

Cabinet

25 January 2022

Allocation of 2022/23 Dedicated Schools Grant

Recommendations

That Cabinet:

- 1) Approves the allocation of the Schools Block DSG, as outlined in Section 3.
- 2) Approves the Early Years allocation of funding for all early years providers as outlined in Section 4.
- 3) Approves the proposed allocation of the High Needs DSG budget for 2022/23, as set out in Section 5.
- 4) Supports the proposals for allocating the 2022/23 Central School Services DSG budget, as set out in Section 6.

1. Purpose of the Report

- 1.1. 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.
- 1.2. The report outlines the 4 blocks of the DSG, and the current proposals to allocate the initial DSG allocation. The Schools Forum received these proposals at the meeting held on 13 January 2022, and subject to Cabinet approval, they will be confirmed at the Schools Forum meeting on 17 March 2022.
- 1.3. Full Council will approve the 2022/23 budget resolutions on Tuesday 8 February 2022 which allocates resources to schools and other educational settings in accordance with the National Funding Formula for schools and early years settings. There is an expectation in the annual budget that the cost of schools and educational settings will be contained within the level of the DSG, but a reserve has been created to support a deficit if spending continues at the levels currently estimated without further external funding and/or if recovery plan activities do not deliver cost reductions.

2. Dedicated Schools Grant

- 2.1. Whilst the DSG is often referred to as a single grant it is made up of four blocks with minimal flexibility to move funding between the blocks. Therefore, in considering how the DSG is allocated it is necessary to consider each block separately.
- 2.2. The provisional 2022/23 DSG allocation of £518.6m, split across the four blocks by the Education and Skills Funding Agency (ESFA) is set out in Table 1.

Table 1: 2022/23 DSG Allocations	£m
Schools Block	397.8
Early Years Block	34.4
High Needs Block (<i>Note 1</i>)	82.5
Central Schools Services Block	3.9
Total DSG Allocation 2022/23	518.6

Notes

1. Provisionally, the amount of the 2022/23 High Needs Block DSG allocation that will come to the authority is £67.918m. The ESFA will top-slice £14.564m to allocate directly to non-maintained providers. This table does not include the impact of the 0.5% transfer noted in paragraph 3.8 as it represents the 'starting point' of the allocations from the ESFA .
- 2.3. The rest of this section outlines the powers and responsibilities of the Local Authority and Schools Forum in relation to DSG allocations before the rest of this report covers the basis of allocations in each of the blocks separately.
- 2.4. Please note that the DfE have allocated a Schools Supplementary Grant for 2022/23 which will be allocated as a separate grant outside of the DSG allocation, but comes with the same terms and conditions as the DSG.
- 2.5. The indicative Schools Supplementary Grant 2022/23 for Warwickshire is £14.6m in total, made up of £11.6m for Mainstream Schools Funding and £3.0m for the High Needs Funding. The £11.6m is not incorporated into Section 3 of this report because it is expected that the DfE will confirm the individual school allocations in Spring 2022. The £3m is noted within Section 5 of this report as it is expected that the LA will utilise this funding alongside the High Needs Block.
- 2.6. Schools Block**
- It is the responsibility of the County 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.

2.7. Early Years Block

Funding rules require the whole of the funding allocation for 2 year olds to be passported to all early years providers offering places for 2 year olds.

The local authority must passport 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 means up to 5% can be retained by the Council to fund Early Years functions delivered by Education Services.

It is the responsibility of the local authority to propose and decide the allocation of Early Years funding. The Schools Forum and all early years providers are consulted annually and given an opportunity to give their view on the local authority proposal.

2.8. High Needs Block

The High Needs Block supports certain provision for children and young people with special education need and disabilities (SEND). The High Needs Block also provides the resources for place funding; top-up funding for institutions and funding for high need services delivered by the local authority.

It is the responsibility of the local authority to propose and decide the allocation of High Needs Block funding. The Schools Forum is consulted on any proposed changes and informs the governing bodies of all consultations.

2.9. Central School Services Block

The Central School Services Block provides funding for the local authority to carry out central functions on behalf of pupils in both maintained schools and academies. Services are split between on-going and historic responsibilities.

The local authority proposes the spending allocations funded from the Central School Services Block, but the final decision is made by the Schools Forum.

3. Schools Block National Funding Formula 2022/23

3.1. The Schools Block DSG allocation for 2022/23 is £397.8m. This is an increase of £16.2m (4.25%) from the 2021/22 allocation of £381.6m and is due to three main reasons:

- The total number on roll for 2022/23 has increased by 814 pupils (1.06%) above 2021/22 pupil numbers. Table 2 shows the number on roll (NOR) changes by school phase.

