



**Report sponsor:** Andy Smith, Strategic Director of People Services and Alison Parkin, Director of Financial Services & Deputy Section 151 Officer  
**Report author:** Janice Hadfield, Head of Finance

**ITEM**  
**01/23**

## **Dedicated Schools Grant 2023-2024**

### **SUMMARY**

- 1.1 **Dedicated Schools Grant** - On 16<sup>th</sup> December 2022 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 2023-24 allocation for the DSG is £307.857m and is made up of four blocks of funding:

- Schools Block £228.227m (includes £1.4m NNDR details at point 3.2)
- Central School Services Block £2.654m
- High Needs Block £56.628m (includes additional funding announced Dec 22)
- Early Years Block £20.348m

- 1.3 The 2022 Autumn Statement announced that School's budget will increase by £2billion in the 2023 to 2024 financial year, over and above totals announced at the Spending Review 2021.

- 1.4 In addition to the DSG funding above, mainstream schools will receive an additional grant in 2023 to 2024 – titled **The Mainstream Schools Additional Grant (MSAG)**.

The indicative allocation for Derby is £8m. School-level allocations of this grant will be published in May 2023. Maintained schools and academies will receive this funding from April 2023.

It is the intention that this additional funding will be a separate grant for 2023-24 only. The funding will be incorporated into core budget allocations and be part of the national funding formula for 2024 to 2025. In December 2022 the DfE confirmed that of the £2billion additional funding per annum (over and above that promised in at Spending Review 2021) £400 million would go toward the high needs (SEND) budget and the rest to mainstream schooling. The announced national increase was circa 5% per pupil for mainstream schools in 2023-24. In real terms this equated to an increase of 2% per pupil between the two years. Historic supplementary grant is now part of the base NFF from 23-24 – Derby continues to apply the NFF rates to all factors, as set out by the DfE

For Derby the increase in school funding from 2022-23 to 2023-24 is an overall 8.4%, excluding MSAG grant, however this does include an element for growth funding and the historic supplementary grant from previous year..

**1.5 The Schools Block benefits from a 7% increase including growth.**

**1.6 The High Needs Block has been increased by 15% circa £7.54m.** Note that this increase does include additional funding for 23-24 at (£2m) as announced nationally. Local authorities are required to pass on a 3.4% funding increase to maintained special schools and pupil referral units, special and alternative provision (AP academies (including free schools) based on the number of places being funded in 2022 to 2023. Derby has applied this.

There continues to be significant challenges for the High Needs Block in Derby, point 3.11 shows the ongoing impact of the deficit position faced by the authority.

The government has agreed to the extension of the DSG statutory override for a core of period of 3 years (up to March 2026), affording the short-term financial flexibility needed for authorities as they implement sustainable change, underpinned, and reinforced by the government's longer-term reforms. Derby's deficit position requires the authority to apply the statutory override.

**1.7 Pupil premium funding rates for the financial year 2023 to 2024 have also increased by 5% to the following:**

- primary FSM6 pupils: £1,455
- secondary FSM6 pupils: £1,035
- looked-after children: £2,530
- children who have ceased to be looked-after: £2,530
- service children: £335

## RECOMMENDATIONS

- 2.1 To note the allocations of the Dedicated Schools Grant as detailed in this report.
- 2.2 To approve a transfer of £0.055m from the Schools Block to the High Needs Block. See separate report.
- 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 £4,405 per pupil and secondary £5,715 per pupil.
  - To implement a cap on growth above 3.4% per pupil with no factor being scaled back.
  - To set a Minimum Funding Guarantee of 0.5%.
- 2.4 To support the recommendation to Council Cabinet of a base rate element of the Early Years Funding for 2-year-olds of £5.68 per hour and 3/4-year-olds

base rate of £4.70 an increase of 3.52% per hour. The Stand-Alone Maintained Nursery Supplementary rate of £2.05 has increased to reflect the mainstreaming of the Teachers pay and pension into the EYFF (Universal Hours).

2.5 To approve the value of Growth Fund of £0.178m to be retained centrally.

## **SUPPORTING INFORMATION**

### **Dedicated Schools Grant 2023-24**

#### **3.1 Schools Block (£228.227m) – excluding the MSAG**

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 2023-24 has increased by £14.92m from the 2022-23 allocation.

#### **3.2 National Changes to the Funding Formula**

The Government remains committed to a 'hard' national formula, changes to the Schools Block are as follows.

