

Cabinet

27 January 2023

Allocation of 2023/24 Dedicated Schools Grant

Recommendations

That Cabinet:

1. Approve the allocation of the Schools Block DSG, as outlined in Section 3.
2. Approve the Early Years Block DSG allocation of funding for all early years providers as outlined in Section 4.
3. Approve the allocation of the High Needs DSG budget for 2023/24, as set out in Section 5.
4. Support the proposals for allocating the 2023/24 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 ringfenced 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 provisional DSG allocation. Warwickshire Schools Forum received these proposals at the meeting held on 12 January 2023, and subject to Cabinet approval, they will be confirmed at the Schools Forum meeting on 23 March 2023.
- 1.3. Full Council will approve the 2023/24 budget resolutions on Tuesday 7 February 2023 which allocates resources to schools and other educational settings in accordance with the National Funding Formula (NFF) 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 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, in fact 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 2023/24 DSG allocation of £562.346m, split across the four blocks by the Education and Skills Funding Agency (ESFA) is set out in Table 1.

| Table 1: 2023/24 DSG Allocations | £m |
|---|----------------|
| Schools Block | 425.638 |
| Early Years Block | 37.924 |
| High Needs Block (<i>Note 1</i>) | 94.682 |
| Central Schools Services Block | 4.102 |
| Total DSG Allocation 2023/24 | 562.346 |

Notes

- 1. Provisionally, the amount of the 2023/24 High Needs Block DSG allocation that will come to the authority is £78.842m. The Education and Skills Funding Agency (ESFA) will top slice £15.840m to allocate directly to non-maintained providers. Similarly, £280.555m of SB funding will be paid by ESFA direct to Academy Schools.
- 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 in last financial year, the DfE allocated a Schools Supplementary Grant which was allocated as a separate grant outside of the DSG allocation. For the financial year 2023/24, this funding has been rolled into the DSG allocation.

2.5. 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.

2.6. Early Years Block

Funding rules require that 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 Block funding. Schools Forum and an Early Years Working Group are consulted annually and given an opportunity to give their view on the local authority proposal.

2.7. High Needs Block

The High Needs Block supports 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. Schools Forum is consulted on any proposed changes and informs the governing bodies of all consultations.

2.8. 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 ongoing 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 2023/24 is £425.6 million which is an increase of £28.8 million (7.26%) from the equivalent 2022/23 allocation and is mainly due to increase in pupil numbers.
- 3.2. The total Number on Roll for 2023/24 has increased by 1,316 pupils (1.70%) above 2022/23 pupil numbers. Table 2 shows the Number on Roll changes by phase.

| | Total on roll |
|------------------|----------------------|
| Primary Pupils | 368 |
| Secondary Pupils | 948 |
| | 1,316 |

- 3.3. In addition, the minimum pupil funding for 2023/24 has increased to £4,405 for Primary Schools and £5,715 for Secondary school compared to £4,265 in Primary Schools and £5,525 in Secondary Schools for 2022/23. This represents an increase of 3.03% above 2022/23 funding levels mainly due to the Supplementary grant paid in 2022/23 being rolled into the school NFF for 2023/24.
- 3.4. Note that also, pupil led funding formula factors were increased by between 2.17% and 3.85% above 2022/23 funding levels. The Minimum Funding Guarantee has been set at +0.50%.

The Schools Block DSG allocation for 2023/24 means the Local Authority can fully implement the 'hard' National Funding Formula (NFF) in 2023/24 as follows:

- Set the Age Weighted Pupil Unit (AWPU) rate in line with the 'hard' NFF.
- Use all Deprivation rates (Free Schools Meals and Income Deprivation Affecting Children Index) in line with the 'hard' NFF.
- Allocate funding for English as an additional language for the maximum 3 eligible years in line with the 'hard' NFF.
- Prior attainment set at 100% in line with the 'hard' NFF.
- All schools are allocated a lump sum of £127,500, in line with the 'hard' NFF.
- Split sites allocated £38,500 per site and this is a local factor.
- Business Rates are fully funded, and this is mandatory.
- Funding to meet minimum per pupil funding (£4,265 for primary school pupils and £5,525 for secondary school pupils) in line with the 'hard' NFF.
- Set the Minimum Funding Guarantee at +0.50% in line with the 'hard' NFF.

