

Date of meeting:	Thursday 20 January 2022
Title of report:	Overall DSG and the Schools Block 2022-23
Type of report: Delete as required	For information
Executive summary: Including reason for submission	This paper sets out, for information, the overall DSG allocation and planned expenditure on the Schools Block Budget in 2022-23, following the endorsement of proposals regarding its distribution at the Schools Forum meeting in November 2021 and December 2021 and formal agreement by the Council's Executive in January 2022.
Budget / Risk implications:	N/A
Recommendations:	That the North Yorkshire Schools Forum notes this paper
Voting requirements:	N/A
Appendices: To be attached	None
Report originator and contact details:	Sally Dunn, Head of Schools and Early Years Finance
Presenting officer: If not the originator	Howard Emmett, Assistant Director – Strategic Resources howard.emmett@northyorks.gov.uk 01609 532118

1.0 PURPOSE OF THE REPORT

1.1 This paper sets out, for information, the planned expenditure on the Schools Block Budget in 2022-23, following the endorsement of proposals regarding its distribution at the North Yorkshire Schools Forum meetings in November 2021 and December 2021 and formal approval by the County Council's Executive in January 2022.

2.0 DSG Allocations 2022-23

2.1 The DSG is made up of four blocks (Schools, High Needs, Early Years and Central School Services). In recent meetings the Forum considered the DfE announcements with regard to DSG funding allocations for 2022/23 including the impact of the ongoing National Funding Formula developments.

2.2 The amount currently allocated for 2022-23 is in line with expectations. Overall, there has been an increase in the DfE published baseline figure of £20.2m to £501.6m. This is due to three main factors:

- Additional funding allocated due to the new school funding settlement (national funding formula factor values and sparsity).
- An increase in High Needs Block funding estimated to be in the order of £5.7m
- An increase in the Local Authority early years funding rate of 17p per hour for 3 & 4 year olds and 21p per hour for vulnerable 2 years olds

2.3 In summary therefore, the change in DSG (before deductions for Academies and other direct funding of High Needs Places by the Education Funding Agency) shows:

	£'000
2021-22 base*	481,404
New funding settlement - NFF	20,750
Primary and Secondary schools - population	749
Universal 3 & 4 yr old numbers	-1,186
Working parents (3 & 4 yr olds) numbers	-94
Entitlement for 2 year olds	205
Early Years Pupil Premium	55
Early Years Disability Access Fund	13
Maintained Nursery School Supplementary Funding	-34
Central School Services Historic Commitments Reduction	-229
Sub Total	501,633

Overall DSG and the Schools Block 2022-23

High Needs Deductions**	-6,791
School National Non Domestic Rates (NNDR) Deduction***	-4,690
Total DSG Allocation (after High Needs & NNDR deductions)	490,152

* Original DSG baseline as at December 2020. Total DSG amounts change throughout the year based on academy conversion, high needs recoupment and import/export adjustments, and early years adjustments.

**High Needs Recoupment as per the ESFA is currently £5.8m, but the final figure is not confirmed until a later date. NYCC internal calculations estimate the figure at £6.8m.

***NNDR will be paid by the Education & Skills Funding Agency (ESFA) directly to billing authorities on behalf of all maintained schools and academies from 2022/23.

2.4 The final allocation is dependent on final early years' numbers and academy recoupment and therefore the total DSG will change throughout the financial year.

2.5 The allocation of the funding to each of the four blocks is as below.

NYCC Split	Schools	CSSB	High Needs	Early Years	Total
	£'000	£'000	£'000	£'000	£'000
2021-22 baseline*	383,524	3,707	61,618	32,555	481,404
NFF - funding settlement	12,432	40	7,052	1,226	20,750
Change in Primary & Secondary pupil numbers	745	4			749
Change in Early Years funded entitlement take up				-1074	-1074
Other Early Years Adjustments				33	33
Historic Commitments reduction		-229			-229
2022-23	396,701	3,522	68,670	32,740	501,633
High Needs Recoupment			-5,758		-5,758
School National Non Domestic Rates (NNDR) Deduction***	-4,690				-4,690
Initial DSG after HN Recoupment (as published by DfE)	392,011	3,522	62,912	32,740	491,185
Additional High Needs Recoupment estimated by NYCC			-1,033		-1,033
	392,011	3,522	61,879	32,740	490,152

Overall DSG and the Schools Block 2022-23

2.6 The Autumn 2021 Spending Review confirmed £1.6 billion funding for schools and high needs, for the 2022/2023 financial year, over and above the DSG settlement for next financial year, to support the Health & Social Care Levy and wider cost pressures. Nationally, £1.2 billion of the additional funding has been allocated to schools via a supplementary grant and £325 million has been allocated as additional high needs funding on top of the Dedicated Schools Grant (DSG) High Needs Block allocations. The indicative additional funding allocations for the Council are £11.28m for the schools supplementary funding grant and £2.63m additional funding for high needs. Section 3.6 provides further details of the methodology for the allocation of the supplementary grant funding to individual schools.

