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ITEM
01/22

Dedicated Schools Grant 2022-2023

SUMMARY

1.1 **Dedicated Schools Grant** - On 16th December 2021 the Department for Education (DfE) announced the Dedicated Schools Grant (DSG) for Derby City. The DSG allocations reflect the change in the process for national non-domestic rates from the 2022-23 financial year when ESFA will pay billing authorities directly.

1.2 The Dedicated Schools Grant (DSG) for Derby is split into four blocks: Schools Block, Early Years Block, High Needs Block and a Central School Services Block.

The 2022-23 allocation for the DSG is £285.803m and is made up of four blocks of funding:

- Schools Block £213.306m (includes £1.39m NNDR details at point 3.2)
- Central School Services Block £2.848m
- High Needs Block £50.981m
- Early Years Block £18.668m

1.3 The announced national increase in school funding is 3.2% overall. The national funding formula (NFF) continues to distribute this fairly, based on the needs of schools and their pupil cohorts. The NFF is levelling up school funding: increasing core factors of the formula by 3%, while ensuring that every school is allocated at least 2% more funding per pupil. Derby has applied NFF rates to all factors.

The High Needs Block has been increased by 11% circa £5.084m. There continues to be significant challenges for the High Needs Block in Derby, this is a national position.

RECOMMENDATIONS

2.1 To note the allocations of the Dedicated Schools Grant as detailed in this report.

- 2.2 To approve a transfer of £0.303m from the Schools Block to the High Needs Block. (Detailed in section 3.9)
- 2.3 To support the recommendations to Council Cabinet for the following changes to the funding formula for schools: -
- To increase the Minimum Funding Level per pupil - primary £4,265 per pupil and secondary £5,525 per pupil.
 - To implement a cap on growth above 4.73% per pupil with no factor being scaled back
 - To set a Minimum Funding Guarantee of 2.0%
- 2.4 To support the recommendation to Council Cabinet of a base rate element of the Early Years Funding for 2-year-olds of £5.57 per hour and 3/4-year-olds £4.54 per hour. The Stand-Alone Maintained Nursery Supplementary rate of £1.51 (Universal Hours).
- 2.5 To approve the value of Growth Fund of £0.244m to be retained centrally.

SUPPORTING INFORMATION

3.1 Dedicated Schools Grant 2022-23

Schools Block (£213.306m)

Funding to Local Authorities is distributed using the National Funding Formula (NFF), a local formula is adopted to distribute funding (soft National Funding Formula) although the Department for Education (DfE) has indicated that the move to a full National Funding Formula for individual school allocations is still very much the desired ambition and local authorities should be adopting this approach in the design of its local funding formula.

The School's Block is the only ring-fenced block of the DSG and for 2022-23 has increased by £8.569m from the 2021-22 allocation.

3.2 National Changes to the Funding Formula

Although the government has stated that it remains committed to a 'hard' national formula; one where local authorities have little or no role in determining schools' budgets, the approach to be applied for the year 2022-23 is that there remains some local discretion. The national changes and permissions to the Schools Block are:

- An increase of 3% has been applied to the core factors in the National Funding Formula multipliers (it is not mandatory to replicate these values at a local level).
- An increase of 2% has been applied to the Minimum funding levels per pupil, set as part of the NFF, for 2022-23 are primary school at least £4,265 per pupil and secondary school at least £5,525 per pupil. These values are mandatory and must feature at a local level.
- Pupil mobility. Pupils who joined a school between January 2020 and May 2020 attract funding for mobility based on their entry date, rather than by virtue of the May school census being their first census at the current school (the May 2020 census did not take place due to coronavirus (COVID-19)).
- The Minimum Funding Guarantee (MFG) can be set at between 0.5% and 2% per pupil.
- There are no gains cap in the allocations applied to local authorities however local formulae can feature one, this is usually used to address affordability issues.
- From 2022-23 all Non-domestic Rates payable by schools including academies will be directly paid by the ESFA on behalf of schools. Schools will no longer receive budget allocations that include their NNDR value. The ESFA will liaise directly with Billing Authorities, regarding amounts and recoup directly from the School Block allocation the value of NNDR.

3.3 The following set of principles will be applied to Derby's Schools Block Funding Formula for 2022-23:

- Implementation of the National Funding Formula rates in the local funding formula.
- A Minimum Funding Guarantee set at 2% (per pupil funding protection mechanism). This applies to only 7 schools (identified in appendix 2); a positive position in so much as the majority of schools are funded at the NFF levels, a high MFG will cause overall affordability issues (protection needs funding) and will mean that those schools triggering the MFG will be on a trajectory of reduced funding as the MFG tapers out.
- A transfer of £0.303m (0.14%) to the High Needs Block. Schools Forum have the powers to approve a transfer of up to 0.5% from the Schools Block to other areas of the DSG.
- A cap on growth above 4.73% This is required as there is not sufficient funding to fully implement the above principles.
- A removal of the Infant Class Size Fund. The final year of the phase out of this funding was 2021-22.
- The allocation for the growth fund within the DSG settlement is £1.6m, £0.244m will be retained within the school's block to support the costs of pupil number adjustments through the funding formula £0.1360m will be held centrally for in year growth within schools (to note this is Basic Need growth only).