- An increase of between 2% - 6% has been applied to the core factors in the National Funding Formula multiplier, it is not mandatory to replicate these values at a local level, however School Forum principal is to mirror the NFF as near as Derby can.
- An increase of 3% has been applied to the Minimum funding levels per pupil, set as part of the NFF, for 2022-23 are primary school at least £4,405 per pupil and secondary school at least £5,715 per pupil. These values are mandatory and must feature at a local level.
- Pupil mobility factor, the proportion of mobile pupils in a school must be above the threshold 6%.
- The Minimum Funding Guarantee (MFG) can be set at between +0. % And +0.5% 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 2023-24 Derby Nondomestic rates will follow existing processes and be paid locally, Derby has yet to adopt the ESFA direct payment method.

3.3 The following set of principles will be applied to Derby's Schools Block Funding Formula for 2023-24:

- Implementation of the National Funding Formula rates in the local funding formula. Derby currently mirrors rates set by DfE.
- A Minimum Funding Guarantee set at 0.5% (per pupil funding protection mechanism), the most favourable percentage for schools. This applies to only 5 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 £0.055m (0.02%) 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. The amount requested for 2023-24 is well within the permitted limit.
- A cap on growth above 3.4%. This is required as there is not sufficient funding to fully implement the above principles.
- The allocation for the growth fund within the DSG settlement is £1.6m, £0.178m will be retained within the school's block to support the costs of pupil number adjustments with the remainder funding growth numbers in the School Block proforma.

3.4 **Derby's average percentage per pupil increase within the school's block is 5.9% with an overall 7.2% increase in Derby's School's budgets (as identified in appendix 1).**

**When considering the NFF Minimum Funding levels per pupil as stated in section 2.3 Derby reports an average of £5,064 for primary pupil (15% above MFL) and £6,497 for secondary pupil (14% above MFL).**

Although formula factors have seen significant increase and Derby on average allocating MFL significantly above the national prescribed values, be mindful that the impact varies school to school based on the eligibility of pupils triggering the various factors.

3.5 **The proposed Schools Block for 2023-24 is detailed in the table below.**

<b>Schools Block</b>	2023/24 £'000	2022/23 £'000	Change £'000
Allocation	228,227	213,306	14,921
Transfer to the High Needs Block (SENDIASS)	-55	-303	248
<b>Allocation including SB Transfer</b>	<b>228,172</b>	<b>213,003</b>	<b>15,169</b>
<b>Requirement</b>			
Growth Fund	178	244	-66
Balance to be distributed to Schools through the Funding Formula	227,993	211,364	16,629

<b>TOTAL Requirement</b>	<b>228,171</b>	<b>211,608</b>	<b>16,563</b>
--------------------------	----------------	----------------	---------------

### 3.6 Early Years Block (£20.348m)

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 £0.11 per hour (2%). It is proposed that this is fully passported to providers, the proposed rate for Derby is £5.68.

The 3- and 4-year-olds national rate has increased by £0.21, Derby's budget proposals for 2023-24 are a 3.5% 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 £4.70 (increase of £0.16) the balance is reflective of amounts paid to providers via factors such as deprivation and the top slice element. From 2023-24 previous SEN inclusion funding is now part of the HN block allowing as much funding as possible to be passported to EY settings.

It needs to be noted that the Stand-Alone Maintained Nursery Supplementary rate has seen a significant increase to £2.05 (an increase of £0.54p), this reflects the DfE decision to mainstream the Teacher Pay and Pension (previously a grant) into the MNS supplementary formula element.

The proposed Early Years Block for 2023-24 is detailed in the table below.

### 3.7 Early Years Block - DSG Allocation and Requirement

<b>Early Year Block</b>	2023/24 £'000	2022/23 £'000	Change £'000
Allocation	20,348	18,668	1,680
Adjustment for January 2023 Census data	489	564	-75
<b>TOTAL Early Years budgets</b>	<b>20,837</b>	<b>19,232</b>	<b>1605.227</b>
<b>Requirement</b>			
2-year-old funding	2,735	2,441	294
3- and 4-Year-Old Funding - Universal and Extended hours	15,812	14,682	1,130
Maintained Nursery School Funding (MNS)	1,248	1,137	111
Trajectory funding (top slice)	80	80	0
Contingency	32	17	15
Top slice for EY Services	470	200	270
SEN Locality Funding/staffing	0	300	-300
Early Years Pupil Premium & DAF	460	375	85
<b>TOTAL Requirement</b>	<b>20,837</b>	<b>19,232</b>	<b>1,605</b>

### 3.8 High Needs Block National Context

High needs funding is increasing by a further £570 million, or 6.3%, in 2023-24 – following the £1 billion increase in 2022-23 and £1.56 billion increase over the previous two years. This brings the total high needs budget to £9.7 billion. The high needs NFF will ensure that every local authority receives at least a 5% increase per head of their 2-18 population, with some authorities seeing gains of up to 7%. Following on from the summer announcement, additional funding of £400m to Authorities for 2023 to 2024 was announced in December 22.

