

Classification: Open	Decision Type: Non-Key
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Report to:	Cabinet	Date: 16 July 2024
Subject:	Optimising the Council's use of resources to meet commitments to the DfE to support the Star Radcliffe Academy	
Report of	Deputy Leader and Cabinet Member for Children and Young People	

1.0 Summary

- 1.1 Cabinet has received a number of reports affirming the Council's commitment to the delivery of a new secondary school for Radcliffe by the Department for Education, including approval of the revenue and capital financial obligations on the Council.
- 1.2 At its meeting on the 15th March 2023 (CA.147), cabinet received a report that set out the financial arrangements that included a commitment from the Council to underwrite revenue costs in the event that the school did not recruit to its capacity in each of the first two years of operation, to be funded through the Dedicated Schools Grant (DSG).
- 1.3 The school is currently planning to admit up to its admission number in September 2024, and there will not be a requirement to underwrite places in the first year.
- 1.4 However, an unexpected financial risk has also been identified during the preparation of the complex annual return to the DfE which allocates the total DSG to fund activities specified in the Regulations.

1. Recommendation

It is recommended that proposals be brought forward as part of the annual Budget process for 2025-26, or earlier, for the establishment and use of a revenue provision sufficient to meet the Council's financial commitments to Star Radcliffe.

Reasons for recommendation

Meeting the Council's commitment to supporting the opening and development of the new secondary school has proven more challenging than was originally envisaged. This is because the General Fund revenue balances and the schools' block of the DSG have, year - on - year, been subject to sustained financial pressure.

Alternative options considered and rejected

This report considers the most cost-effective and expedient measures for meeting the Council's commitment to supporting the revenue budget for the new Star Radcliffe for its first five years of operation beginning September 2024. Given that the Council made this commitment some years ago, and in return the DfE is funding the capital cost of the new school, the Council's options at this advanced stage in the process are limited.

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2.0 Background

- 2.1 The purpose of this report is to make clear the Council's future commitment to funding the new Star Radcliffe.
- 2.2 Star Radcliffe is due to open in September 2024. There have been a number of reports, approved by Cabinet, which have set out the financial and other obligations that the Council has agreed to meet in respect of the establishment of the new school. These existing obligations include providing land on a peppercorn lease as well as providing contributions to both revenue and capital funding. The Council made these contributions in return for the DfE meeting the capital costs of the new school.
- 2.3 In a report to Cabinet on the 15th March 2023 (CA.147), a commitment was approved for the Council to underwrite the revenue budget for the new school in the event that actual enrolment of Year 7 pupils was below the approved admission number of 150 per year group, and for this to be funded from the Dedicated Schools Grant (DSG).
- 2.4 The intention of this underwriting by the Council was to ensure that the new school is guaranteed a budget for 150 pupils for each intake of the first two years following the school opening. This commitment provided the DfE with assurance that the new school would have sufficient time and funding to become established and therefore that the capital costs, being met by the DfE, would be utilised effectively.
- 2.5 It is expected that the school will admit up to its Admission Number in September 2024 and there will therefore be no requirement to underwrite its budget in the first year.
- 2.6 However, an unexpected financial risk has also been identified during the preparation of the complex annual return to the DfE which allocates the total DSG to fund activities specified in the Regulations. Due to the technical nature

of this funding issue, some explanatory notes are provided below to provide some context.