Table 2: Changes to the Number on Roll between 2020 and 2021 October Census Points	
	Total on roll
Primary	271
Secondary	543
Total Increase NOR	814

- Secondly, Minimum pupil funding for 2022-23 is £4,265 in Primary Schools and £5,525 in Secondary Schools. This represents an increase of 2.03% above 2021-22 funding levels.
 - Lastly, pupil led funding formula factors were increased by between 2.17% and 3.85% above 2021-22 funding levels. A breakdown of how much each factor has increased by is outlined in Appendix 1. Also, Minimum Funding Guarantee has been set at +2.00% again.
- 3.2. The Schools Block DSG allocation for 2022/23 has meant the authority can continue to apply the 'hard' National Funding Formula (NFF) in 2022/23, which is the direction both Schools Forum and WCC have worked towards.
- 3.3. The Schools Forum have recommended (and voted in favour of) allocating additional funding to the lump sum factor, to the extent this is affordable and confirmed by the ESFA.
- 3.4. Within the NFF, lump sum payments for both primary and secondary schools are set at £121,300 per school. Funding guidance allows individual local authorities to set these up to a maximum of £175,000. It is expected that the lump sum payments for all primary and secondary schools will be set at a level between £121,300 per school (the minimum) and £123,000 per schools; ensuring that if above the minimum level, the increase is affordable.
- 3.5. A breakdown of the movements in the NFF factors between 2021/22 and 2022/23 is shown in Table 3 below.

Table 3: Comparison of NFF allocations 2021/22 and provisional 2022/23 (subject to submission of our model to ESFA; verification by ESFA, and also the final DSG allocation)				
Factor	2021/22 verified £m	2022/23 provisional £m	Difference £m	Reason for Change
Age Weighted Pupil Unit (AWPU)	288.6	300.8	+12.2	Pupil led factor + Increase in factor
Deprivation	22.7	25.4	+2.7	Pupil led factor + further increased uptake of 13.27% for Free Schools Meals
English as an Additional Language	2.3	2.5	+0.2	Pupil led factor + 3.36% increase in eligible children in 2022-23
Prior Attainment	24.4	25.1	+0.7	Pupil led factor
Lump Sum	28.0	28.4	+0.4	Increased rate
Sparsity Funding	0.9	1.1	+0.2	Increased rate
Split Sites	0.2	0.2	0.0	No change
Rates	3.6	3.8	+0.2	Actual costs of rate bills are fully funded
Minimum Pupil Funding	8.2	6.7	-1.5	As other factors increase there is less need to protect schools through this factor
Minimum Funding Guarantee	0.7	0.6	-0.1	As other factors increase there is less need to protect schools through this factor
Growth Fund	2.4	2.3	-0.1	
Unallocated	0.1	0.0	-0.1	
Total	382.1	396.9*	+14.8	

* £397.8m (2022-23 Schools block DSG) + £1.1m (Growth Fund underspend) - £2.0m (0.5% Transfer) = 396.9m.

The difference between £14.8m in Table 3 and the £16.2m in paragraph 3.1 is a result of Table 3 taking account of reserve drawdowns and 0.5% transfers.

- 3.6. Increases in the minimum per pupil funding and minimum funding guarantee ensures schools will receive increased funding where their number on roll remains the same between 2021/22 and 2022/23. Where a school's number on roll has dropped between 2021/22 and 2022/23 their budget share may also decrease as well. 93 out of 231 schools have seen a drop in their number on roll between 2021/22 and 2022/23. None of these schools has seen a drop in its budget share greater than the drop in its number on roll.
- 3.7. The Schools Forum strongly supported the policy decision to move to the NFF at the earliest opportunity taken last year and therefore also support the decision to make no changes to the approach for 2022/23.
- 3.8. Within National Funding Formula Guidelines a Local Authority can transfer up to 0.5% from the Schools Block to the High Needs Block. A consultation with

mainstream schools and academies on this transfer was undertaken during the early part of the 2021 autumn term. 36 mainstream schools and academies responded to the consultation and 26 (72%) supported the transfer. The value of the transfer is estimated to be £1.989m, to be confirmed by the ESFA.

3.9. At a special meeting of Schools Forum on 11 November 2021 13 of the 15 members attending the meeting supported the transfer whilst 2 voted against. Due to the overall support of Schools Forum, the transfer can take place as part of the 2022/23 DSG budget setting process without a 'Disapplication' being submitted to the ESFA.

