

Report subject	DSG Settlement and Draft Budget for 2022-23
Meeting date	13 January 2022
Status	Public
Executive summary	<p>1. The DSG Settlement was received on 16 December 2021. It provided:</p> <ul style="list-style-type: none"> a. Initial allocations for the early years block based on the DfE estimate of take up of the free entitlements over the year, incorporating the £0.21 per hour increase in 2- year old funding and £0.17 per hour for those aged 3&4 of circa 4%. b. Final allocations for the school's block national funding formula (NFF) based on the October 2021 schools census. The increase in funding through the schools NFF for 2022-23 totals £8.8 million (3.9%). Higher funding values account for £5.4 million (2.4%), as reported in September, with additional pupils at census providing a further £3.4 million (1.5%). Funding for in-year pupil growth from September 2022, has increased by £0.4 million compared with last year. c. Provisional allocations for mainstream schools of a supplementary grant of £6.8 million (equivalent to 3% of mainstream funding) to cover specifically the new health and social care levy as well as general cost pressures. d. Allocations for the central school services block provide a reduction compared with last year of £80,000. e. Allocations for the high needs block have increased in total by £6.5 million (13.6%) in total compared with last year, due to higher NFF funding values (£3.8 million), more pupils attracting the basic entitlement (£0.8 million) and the autumn spending review allocating further funds (£1.9 million). <p>2. The high needs deficit is projected to grow further in 2022-23 despite the significant increase in funding.</p>
Recommendations	It is RECOMMENDED that Schools Forum note the contents of the report.
Reason for recommendations	Other papers on the agenda consider the impact of the Settlement and DSG budget in detail.

Portfolio Holder(s):	Councillor Mike White, Children and Young People Councillor Nicola Greene, Council Priorities and Delivery
Corporate Director	Adam Richens, Chief Finance Officer and Director of Finance
Report Author	Nicola Webb, Assistant Chief Finance Officer
Wards	All
Classification	For information

Background

- The 16 December 2021 Settlement information for 2022-23 compared with the forecast for 2021-22 is included in Table 1 below:

Table 1 – School Funding December Settlement 2022-23

Funding Block	Forecast	Forecast	Annual Change	
	2021-22	2022-23		
	£000's	£000's	£000's	%
Early Years				
2-year olds Entitlement*	2,355	2,447	92	3.9
3-year olds Entitlement*	17,683	18,360	677	3.8
Pupil Premium	77	126	49	
Disability Access Fund (DAF)	118	101	-17	
Total Early Years	20,233	21,034	801	4.0%
Schools Block				
Primary	117,756	120,330	2,574	2.2
Secondary	108,010	114,240	6,230	5.8
Total NFF	225,766	234,570	8,804	3.9
Premises	331	331	0	0.0
Business rates	1,348	1,368	20	1.4
Supplementary grant from spending review **	0	6,834	6,834	-
Growth fund	1,435	1,839	404	28.2
Total Schools	228,880	244,942	16,062	7.0%
Central School Services				
NFF	1,767	1745	-22	(1.2)
Commitments	291	233	-58	(20.0)
Total Central School Services	2,058	1,978	-80	(3.9%)
NFF	47,822	52,399	4,577	(1.2)
Spending review allocation	0	1,947	1,947	-
Total High Needs	47,822	54,346	6,524	13.6%
Total	298,993	322,299	23,306	7.8%

* 2021-22 comparative updated for DfE estimated hours in 2022-23 Settlement

** Separate grant to the DSG in 2022/23. The 2022-23 DSG schools block total is £238,108 with the corresponding DSG total £315,465,000.

Early years block

2. The published information includes indicative allocations only. The early years funding projections for the free entitlements in table 1 for both 2021-22 and 2022-23 use the same hours of provision estimated by the DfE in the December Settlement. Data used is from the January 2021 schools and early years census, where take up may have been lower than normal due to the pandemic. The same data has been used in table 1 to illustrate the growth in funding between years. This was announced prior to the Settlement as increases for 2 years olds of £0.21 per hour and for 3 and 4-year olds of £0.17 per hour.
3. Included within the DSG but outside the early years funding formula there are prescriptive amounts included in the total early years funding in table 1:
 - a. early years pupil premium which has increased by 7p (13%) from 53p to 60p per hour for eligible children
 - b. disability access fund for one off payments to settings for eligible children which has increased by £185 (30%) from £615 to £800.
4. The early years funding will be updated from census take up of free entitlement hours in January 2022 and January 2023 with funding finalised in summer 2023. In 2021-22 funding is exceptionally based on termly census data and with the recent resurgence of Covid, an exceptional approach may need to be taken again for the coming year.