- Allocate £3.5m to the Growth Fund, as approved at Schools Forum on 12 January 2023.

3.5. A breakdown of the movements in the NFF factors between 2022/23 and 2023/24 is shown in Table 3 below.

| Table 3 NFF movements | | | | | |
|-----------------------------------|--------------|--------------|-------------|--------------|---|
| Factor | 2022/23 | 2023/24 | Difference | Difference | Reason for Change |
| | £m | £m | £m | % | |
| Age Weighted Pupil Unit (AWPU) | 301.2 | 324.2 | 23.1 | 7.66% | Pupil led factor and increase in rates. 23/24 rates include Supplementary grant funding as per NFF guidance |
| Deprivation | 25.4 | 29.6 | 4.2 | 16.48% | Pupil led factor and increase in rates. 23/24 rates include Supplementary grant funding as per NFF guidance |
| English as an Additional Language | 2.5 | 3.1 | 0.6 | 23.32% | Pupil led factor |
| Mobility | 0.0 | 0.1 | 0.1 | 100.00% | As per NFF requirement |
| Prior Attainment | 25.1 | 26.5 | 1.4 | 5.44% | Pupil led factor |
| Lump Sum | 28.0 | 29.6 | 1.6 | 5.64% | Lump sums rates include part of Supplementary grant as per NFF guidance |
| Split Sites | 0.2 | 0.2 | 0.0 | 0.00% | No change |
| Sparsity | 1.0 | 1.1 | 0.1 | 6.80% | Increased rate |
| Rates | 3.7 | 3.7 | 0.0 | 0.00% | Actual costs of rate bills are fully funded |
| Minimum Pupil Funding | 6.8 | 3.9 | -3.0 | -43.28% | As other factors increase there is less need to protect schools through this factor |
| Minimum Funding Guarantee | 0.6 | 0.2 | -0.4 | -61.67% | As other factors increase there is less need to protect schools through this factor |
| Growth Fund | 2.3 | 3.5 | 1.2 | 50.76% | Increase in pupil number for bulk classes |
| Total | 396.9 | 425.6 | 28.8 | 7.26% | <i>note that numbers may be impacted by roundings</i> |

3.6. At their 12 January 2023 meeting, Schools Forum recommended that Cabinet approve the following in relation to the Schools Block allocation for 2023/24. Please note that this is subject to the ESFA verifying our schools funding submission which needs to be submitted by Friday 20 January 2023. Schools Forum will therefore receive the final budget position at the March meeting.

- The lump sum in 2022/23 is £121,300 per school in line within the NFF. Local Authorities can increase this to a maximum of £175,000, subject to affordability, in 2023/24. Schools Forum recommend that Cabinet approves an increase in the lump sum for 2023/24 to £127,500 for all mainstream schools and academies. Note that £3,680 of this increase relates to the mainstreaming of the supplementary funding which was provided as a separate grant in 2022/23.
- Schools Forum do not recommend an increase of any factor beyond that within the NFF as this would only benefit some schools and not all of

them. Schools who are protected, either through the minimum per pupil funding or minimum funding guarantee, do not generally benefit from any factor increases. This is because an increase in a factor would be offset by an equal and opposite decrease in either their minimum per pupil funding or minimum funding guarantee protection.

- The aim of ESFA approach for rolling the 2022/23 supplementary grant into the schools' NFF in 2023.24 is to ensure that the additional funding that schools attract through the NFF is as close as possible to the funding they would have received if the funding was continuing as a separate grant in 2023/24, without adding significant additional complexity to the formula. In line with the guidance, Schools Forum recommend that the previous supplementary grant is 'rolled in' in three ways, to reflect the three different ways in which schools attract funding through the NFF.
 - Adding £97, £137 and £155 to the primary, key stage 3 and key stage 4 per pupil funding factors respectively
 - Adding £85 and £124 to the primary and secondary FSM6 factors.
 - Adding £3,680 to the school lump sum

3.7. Schools Forum's recommendations amount to a full implementation of the 'hard' National Funding Formula which has been the direction of both Schools Forum and the Council for a number of years.

