3 and 4 year olds 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. Based upon the proposed hourly rate the pass through rate is 96.7%

5.4 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.

5.5 The Early Years block for 2023/24 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.

5.6 In accordance with the statutory requirements Council is required to approve these hourly rates applicable with effect from 1 April 2023, as recommended by Schools' Forum. These are set out in the tables below.

Factor	2022-23 Hourly Rate	2023-24 Hourly Rate	Variance £	Increase %
3 & 4 Year Olds	£4.46	£4.74	£0.28	6.3%
2 Year Olds	£5.56	£5.62	£0.06	1.1%

5.7 Early Years settings may also receive additional funding for eligible pupils through the Early Years Pupil Premium Grant (EYPPG) at £0.62 per hour, and/or Disability Access Fund (DAF) at £828 lump sum per eligible child which has increased from £800 in 2022/23.

## 6 High Needs DSG Budget Allocation

The 2023/24 allocation for High Needs DSG is £45.009m. This represents a £4.078m increase from the 2022/23 allocation.

High Needs funding is based on SEND pupil numbers as of October 2022 in special and resourced provision in maintained schools and academies, and SEND pupil numbers at January 2023 in independent provision.

Of the total allocation of £45.009m, the ESFA will allocate £1.092m direct to Further Education (FE) establishments for high needs places. The funding remaining for the Council to manage is therefore £43.917m to fund all in-borough and out-borough provision and specialist support delivering SEND and inclusion priorities. From the £43.917m the ESFA will also allocate £3.394m direct to Bury's Academies with specialist places, leaving £40.523m.

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.

## 7 Central Schools Services Block (CSSB) DSG Budget Allocation

The allocation of the Central School Services DSG (CSSB) block is £1.038m in 2023/24, this represents an increase of £0.047m from the 2022/23 allocation. The use of the CSSB is determined by the Schools Forum based upon proposals from the Council in respect to funding ongoing responsibilities and central functions undertaken on behalf of schools and academies.

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.

The planned use of this funding block in 2023/24 is:

Item	Value (£m)
Safeguarding in Schools Officer	0.050
Admissions	0.206
Schools Forum	0.018
National Copyright Licences	0.168
Education Welfare	0.279
Asset Management	0.096
Statutory / Regulatory inc SACRE	0.067
Teachers Pay and Pension	0.154
<b>Total</b>	<b>1.038</b>

## 8 Dedicated Schools Grant Recovery Plan

Costs of high needs have exceeded the available budget for several years and the position on the DSG reserve the cumulative forecast deficit at the end of 2022/23 is currently £20.607m. 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.

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.

Bury is one of the first five Local Authorities to work with the Department for Education (DfE) in respect to developing and agreeing a recovery plan.

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. The original plan was to fully recover the deficit by the end of 2025/26 and the latest submission shows that at the end of 2025/26 based on current projections there will be a remaining deficit of £6.483m. There is a risk that the DfE will not accept this revised forecast.

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 and 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.

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

An application has also now been submitted for a further Free Special School, designated for KS1/2 SCLN/ASC, responding to the continued and increasing demand pressures.

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 was 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.

The DfE have acknowledged the considerable progress made since producing an ambitious action plan that includes a robust, comprehensive, and manageable delivery plan incorporating key milestones and performance indicators. All concerned recognise the significant financial challenges that are being driven by the increased numbers of Education Health Care Plans and the current lack of sufficiency in the Borough.

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 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.

## 9 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 funding of the Education provision within the borough has the potential to support key ambitions of the Let's do it strategy:

- A better future for the children of the borough
- A better quality of life
- A better future for the children of the borough
- A chance to feel more part of the borough
- Building a fairer society that leaves no-one behind

### Equality Impact and considerations:

*Equality impacts will be considered when any funds are moved between blocks where there may be an impact on an individual or group of individuals.*

### 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 11 March 2023. Failure to approve the budget would mean that schools and early years providers do not have their funding allocations agreed for 2023/24.	All proposals have been approved with the Schools Forum and are based on the latest financial information.



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## Consultation:

The School's Forum has been consulted on the proposals set out in the report and the recommendations were approved at the meeting on the 17<sup>th</sup> January 2023.

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## 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.

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## Financial Implications:

The financial implications are set out in the report.

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## 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
SEND	Special Educational Needs and Development
DFE	Department for Education
SCLN	Speech Communication and Language Needs
ASC	Average Size Class

## Appendix 1

Factor	Sub-level	2022-23 NFF Values	2023-24 NFF Values	Increase £	Increase %
Basic Entitlement Age Weighted Pupil Unit (AWPU)	Primary	£3,217	£3,394	£177	5.5%
	Key Stage 3	£4,536	£4,785	£249	5.5%
	Key Stage 4	£5,112	£5,393	£281	5.5%
Deprivation Factors					
Free School Meals	Primary	£470	£480	£10	2.1%
	Secondary	£470	£480	£10	2.1%
Free School Meals - Ever 6	Primary	£590	£705	£115	19.5%
	Secondary	£865	£1,030	£165	19.1%
Income Deprivation Affecting Children Indices (IDACI) Primary	IDACI F	£220	£230	£10	4.5%
	IDACI E	£270	£280	£10	3.7%
	IDACI D	£420	£440	£20	4.8%
	IDACI C	£460	£480	£20	4.3%
	IDACI B	£490	£510	£20	4.1%
	IDACI A	£640	£670	£30	4.7%
Income Deprivation Affecting Children Indices (IDACI) Secondary	IDACI F	£320	£335	£15	4.7%
	IDACI E	£425	£445	£20	4.7%
	IDACI D	£595	£620	£25	4.2%
	IDACI C	£650	£680	£30	4.6%
	IDACI B	£700	£730	£30	4.3%
	IDACI A	£890	£930	£40	4.5%
Additional Educational Needs Factors					
English as an Additional Language (EAL)	Primary	£565	£580	£15	2.7%
	Secondary	£1,530	£1,565	£35	2.3%
Low Prior Attainment	Primary	£1,130	£1,155	£25	2.2%
	Secondary	£1,710	£1,750	£40	2.3%
Mobility	Primary	£925	£945	£20	2.2%
	Secondary	£1,330	£1,360	£30	2.3%
School Factors					
Lump Sum	Primary	£121,300	£128,000	£6,700	5.5%
	Secondary	£121,300	£128,000	£6,700	5.5%
Minimum per pupil funding levels	Primary	£4,265	£4,405	£140	3.3%
	Secondary	£5,525	£5,715	£190	3.4%