3.10. In summary, based on the DSG schools block allocation for 2022-23 of £397.8m, it is affordable for the Local Authority to:

- implement the 'Hard' National Funding Formula
- transfer £1.989m as the 0.5% transfer to the High Needs Block
- increase the lumpsum payment from the minimum of £121,300 per school to an expected level of between £121,300 to £123,000 per school.

4. Early Years Block National Funding Formula 2022/23

4.1. The Early Years NFF allocates funding to Warwickshire below what is deemed to be the minimum hourly rate. This means, along with many other shire counties, Warwickshire receives 'top-up' funding to bring our allocation up to the minimum hourly rate of £4.61 per hour to cover all early years activity. Of this minimum hourly rate at least 95% (£4.38) must go directly to providers either as a universal rate or as the mandatory supplement for deprivation, and up to 5% (£0.23) can be retained by the local authority to fund central Early Years functions.

4.2. The increase in overall funding levels means it is possible to increase the overall universal rate to £4.30 per hour, an increase of £0.15 per hour compared to the £4.15 universal rate in 2021/22. It is also proposed to increase the deprivation rate by 1p to 8p.

4.3. The breakdown of how the £4.61 is to be allocated is set out in Table 4.

Table 4: Early Years Allocation of Funding per Hour for 3 and 4 Year Olds	
Factor	2022/23 Allocation Per Hour £
Universal rate allocated to all providers	4.30
Deprivation Supplement	0.08
Central Provided Services (5%)	0.23
Total for 3 and 4 Year Olds	4.61

5. High Needs DSG Budget Allocations 2022/23

- 5.1. The 2022/23 allocation for High Needs DSG is £82.482m. This represents a £6.734m increase on the equivalent allocation for 2021/22. Of the total allocation of £82.482m the ESFA will top slice and allocate £14.564m direct to academies for high needs places. The allocation available to the local authority to manage is therefore £67.918m. In addition to this, the local authority has been allocated a further £2.995m 2022/23 High Needs Funding from the Schools Supplementary Grant referenced in paragraphs 2.5 and 2.6.
- 5.2. High Needs Block funding is based on SEND pupil numbers at October 2021 in mainstream; special and resourced provision maintained schools and academies, and SEND pupil numbers at January 2021 in independent provision. The funding is made up as follows:
- Basic entitlement factor funding at £4,711 per pupil, adjusted for area costs. This is an increase of £51 above 2021/22 per pupil funding.
 - Historic spend factor. This amount is maintained at a cash-flat level and accounts for 88% of the total High Needs allocation.
 - The remaining amount of overall funding is distributed to local authorities using the following proxy indicators:
 - 2-18 year old population
 - deprivation
 - health and disability
 - low attainment
 - The formula then applies the protection of a funding floor to all elements except the basic entitlement factor.
 - Hospital education funding is added.
 - Import/export adjustments are made mid-year to reflect the transfer of pupils with SEND into and out of the County
 - Additional funding for Special Free Schools
- 5.3. The 2021/22 Quarter 3 forecast figures reported to Cabinet in January showed a 2021/22 High Needs Block in year overspend of £3.585m. Demand and therefore expenditure are forecast to grow in 2022/23 at a rate that is higher

than the increase in the 2022/23 High Needs Block allocation. It is recognised that nationally pressures on the school system, and the high needs budget in particular, are an issue; and Local Authorities continue to raise this with Central Government.

- 5.4. With the Government requiring all schools and early years services to be provided within the level of DSG allocated, more still needs to be done to ensure the budget for these services is robust and sustainable. The SEND and Inclusion Change Programme sets out Warwickshire’s plan towards how the DSG can be brought back into balance. Whilst further stages of the plan are developed and implemented, and/or the Government brings forward proposals for funding DSG deficits at a national level, sufficient funding will be set aside in reserves, as per the Table 5 below, to create an equal and opposite position to offset the projected deficit until a sustainable solution is in place.

Table 5: LA DSG Reserve	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Opening Balance	13.678	21.650	26.505	32.497	39.286
Contribution to Reserve	7.972	4.855	5.992	6.789	6.789
Closing Balance	21.650	26.505	32.497	39.286	46.075

6. Central School Services DSG 2022/23

- 6.1. The allocation to the Central School Services Block (CSSB) is £3.944m in 2022/23. This represents a £0.244m decrease on the 2021/22 figure. CSSB funding is allocated partly for historic commitments and partly for ongoing functions relating to both maintained schools and academies.
- 6.2. As expected, Warwickshire’s historic commitments allocation has again reduced by 20% from 2021/22 to £0.818m, which is a reduction of £0.205m.
- 6.3. Funding for ongoing functions is allocated using a pupil-led formula, based on 2021/22 pupil numbers and comprises a basic per-pupil factor, through which authorities receive the majority of funding and a deprivation factor. This factor decreases by £1.03 to £40.17 in 2022/23. Warwickshire ongoing funding will decrease by £0.040m to £3.125m in 2022/23.
- 6.4. The decision on the use of the CSSB is one for the Schools Forum and the CSSB allocations for 2022/23 will be confirmed by the Schools Forum at their meeting in March 2022, before the start of the new financial year.