3.4 Although formula factors have been increased by 3% and minimum funding levels by 2%, the impact varies school to school based on the eligibility of pupils triggering the various factors.

3.5 **The proposed Schools Block for 2022-23 is detailed in the table below.**

Schools Block	2022/23 £'000	2021/22 £'000	Change £'000
Allocation	213,306	204,737	8,569
National non-domestic rates school block deduction**	(1,395)		(1,395)
Transfer to the High Needs Block	(303)	(500)	197
Allocation including SB Transfer	211,608	204,237	7,371
Requirement			
Infant Class Size Funding	0	300	(300)
Growth Fund	244	209	35
Balance to be distributed to Schools through the Funding Formula (excluding National non-domestic rates SB deduction)	211,364	203,728	7,636
TOTAL Requirement	211,608	204,237	7,371
** Note that for 22-23 rates will be paid directly by the ESFA			

3.6 **Early Years Block (£18.668m)**

The Early Years Block of the Dedicated Schools Grant funds the 2, 3 and 4-year-old entitlement across all settings.

For 2-year-olds the funding rates for all local authorities have increase by £0.21 per hour (3.9%). It is proposed that this is fully passported to providers, the proposed rate for Derby is £5.57.

The 3- and 4-year-olds budget proposals for 2022-23 are a 2.48% increase on the base rate within the formula to reflect the cost pressures faced by the sector and will be at an hourly rate of £4.54 (increase of £0.11). The national increase is £0.17, reflective of amounts paid to providers via factors such as deprivation and the top slice element which includes SEN inclusion funding.

It needs to be noted that the Stand-Alone Maintained Nursery Supplementary rate of £1.51 (an increase of £0.19p) has been directed to pay on universal hours only for 22-23, as previously on all hours including extended hours.

The proposed Early Years Block for 2022-23 is detailed in the table below.

3.7 Early Years Block - DSG Allocation and Requirement

Early Year Block	2022/23 £'000	2021/22 £'000	Change £'000
Allocation excluding NMS	18,668	19,780	(1,112)
Adjustment for January 2023 Census data	564		564
TOTAL Early Years budgets	19,232	19,780	(548)
Requirement			
2-year-old funding	2,441	2,681	(240)
3- and 4-Year-Old Funding - Universal and Extended hours	14,682	14,831	(149)
Maintained Nursery School Funding (MNS)	1,137	1,177	(40)
Trajectory funding (top slice)	80	100	(20)
Contingency	17	22	(5)
Top slice for EY Services	200	200	0
SEN Locality Funding	300	450	(150)
Early Years Pupil Premium & DAF	375	319	56
TOTAL Requirement	19,232	19,780	(548)

3.8 High Needs Block National Context

The additional high needs funding being allocated following the 2021 spending review, amounting to £325 million nationally, includes funding in respect of the Health and Social Care Levy, but the cost of that for high needs should be less than a 1% pressure on authorities' high needs budgets. The additional funding also takes into account that colleges and other post-school providers offering extra hours of study to 16- to 19-year-old students, may require extra high needs top-up funding to support such students with high needs.

Taken together, this means high needs funding will be increasing by 13% in 2022 to 2023. A year-on-year increase in high needs funding of this scale is, of course, unprecedented, and demonstrates both the importance that the Department places in helping local authorities to secure their financial sustainability, and a recognition of the cost pressures that we know that local authorities are facing. Although this increase will be sustained throughout the next spending period, with further growth in 2023 to 2024 and 2024 to 2025, it is important to recognise that year-on-year increases will be on a smaller scale than in 2022 to 2023.

3.9 Since 2018-19 local authorities are able to transfer up to 0.5% of the gross Schools Block to High Needs following consultation with schools and the approval of the Schools Forum.

Should the Schools Forum not approve a transfer approval can be sought from the Secretary of State. A transfer of greater than 0.5% of the gross Schools Block can only be made with the approval of the Secretary of State. There are no restrictions on transfers between other blocks. Approval for a transfer is only for the year it is enacted; further approvals are required annually.

This current financial year sees the request to transfer £0.303m from the Schools Block to the High Needs block.

The requirement for such a transfer is to fund £0.053m for the SENDIASS service which works closely with parents and families with pre-mediation to prevent tribunals, avoid out of authority placements and associated costs. A further £0.250m is to support schools to provide a Graduated Response (GR) to children with Speech, Language, Communication Needs (SLCN) to achieve their potential outcomes. A separate report is being presented to Schools Forum on the use of those funds

3.10 Derby Context

There are significant pressures on the High Needs Block and Dedicated Schools Grant reserves have been depleted. The budget proposal includes an inflationary increase on Special School places element 3 funding of 2% to mirror the mainstream minimum funding levels.