- 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 School's 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 £0.055m from the Schools Block to the High Needs block. The requirement for such a transfer is to fund £0.055m 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 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 are now reporting an ongoing deficit position. The DfE instruction was to ensure a 3% increase had been applied across the two years. Derby's budget proposal includes an inflationary increase on Special School places element 3 funding of 3%, in 2022-23 there was increase of 2% across the two years there is a 5% increase.

The additional funding (announced December 22) received will be applied based on 3.4% increase on Element 1/2 & 3 using 5/12th 22/23 place change and 7/12th 23/24 place change and 22/23 Element 3 based on place change numbers as per the guidance.

The ongoing pressures within HNB remains, with the total forecast deficit for 2022-23 being significant at £6.9m.

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 2022/23 for E3 top up requests was set at £6.1m, the current forecast is showing this will be spent. As at November 472 mainstream pupils are receiving top-up funding and the current average cost of an E3 is now £12,300.

**Independent out of authority specialist placements** continue to rise. The 2022/23 budget for Independent and out of authority specialist placements was increased by a further £2.4m to a budget of £17.9m. Due to the limited capacity for specialist placements within the city together with the increased demand costs this financial year are seeing further increased levels.

Current records show that there are currently 463 out of area placements (as of November 22) an increase from 2021/22 of 62 placements of which 38 have been placed since September 22, resulting in a significant **£1.8m** pressure (additional costs over the last year of £4.2m).

Transformation work is ongoing with continued support from the current provider, Impower will build on interventions already implemented resulting in significant management of demand from September 2022.

The next stage of the transformation work includes the following interventions

1. Implement and embed the Electronic Derby Inclusion Tool (EDIT) within schools and settings.
2. Strengthen the redesigned Panel Process.
3. Establish and implement clear transitions process (Right Support, Right Time, Right Place).
4. Strengthening SEND in Early Years - Take an evidence-led approach to understand demand drivers in Early Years settings.

### 3.11 High Needs Block – DSG Allocation and Requirement

	2023/24	2022/23	Change
<b>High Needs Block</b>	£'000	£'000	£'000
HN block allocation	56,628	50,222	6,406
Import/Export adjustment		-641	641
Transfer from Schools Block	55	303	-248
<b>Allocation including transfer</b>	<b>56,683</b>	<b>49,884</b>	<b>6,799</b>
<b>Requirement</b>			
Schools block transfer 22-23 specific project	55	303	-248
Additional High Needs Top Up in school block schools (E3 payments)	7,264	6,300	964
Enhanced Resource Schools	2,588	2,746	-158
Special Schools and Pupil Referral Units	23,081	20,139	2,942

Early years inclusion fund	450		450
Personalised Programs - Kingsmead	700		700
invest to save SEMH review	225		225
HUBs model with 10 primary and 20 secondary places	449		449
RPRT programme Step down (fresh start model)	30		30
Independent Special Schools	24,362	17,895	6,467
Post 16 High Needs Other Providers	5,490	4,284	1,206
High Needs Contingency	2,050	800	1,250
Fresh Start (Balance)	100	0	100
Speech and Language (remaining allocation balance)	180		180
Hospital and Medical Education	384	332	52
Other High Needs Support Services	1,499	1,166	333
<b>Total Requirement</b>	<b>68,909</b>	<b>53,965</b>	<b>14,944</b>
<b>Use of DSG Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>in year deficit 23-24</b>	<b>-12,226</b>	<b>-4,081</b>	<b>8,145</b>
<b>Deficit brought forward 22-23</b>	<b>-6,900</b>	<b>-4081</b>	<b>-2,819</b>
<b>Total Deficit</b>	<b>-19,126</b>		

### 3.12 Dedicated Schools Grant Reserve Balances

The table below shows the DSG reserves position over the last 7 financial years

	£ 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	(1.4)	Deficit with commitments
2022-23	(6.9)	Forecast Deficit



### 3.13 Deficit Management Plan

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. Derby is now in this process and the deficit remains considerable.

<b>For more information contact:</b>	Janice Hadfield, email <a href="mailto:Janice.Hadfield@derby.gov.uk">Janice.Hadfield@derby.gov.uk</a>
<b>Background papers:</b>	
<b>List of appendices:</b>	Appendix 1 – summary of all mainstream schools Appendix 2 – summary of MFG schools