Schools block

Schools NFF and Growth Funding

5. The school NFF allocations are now final for 2022-23 with the mainstream school NFF allocations updated to reflect pupil numbers at the October 2021 census and with growth fund allocations determined according to the national approach.
6. Compared with 2021-22 the increase in the schools NFF total is £8.8 million (3.9%). This comprises £5.4 million (2.4%) from the increase in unit values (as shown in the September report) with a further £3.4 million (1.5%) from rising pupil numbers as shown in Table 2 below.

Table 2: Mainstream Schools Final NFF 2021-22

	November Report (based on October 2020 census)			December Settlement (based on October 2021 census)			Change
	Pupil Numbers	Unit Value £	Funding £000's	Pupil Numbers	Unit Value £	Funding £000's	Funding £000's
Primary	27,555	4,362.96	120,223	27,580	4,362.96	120,330	107
Secondary	19,166	5,788.41	110,941	19,736	5,788.41	114,240	3,299
Total NFF	46,721		231,164	47,316		234,570	3,406

7. The October 2021 census contained an additional 595 pupils (1.3% increase) compared with the previous year, comprising 25 more primary pupils (reversing the decline seen last year) and 570 more secondary pupils (continuing the trend). Secondary growth is expected to continue in September 2023. The growth fund proposals in a separate paper consider how this in-year growth is to be funded. DSG funding for growth has increased by £0.4 million compared with last year.

8. Updated school data from the October 2021 census is not reflected in the NFF primary and secondary units of funding until 2023-24. The school level census data used to calculate individual school budgets arrived also in December with the affordability of the NFF evaluated and considered further in a separate paper on the agenda.

School Supplementary Grant

9. A supplementary grant was announced in the government's autumn 2021 spending review. Allocations are indicative only, as they are calculated using preliminary data from the October 2021 census. The final data will be available in early 2022 and allocations will be confirmed in spring 2022, based on final FSM6 data.
10. The schools supplementary grant is payable only to public sector schools. This means that further education colleges, sixth form colleges, independent learning providers, as well as private and voluntary sector early years providers will not be eligible to receive this funding.
11. The DfE intention is that payment of this additional funding in the form of a separate grant will be for 2022-23 only. The funding will be incorporated into core mainstream NFF allocations for 2023-24.
12. Both maintained mainstream schools and mainstream academies will receive allocations under the schools supplementary grant, covering the financial year 2022-2023. Academies will receive an additional allocation of the schools supplementary grant to cover April to August 2023, being the period in advance of the funding being rolled into academies' core budget allocations through the NFF.
13. Schools have the flexibility to prioritise their spending of the schools supplementary grant to best support the needs of their pupils and staff and address cost pressures, including those associated with the new health and social care levy.
14. The funding rate consists of the following three elements, which are based on factors already in the schools national funding formula:
 - a basic per-pupil rate (with different rates for primary, key stage 3 and key stage 4)
 - a lump sum paid to all schools, regardless of pupil numbers
 - a per-pupil rate for pupils who are recorded as having been eligible for free school meals at any point in the last six years (FSM6), with different rates for primary and secondary pupils.
15. Schools that have opened in the past 7 years and are still adding year groups in the 2022-23 academic year will be funded based on the estimated pupil numbers from the authority proforma tool (APT) containing the school budget calculations for all mainstream schools. Allocations will be adjusted to reflect actual pupil numbers. Schools with growth in pupil numbers but not adding additional year groups, will not see adjustments to funding.
16. Early years provision in schools will be funded at £24 per pupil based on the January 2022 school census. There is also a post-16 element to the schools supplementary grant, and this will be allocated for ages 16 to 19 at £35 per pupil using data from the 2022-23 funding allocations.
17. There are no decisions for Schools Forum or the council regarding this grant.

Central school services block (CSSB)

18. The funding rate for on-going functions has reduced by the 2.5% programmed to £26.88 per pupil. The increase in pupils at census has dampened the impact to a reduction of £22,000 (1.2%).
19. The funding for historic commitments has not yet been restored to previous levels, although the required evidence of expenditure has been provided to the DfE, and this is being progressed.

High needs block

20. The high needs block allocations were announced in September 2021 with an additional £3.8 million provided through the high needs NFF. Funding through the basic entitlement factor increased by £0.8 million in the December Settlement from the October 2021 census. The total increase attributable to the NFF is, therefore, £4.6 million (9.5%) in total.
21. The Autumn Spending review provided further funding of £1.9 million bringing the total increase to £6.5 million (13.6%) for 2022-23. Some of this increase will be needed for further inflationary pressures in independent and non-maintained special schools (INMSS), special schools hosted by other local authorities, as well as increases for BCP maintained and academy specialist providers.
22. The final adjustment to reflect the cross-border flow of pupils based on the January 2022 census will be made in summer 2022.