3.0 **PLANNED SCHOOLS BLOCK EXPENDITURE**

3.1 A full summary of the Schools Block in 2022-23, including a list of de-delegated and centrally-managed budgets is shown below. The de-delegated budgets reflect the decision made at the December meeting of the Forum. The budgets have been updated to take account of the October 2021 pupil census and the latest position with regard to academy conversions.

Schools Block (£000s)	£'000	
ISB (delegated budgets)	389,308	99.29%
<u>De-delegated</u>		
Schools in Financial Difficulty	445	
Unreasonable School Expenditure	48	
Trade Union Costs	108	
	601	0.15%
<u>Central Budgets</u>		
Falling Rolls	50	
Pupil Growth	450	
Pupil Growth – Baldersby, St James CE Primary School expected closure – estimated pupil transfer provision	149	
Pupil Growth – New School Provision Reserve	1,553	
	2,202	0.56%
TOTAL	392,111	
Funded by:		

Overall DSG and the Schools Block 2022-23

2022/23 Schools Block DSG	392,011	
Schools Block DSG Reserve	100	
	392,111	

- 3.2 The DfE published the outcome of their consultation “Reforming how local authorities’ school improvement functions are funded” on the 11th January 2022. They have confirmed that the consultation proposals will be implemented, with a reduction of 50% to the funding provided through the School Improvement Monitoring & Brokering Grant for the 2022/23 financial year followed by removal of the grant funding in 2023/24. At the meeting on the 16th December 2021, the Schools Forum rejected an “in principle” proposal to de-delegate funding from school budgets in the 2022/23 financial year to fund statutory services related to the provision of core school improvement activities. Given the extremely short timescale for the development and implementation of an alternative model for the provision of these services, NYCC will need to submit a request to the Secretary of State for Education to seek approval for the de-delegation of the funds in the 2022/23 financial year. If approval of this request is received, £375k (£1,712 per LA maintained school) will be de-delegated in 2022/23 and de-delegation will increase to 0.25% of the 2022/23 Schools Block DSG and reduce school delegated budgets to 99.19%. NYCC will continue to work with the Schools Forum to develop future operating models in order to ensure the continued provision of statutory core school improvement activities for LA maintained schools.
- 3.3 The ESFA approved the request to include an exceptional circumstance of up to £50,000 for very small sparse secondary schools, which would otherwise be unable to attract sufficient funding to remain viable, in the 2022/23 North Yorkshire school funding formula. Two schools, Upper Wharfedale School and The Wensleydale School, are eligible to receive this funding. As approved by the Schools Forum in November 2021, the £100k funding will be provided from the Schools Block DSG reserve in order to mitigate any impact on overall school funding formula allocations.
- 3.4 The 2022/23 Schools Block includes Growth Funding of £2.053m. £500k of this funding will be allocated to the Pupil Growth and Falling Rolls Fund Contingency Funds that can be accessed by LA maintained schools and academies who meet the funding eligibility criteria (as agreed at the September 2020 meeting of the Schools Forum). Initial estimated funding requirements indicate that the current funding allocations of £450k for Pupil Growth and a smaller contingency of £50k for Falling Rolls should be retained for 2022/23. The use of the Contingencies will be reported to the Schools Forum during the financial year.
- 3.5 Two new primary schools are currently scheduled to open in North Yorkshire in September 2024: North Northallerton and Manse Farm in Knaresborough. The new schools are mainstream free schools under the DfE free school presumption process and, as such, require an additional funding commitment from the LA in respect of pre-opening funding, post-opening diseconomies funding and delegated budget in relation to estimated pupil numbers. The additional funding commitment is currently estimated to be £1.53m (£765k per school) over the initial seven years of operation until all year

Overall DSG and the Schools Block 2022-23

groups are established. In addition to the two new schools identified above, it is expected that a further 3-4 new schools may be required within North Yorkshire over the next five year period. It is proposed to use the balance available from the 2022/23 Schools Block Pupil Growth funding, after the provision for Pupil Growth and Falling Rolls Contingency Funds and ensuring that 2022/23 NFF factor values are achieved in the calculation of school budgets, to further develop reserve provision for the additional funding commitment associated with the funding requirement for new schools. The balance is currently estimated to be £1.553m, but is subject to the finalisation of the 2022/23 school budget calculation. £1.116m was allocated in the 2021/22 financial year as the initial provision to this reserve.