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. Following an annual consultation with schools, unlike 2021/22 and 2022/23, Schools Forum did not approve the transfer of any of the Schools Block DSG to the High Needs Block DSG in 2023/24 at their extraordinary meeting in November. The primary reasons for this decision were:

- the current pressures faced by school budgets (and the wider economy) during the current 'cost of living' crisis and rising inflation
- the impact that the transfer would have had on reducing many Individual School Budgets (ISB)

4. Early Years Block National Funding Formula 2023/24

- 4.1. The Early Years Block element, within the Dedicated Schools Grant (DSG) funds the universal provision for all 3 and 4 year old children as well as the early years provision for disadvantaged 2 year old children.
- 4.2. Following the Government's consultation during last summer, more up to date data sets will now be used by the Government for the early education entitlements for children aged 2, 3 and 4. This change will help the funding system to be fair, effective, and responsive to changing levels of need.
- 4.3. From the 2023/24 financial year funding early years grants will be mainstreamed, bringing early years in line with schools and high needs, making it easier for institutions to manage their finances. For schools, teachers' pay and pensions grants funding will be within baseline grants. For maintained nursery schools teachers' pay and pensions grants will be allocated through their school supplementary funding (see below).

Allocations for 2 year olds

- 4.4. The hourly allocation for 2 year olds has increased by 24p per hour from £5.66 per hour in 2022/23 to £5.90 per hour in 2023/24. This represents a 4.24% increase above the 2022/23 funding allocation.
- 4.5. Funding rules requires the whole of this funding is passported to all early years' providers offering places for 2 year olds.

Allocations for 3 and 4 year olds

- 4.6. All children in England and Wales are entitled to 15 hours of free nursery education per week, 38 weeks a year from the term after their third birthday until they reach statutory school age. Parents may choose to take this up in a maintained school, nursery or in a private, voluntary or independent sector (PVI) early year setting or with a childminder.

National Funding Formula Guidance

- 4.7. The Early Years National Funding Formula allocates funding to Local Authorities using an hourly rate. 95% of this must go directly to providers either as a universal rate or as the mandatory supplement for deprivation, and 5% can be retained by the Local Authority to fund central early years functions (since 2018/19). The formula also may have a fixed number of supplements in addition to the required deprivation factor.

- 4.8. The ESFA announced in December 2022 early years allocations for 2023/24 and the Early Years Working Group met on Wednesday 4 January 2023 to discuss the allocation of funding for 3 and 4 year olds and to make a recommendation to Schools Forum.
- 4.9. The hourly allocation for 3 and 4 year olds has increased by 26p per hour from £4.61 per hour in 2022/23 to £4.87 per hour in 2023/24, which includes £0.03 for the teachers' pay and pensions grants. This represents a 3.5% increase to the 2022/23 funding allocation.
- 4.10. A breakdown of how Schools Forum recommend that the £4.87 is allocated in set out in Table 4 below:

| Table 4: Breakdown of Hourly rate | | | |
|---|---------------------------------------|---------------------------------------|--------------------|
| Factor | 2022/23 Allocation Per Hour, £ | 2023/24 Allocation Per Hour, £ | Increase, £ |
| Total for 3 and 4 Year Olds | 4.61 | 4.87 | 0.26 |
| Universal rate allocated to all providers | 4.30 | 4.51 | 0.21 |
| Teachers' Pay and Pension Grants | 0.00 | 0.03 | 0.03 |
| Deprivation Supplement | 0.08 | 0.09 | 0.01 |
| Central Provided Services (5%) | 0.23 | 0.24 | 0.01 |

Supplementary Funding for Maintained Nursery Schools (MNS)

- 4.11. Maintained nursery schools has been receiving supplementary funding in recognition of their structural costs. This funding is allocated to the MNSs outside of the main early years formula allocation.
- 4.12. From 2023/24 ESFA have reformed the distribution of MNS supplementary funding to ensure that it is being shared more evenly across all local authorities with MNSs. As consulted on over the summer, ESFA have now introduced a minimum and a cap on the hourly funding rate that local authorities can receive for their MNSs. In 2023/24, the minimum hourly rate is £3.80 and the cap has been set at £10 per hour. The ESFA have also mainstreamed the funding that MNSs previously received through the teachers' pay and pensions grants, so it has now been rolled into the supplementary funding allocation.