Draft DSG budget 2022-23

23. The appendix (to follow) includes the latest budget monitoring position for 2021-22 and draft budget for 2022-23. Information has been delayed by the timing of DfE announcements and other late budget developments. The expectation is that the high needs deficit will continue to grow in 2022-23 despite the significant increase in funding.
24. The assumptions for 2022-23 include:
 - a. The growth fund is set as shown within the school funding consultation.
 - b. New local high needs places are delivered in the year as planned (currently 17 potential new places).
 - c. The high needs adjustment in summer 2022 will be minimal (funding could increase or decrease dependent on high needs placements filled in January 2022).
 - d. No surplus schools block funding has yet been transferred to high needs.
 - e. Central schools services block budgets are set at the level of funding.
 - f. The early years block continues a central retention at the same level as last year.
 - g. Contingency budget for increased top up funding pending the outcome of reviews.
25. The above assumptions provide an annual funding gap without:
 - a. Cuts to high needs services (for example, outreach) which may be considered during the year

- b. further activities to reduce the budget requirement.

Central school services block

26. The proposed budget for this block is shown in the separate paper on the agenda. Service restructuring is on-going with continued refinement of activity and costs.
27. The latest budget proposal is largely consistent with the information in the school funding consultation document. The only changes being from the increase in pupil numbers and cost of DfE licenses notified in the December settlement.

Financial implications and risks

28. The DSG deficit is forecast to grow annually without a significant reduction in EHCPs despite creating extra local places and receiving additional funding. A significant part of this increase in funding will need to be allocated to specialist providers due to inflationary pressures being signalled nationally.
29. There continues to be a risk that projected costs will rise further and that no new activities are developed to reduce budget demand. The accumulated deficit could be approaching £40 million by March 2023.
30. Growing DSG deficits are a national problem and considered to be a direct consequence of the 2014 Children and Families Act, which increased the age range of children and young people with special educational needs and disabilities (SEND) that councils are required to support as well as significantly raising the expectations of parents across all age ranges without providing the necessary financial support. The budget projection assumes current trends will continue and that some further places will be created in state special schools. The creation of additional places would reduce the budget growth needed but not eliminate the annual deficit or stop the accumulated deficit from continuing to grow.
31. Currently the council is not required to set aside any of its own resources, for example as an earmarked reserve, to specifically offset this accumulating deficit. This position is based on the CIPFA bulletin for the closure of the 2019-20 financial statements which stipulated that the reserve did not need to be in place from the 1 April 2020 onwards. This position was reinforced by a Department for Education statutory instrument which became law at the end of November 2020 which stated.
Where a local authority has a deficit in respect of its school's budget for a financial year beginning on 1st April 2020, 1st April 2021 or 1st April 2022, the authority—
 - (a) must not charge to a revenue account an amount in respect of that deficit; and*
 - (b) must charge the amount of the deficit to an account established, charged, and used solely for the purpose of recognising deficits in respect of its school's budget.*
32. This means that the council cannot now contribute to the deficit, cannot hold a reserve to act as a counterweight and has been required to move the deficit to an unusable reserve where it will sit as though it did not exist. It does though mean that the council is required to cash flow the deficit and continue to prioritise the work needed to reduce the deficit as the statutory instrument was silent on what the position will be from 1 April 2023 onwards.
33. A High Needs Recovery Board chaired by the Chief Executive and attended by, amongst others, the Leader, the relevant Portfolio Holder, and the Chair of the

Schools Forum has operated since April 2021. This Board has the specific aim of trying to better understand the position and develop options for deficit management.

34. Currently there is a key risk associated with the expectations of government once the period of the statutory instrument comes to an end, namely the position for the 2023-24 financial year. If the council is required to act as previously and set aside resources to act as a counterweight, then the financial sustainability of the council would be challenged at that point based on the overall level of reserves.
35. The council continues to work with the Local Government Association and other local authorities to seek clarification on both the position once the statutory instrument expires and a sustainable funding strategy for the high needs budget.

Summary of legal implications

36. Schools Forum must be advised of the DSG Settlement for 2022-23 and consider the budget needed to meet the needs of all pupils.

Summary of human resources implications

37. None

Summary of sustainability impact

38. None

Summary of public health implications

39. None

Summary of equality implications

40. The DfE undertakes its own equalities impact assessment regarding school funding through the NFF.
41. The budget is set to provide adequate funding to support the needs of pupils with high needs recognising that despite significant funding increases the DSG deficit will continue to grow.

Background papers

Schools Forum September 2021

[http://ced-pri-cms-02.ced.local/ieListDocuments.aspx?CId=149&MId=5093&Ver=4&\\$LO\\$=1](http://ced-pri-cms-02.ced.local/ieListDocuments.aspx?CId=149&MId=5093&Ver=4&LO=1)

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[http://ced-pri-cms-02.ced.local/ieListDocuments.aspx?CId=149&MId=5094&Ver=4&\\$LO\\$=1](http://ced-pri-cms-02.ced.local/ieListDocuments.aspx?CId=149&MId=5094&Ver=4&LO=1)

Appendix (to follow)

Draft Budget 2022-23.