The ongoing pressures within HNB is forecasting further overspends that will deplete the DSG reserve. It is forecast that the deficit position at the end of 2021/22 will be (£2.5m).

Any LA that reports a deficit must comply with the DfE's deficit management plan. The DSG: conditions of grant, requires that any LA with an overall deficit on its DSG account at the end of the financial year, or whose DSG surplus has substantially reduced during the year, must be able to present a plan to the Department for Education (DfE) for managing their future DSG spend

A summary of the reserves in recent years is shown in the table below.

3.11 Dedicated Schools Grant Reserve Balances

	£ million	
2015 16	6.882	
2016 17	6.955	
2017 18	6.994	
2018 19	2.836	
2019 20	2.582	
2020 21	4.211	
2021-22	(2.5)	Forecast deficit

3.12 Currently the system in Derby is facing significant pressure in terms of meeting the needs of children with SEND. The demand for Education, Health and Care Plans (EHCPs) in Derby continues to rise. Mainstream schools are challenged by a greater complexity of need than they have historically dealt with, and there are clear trends in terms of increased EHCPs for autism and social and emotional behavioural needs.

The budget in 2021/22 for E3 top up requests was increased to £6.1m (an increased budget of £2.1m), the current forecast is showing this will be fully spent.

The increasing demand of out of authority places has seen a rise from 296 placement at the end of 20/21 to 354 placements at quarter 3 of 21/22 (a 20% net increase). The budget for 2022/23 has been set to cover the full year effect of the increase in placements.

Transformation work continues with the aim to reduce the number of placements being made out of the authority and to reduce the demand of E3 requests. This work includes ensuring the needs of young people are met earlier leading to better outcomes and inclusion and resulting in a reduction of specialist support requests to mitigate the increasing demand. Priority activities continue with the focus on:-

- the development of an early intervention offer (Derby SAL)
- redesign of the panel process
- developing and embedding the valuing SEND approach
- Establishing a gateway process for E3 requests
- Reviewing commissioned places and ensuring that the commission reflects actual need and use, this will mean that those places that have not been filled will not be funded
- Ensuring that all exceptional funding payments are reviewed and reflect current needs

3.13 High Needs Block - DSG Allocation and Requirement

High Needs Block	2022/23 £'000	2021/22 £'000	Change £'000
HN block allocation	50,222	45,138	5,084
Import/Export adjustment	(641)	254	(895)
Transfer from Schools Block	303	500	(197)
Allocation including transfer	49,884	45,892	3,992
Requirement	2022/23 £'000	2021/22 £'000	Change £'000
Schools block transfer 22-23 specific project	303	0	303
Additional High Needs Top Up in school block schools Schools (E3 payments)	6,300	6,100	200
Enhanced Resource Schools	2,746	2,595	151
Special Schools and Pupil Referral Units - place funding E1/2	20,139	19,344	795
Independent Special Schools	17,895	12,246	5,649
Post 16 High Needs Other Providers	4,284	4,142	142

High Needs Contingency	800	478	322
Additional Alternative Provision	0	107	(107)
Hospital and Medical Education	332	332	0
Other High Needs Support Services	1,166	1,148	18
Total Requirement	53,965	46,492	7,473
Use of DSG Reserves	0	(600)	(600)
Deficit 22-23	(4,081)	0	4,081

3.14 Central School Services Block (CSSB) (£2.848 million)

The Central School Services Block (CSSB) funds local authorities for the statutory duties they hold for both maintained schools and academies. The CSSB brings together funding previously allocated through the retained duties element of the former Education Services Grant (ESG) and funding for ongoing central functions and historic commitments previously held within the Schools Block.

The Dfe have indicated that historic commitment elements of the CSSB will eventually cease which will mean a further loss of funding for Derby City Council of £2.8 million as this funding is used to support services provided by the Council. For 2022-23 there is a reduction of £0.282m which has been absorbed within the Council's Medium Term Financial Plan.

3.15 Central School Block - DSG Allocation and Requirement

School Central Block	2022/23 £'000	2021/22 £'000	Change £'000
Allocation	2,848	3,130	(282)
			0
Requirement			0
Historic Commitments	1,410	1,410	0
Historic Retirement costs	1,300	1,300	0
Teachers Pension grant	95	95	0
Admissions	314	314	0
Prudential borrowing	175	175	0
Copyright Subs balance	210	215	(5)
TOTAL Requirement	3,504	3,509	(5)
Reduction in DSG funded from the General Fund in 2021/22	656	379	277

For more information contact: Background papers: List of appendices:	Janice Hadfield, email Janice.Hadfield@derby.gov.uk Appendix 1 – summary of all mainstream schools Appendix 2 – summary of 7 MFG schools
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