- 4.13. The supplementary funding rate for Warwickshire has been set at £3.80 by the ESFA and must be paid to 6 Maintained Nursery Schools for the Universal funded hours.
- 4.14. Although this represents the minimum hourly funding rate set by the ESFA, it is an increase of 44p for WCC (before taking into account the teachers pay and pensions grant that will be rolled into the supplementary funding).

5. High Needs DSG Budget Allocations 2023/24

- 5.1. The 2023/24 allocation for High Needs Block DSG is £94.682m. This represents a £8.651m increase on the equivalent allocation for 2022/23. Of the total allocation of £94.682m the ESFA will top slice and allocate £15.840m direct to academies for high needs places. The allocation available to the local authority to manage is therefore £78.842m.
- 5.2. The High Needs Block allocation will be distributed to individual service budgets, taking into account both expenditure requirements and savings requirements (based on workstreams and interventions within the SEND and Inclusion Change Programme (DSG High Needs Recovery Plan)).
- 5.3. High Needs Block funding is based on SEND pupil numbers at October 2022 in mainstream; special and resourced provision, maintained schools and academies, and SEND pupil numbers at January 2022 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 £0.391m above 2022/23 per pupil funding.
 - Historic spend factor. This amount is maintained at a cash-flat level and accounts for 85% 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

- 5.4. The 2022/23 Quarter 3 forecast figures reported to Cabinet elsewhere in this Cabinet’s agenda, forecasts a 2022/23 High Needs Block in year overspend of £4.939m. 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.
- 5.5. 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: DSG Offset Reserve | 2023/24 £m | 2024/25 £m | 2025/26 £m | 2026/27 £m | 2027/28 £m |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Opening Balance | 21.650 | 26.505 | 32.497 | 34.891 | 36.285 |
| Contribution to Reserve | 4.855 | 5.992 | 2.394 | 1.394 | 1.394 |
| Closing Balance | 26.505 | 32.497 | 34.891 | 36.285 | 37.679 |

6. Central Schools Services Block 2023/24

- 6.1. The allocation to the Central School Services Block (CSSB) is £4.102m in 2023/24. This represents a £0.026m decrease on the 2022/23 figure. CSSB funding is allocated partly for historic commitments and partly for ongoing functions relating to both maintained schools and academies.
- 6.2. For Warwickshire’s historic commitments allocation, this was due to be reduced by 20% from 2022/23 but a successful appeal to the ESFA has meant that the funding of £1.003m is same as 2022/23. The cost of the historic commitments has similarly remained static.
- 6.3. Funding for ongoing functions is allocated using a pupil-led formula. based on October 2022 pupil numbers and comprises a basic per-pupil amount. This has been reduced from £40 to £39 for 2023/24. The effect of this reduced rate has been mitigated by the increase in overall pupil numbers as detailed in Table 2 above.

- 6.4. The decision on the use of the CSSB is one for the Schools Forum. The CSSB allocations for 2023/24 will be confirmed by the Schools Forum at their meeting on 23 March 2023.

7. Financial Implications

- 7.1. In addition to the financial implications which are within the body of the 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 without Secretary of State approval, the issue of the terms and conditions of the DSG conflicting with accounting standards and audit requirements has determined the need for the DSG offset reserve. Section 5.5 details the building of this reserve. This reserve will be released to the General Reserve if funding or spending varies positively 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 2022/23 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 0.9%. Warwickshire, within the remit of the SEND & Inclusion Change Programme, is maintaining a DSG recovery plan and ensuring that it is updated annually so that it remains a 'live' plan.
- 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 Block 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 Block DSG deficit is not unique to Warwickshire and reflects a major national problem. The Council welcomes the additional DSG funding from Central Government, especially in relation to SEND, and this has helped to reduce the overall growth in the projected deficit, but it doesn't fully address the remaining gap in High Needs Block funding. A sustainable funding model needs to be implemented by Central Government.

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 12 January 2023

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