7. Financial Implications

- 7.1. In addition to the financial implications which are within the body of this report, the following paragraphs are for noting.
- 7.2. While Councils are not permitted to fund DSG overspend from funding outside of the ringfenced DSG grant, proving our financial sustainability as an organisation requires us to hold an amount equal to the deficit in our financial reserves. This reserve will be released to the General Reserve if funding or spending varies beneficially from estimates.
- 7.3. It should be noted that the ESFA has indicated that any local authorities overspending their overall DSG by more than 1% in 2021/22 is expected to have a recovery plan that they may request a copy of. As at Quarter 3 forecasting, Warwickshire is projecting an overspend of 0.4%. However, the DSG recovery plan will be maintained and updated annually so that it remains a 'live' document; and can be submitted to the ESFA if required. As part of this, the recovery plan will be updated for the Schools Supplementary Grant (High Needs element).
- 7.4. This demand and cost pressures, alongside the need to deliver material savings and manage future demand to bring the budget back into balance, means the High Needs DSG remains an area that requires close oversight. Progress on the recovery plan will continue to be reported to Cabinet and to Schools Forum as appropriate.
- 7.5. A High Needs DSG deficit is not unique to Warwickshire and reflects a major national problem. A sustainable funding model needs to be implemented by Central Government, and the issue of the terms and conditions of the DSG conflicting with accounting standards and audit requirements has created the need for a £46m contribution to reserves by 2026/27.

8. Environmental Implications

- 8.1. There are no specific environmental implications arising from the decision being made as part of this report.

9. Background Documents

None

10. Supporting Papers

- Schools forum 13 January 2022

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Elected Members have not been consulted in the preparation of this report.

Appendix 1

NFF Factors 2021-22 and 2022-23

Factor	2021-22	2022-23	Change	
	£	£	%	£
AWPU				
Primary AWPU	3,123	3,217	3.01%	94
KS3 AWPU	4,404	4,536	3.00%	132
KS4 AWPU	4,963	5,112	3.00%	149
Minimum Per Pupil Funding				
Primary	4,180	4,265	2.03%	85
Secondary	5,415	5,525	2.03%	110
Deprivation				
FSM Primary	460	470	2.17%	10
FSM Secondary	460	470	2.17%	10
FSM6 Primary	575	590	2.61%	15
FSM6 Secondary	840	865	2.98%	25
Primary IDACI A	620	640	3.23%	20
Primary IDACI B	475	490	3.16%	15
Primary IDACI C	445	460	3.37%	15
Primary IDACI D	410	420	2.44%	10
Primary IDACI E	260	270	3.85%	10
Primary IDACI F	215	220	2.33%	5
Secondary IDACI A	865	890	2.89%	25
Secondary IDACI B	680	700	2.94%	20
Secondary IDACI C	630	650	3.17%	20
Secondary IDACI D	580	595	2.59%	15
Secondary IDACI E	415	425	2.41%	10

Secondary IDACI F	310	320	3.23%	10
Low Prior Attainment				
Primary LPA	1,095	1,130	3.20%	35
Secondary LPA	1,660	1,710	3.01%	50
English as an Additional Language (EAL)				
Primary EAL	550	565	2.73%	15
Secondary EAL	1,485	1,530	3.03%	45
Lump Sum				
Primary LS	117,800	121,300	2.97%	3,500
Secondary LS	117,800	121,300	2.97%	3,500
Sparsity				
Primary Sparsity	45,000	55,000	22.22%	10,000
Secondary Sparsity	70,000	80,000	14.29%	10,000
DSG Schools Block Allocations				
Primary Units of Funding (PUFs)	4,395	4,516	2.74%	121
Secondary Units of Funding (SUFs)	5,574	5,737	2.92%	163

Glossary

AWPU	Age Weighted Pupil Funding (allocates basic entitlement funding for pre-16 pupils in mainstream schools)
KS	Key Stage
FSM	Free School Meals
IDACI	Income deprivation affecting children index
LPA	Low Prior Attainment
EAL	English as an Additional Language
LS	Lump Sum
PUFs	Primary Units of Funding (this is calculated for each LA by the DfE based on factors such as pupil count)
SUFs	Secondary Units of Funding (this is calculated for each LA by the DfE based on factors such as pupil count)