Dedicated Schools Grant (DSG) Funding issues - context

- 2.7 The revenue funding for Star Radcliffe is included within the Dedicated Schools' Grant (DSG) allocation paid by the DfE to the Council. For mainstream schools, which are funded for the financial year from 1st April to 31st March, the Council pays the relevant budget share to each school. But it is the responsibility of the Education and Skills Funding Agency (ESFA) to pay the relevant budget share to Academies. In practice this means that the funding for Star Radcliffe is deducted from Bury's DSG, prior to it being allocated.
- 2.6 Over time, the workings of the DSG in this way have a net nil effect. However, in the short term there is a time-lag in the national funding system. This time-lag arises because pupils have to be enrolled in a school in order to be counted in the annual census. The annual census takes place in October each year and the number of pupils on roll across all schools determines the level of DSG funding for the following financial year.
- 2.7 In the case of Star Radcliffe, the Census counts the actual pupils in place on the date of the Census. As there were no pupils in place at Star Radcliffe prior the October 2023 Census date, the DSG received by Bury for the financial year 2024-25 is understated.
- 2.8 All Academies, including Star Radcliffe, are funded for the academic year, being September 2024 to August 2025. The school must receive funding from September 2024 in order to operate. Therefore, Bury's funding is reduced for the seven months from September 2024 to March 2025 from Bury's DSG in 2024/25, and the full 12 months thereafter.
- 2.9 For established schools, changes in pupil numbers are not usually a problem, and can be managed but for a new school there is a time lag of one year between the pupil count in the Census and the associated allocation of funds.
- 2.10 The effect of this is that pupil numbers, and therefore funding in Bury's DSG, is understated by the equivalent of 7/12ths (September to April) of the full academic year's funding for Star Radcliffe. This problem will persist for each of the first five years as each new Year 7 cohort is enrolled.
- 2.11 This is a feature of the national funding arrangements and not specific to Star Radcliffe. It is also an aspect that benefits local authorities at a time of falling rolls.

In a larger local authority such a temporary shortfall in cash flow might be manageable because it would represent a relatively minor variation in the total DSG but for Bury as a small local authority the impact of the lag in funding is quite significant.

3 There are a number of material changes in Bury's funding position which mean that the reasonable assumption that would have been made at the time when the new school was first proposed, (i.e. that the revenue costs for Star Radcliffe could be met within the DSG) proved unworkable for 2024/25 because of the cumulative effect of the many pressures upon that funding source.

3.6 These pressures include:

- the DSG is overspent in total because of the overspend on the High Needs Block.
- schools are under significant financial pressure and have been for some years, hence they will notice if they receive a smaller amount of DSG as a result of the funding of an additional new secondary school.
- the Schools' Forum has to agree the school budget share and the distribution of the DSG.
- the Schools' Forum was asked to agree up to 0.5% block transfer from the Schools Block to the High Needs Block to assist with the repayment of the High Needs Block deficit.
- this block transfer is one of the conditions in the Safety Valve Agreement. If the Safety Valve conditions are met, the DfE has agreed to pay Bury an extra £12m in grant which will be applied to repay part of the High Needs Block cumulative deficit. The total HNB deficit is projected to be £18m and forms part of the Council's Balance Sheet. This projected cumulative deficit can be reduced if the Council could balance its High Needs Block annual budget and annual spend sooner than currently projected.
- the Authority has adopted the National Funding Formula (NFF) which prescribes the amount of funding that is to be allocated based upon pupil numbers and other factors such as free school meal numbers.
- in the past local authorities have been able to top slice certain costs from the DSG before deciding what is the amount that is available to be distributed per pupil. The scope for acting in this way is now much reduced in part because of the adoption of the NFF described above and in part because of schools being unwilling to depart from it.

3.7 To bridge the gap caused by the funding lag It is proposed to fund the new school from General Fund (£0.6m) on a year to year basis for the next 5years.

Links with the Corporate Priorities:

The proposal will support the following key ambitions of the Let's Do It strategy:

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

Equality Impact and Considerations:

The council has no discretion in relation to this decision and there is no direct impact on residents of this decision

Environmental Impact and Considerations:

The environmental impact of the development and building of the new secondary school was considered in earlier reports. There are no environmental implications associated with the decision in this report.

Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
Failure to meet targets agreed with the DfE could lead to the loss of up to £18m of additional grant to be provided through the Safety Valve programme.	To facilitate achievement of the target to transfer up to £0.5m from the DSG Schools' Block to the DSG High Needs Block, an allocation of £0.6m from the General Fund was made to compensate for the time-lag before DSG is received in respect of the first cohort of Year 7 pupils at Star Radcliffe Academy.

Legal Implications:

To be completed by the Council's Monitoring Officer.

This report updates Members on a financial risk that has arisen. Provision has been made for this within the Medium Term Financial plan and further financial proposals will be brought forward to address this matter.

Financial Implications:

To be completed by the Council's Section 151 Officer.

A provision of £0.620m has been made in the Medium-Term Financial Plan (approved at February 2024 Budget Council) for the current 2024/25 financial year onwards to cover the costs required.

Appendices:

Please list any appended documents.

Background papers:

Please list any background documents to this report and include a hyperlink where possible.

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

Term	Meaning