- 3.6 It is understood that the Secretary of State will be providing a decision in coming weeks on the Regional Schools Commissioner's proposal for the closure of Baldersby St. James CE Primary Academy on 31st August 2022. Based on ESFA guidance, the 2022/23 Planned Schools Block makes funding provision for Baldersby St. James CE Primary Academy for the 5 month period of April to August 2022. The funding allocation related to the school for the period September 2022 to March 2023 will be allocated to the Pupil Growth Fund as a specific provision. This funding provision will be available to cover ESFA funding recoupment where pupils transfer to a successor academy from the closed school in September 2022 or for the LA to fund successor maintained schools where pupils transfer in September 2022 from the closed school. In the event of the Secretary of State deciding to retain the school, the funding for the period September 2022 to March 2023 will revert to the school's delegated budget.
- 3.7 Nationally, schools will be allocated £1.2 billion of additional funding, above the DSG settlement, to provide support for the costs of the Health and Social Care Levy and wider cost pressures. This funding will be allocated through a separate schools supplementary grant from the DSG in 2022/23. The DfE have confirmed that the additional funding will be provided in each year of the current spending review period with their intention to incorporate the funding into core budget allocations for the 2023/2024 financial year, where possible. The indicative additional schools supplementary grant funding allocation for North Yorkshire for 2022/23 is £11.28m. The DfE have stated that the schools supplementary grant will only be payable to public sector employers. 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. The base funding rates for the allocation of the supplementary funding grant to schools are as follows:

Early Years: The base per-pupil funding rate for early years provision in schools, and for maintained nursery schools	£24 / pupil
5 – 16 Schools: Basic per-pupil rate of for primary pupils Basic per-pupil rate of for key stage 3 pupils Basic per-pupil rate of for key stage 4 pupils Lump Sum FSM6 per-pupil rate for eligible primary pupils FSM6 per-pupil rate for eligible secondary pupils	£97 / pupil £137 / pupil £155 / pupil £3,680 per school £85 / pupil £124 / pupil
Post 16 Provision in Schools: base per-student funding rate	£35 / student

Overall DSG and the Schools Block 2022-23

The DfE will confirm final funding allocations in Spring 2022.

4.0 HIGH NEEDS

- 4.1 The financial pressure associated with the rise in the number of Education, Health and Care Plans (EHCPs) has resulted in a projected overspend of c.£2.5m in 2021/22; this will add to the accumulated High Needs Deficit of £8.7m as at 31st March 2021 resulting in a projected £11.2 accumulated High Needs deficit by 31st March 2022. Throughout the last year, following the onset of COVID, there has been a larger than budgeted increase in demand, and these pressures are predicted to continue. The underlying financial pressure on the High Needs budget was expected to grow by approximately £1.5m - £2.5m in each of the next few years, but following the disruption from COVID, planning assumptions have been disrupted so the figure maybe greater. In 2022/23, the financial pressure is expected to continue despite an estimated additional £5.7m in High Needs DSG funding and the £2.63m of additional funding to support financial pressures.
- 4.2 Whilst a number of proposals have been progressed to address this financial pressure, it is unlikely that these proposals will fully address this pressure. The local authority continues to implement the Strategic Plan for SEND (approved in September 2018). Any accumulated overspend on the High Needs budget will be required to be repaid from future High Needs Block funding allocations as DfE regulation changes in February 2020 effectively prohibit the use of LA funds for activity that should properly be funded by Dedicated Schools Grant (DSG). However, the current projections indicate a continued increasing demand for High Needs support and services.
- 4.3 The Local Authority budget makes provision for the projected high needs overspend. It does this by ensuring that there is sufficient funding to pay for the statutory services that the LA has a duty to deliver and any deficit on DSG is set to be earmarked on the balance sheet at the year-end. The budget also provides for an equal and opposite provision to offset the projected deficit. In this way the LA is able to offset any deficit but should the DfE provide the appropriate level of additional funds then LA can re-claim the offsetting provision and reduce its level of projected funding gap. The LA is therefore not funding the DSG deficit at this point but is funding provision for the possibility that it may need to in the future in line with good financial practice.

5.0 CENTRAL SCHOOLS SERVICES BLOCK EXPENDITURE (BUDGET)

- 5.1 The Central Schools Services Block (CSSB) is made up of the following budgets:

	£'000s
<u>Historic Commitments</u>	
Prevention Service	896

Ongoing Functions

Access management, Admissions and Appeals	783
Schools Forum	70
Copyright Licences	547
Education Services – Retained Duties	1,022
Centrally Employed Teacher Costs	204
TOTAL	<u>3,522</u>

- 5.2 The 2022/23 CSSB grant allocation related to ongoing responsibilities includes funding related to the mainstreaming of the pay and pension grants for centrally employed teachers. The 2022/23 funding level also reflects the ongoing reduction in the Historic Commitments element of the Block with a reduction of £229k from £1.14m to £0.91m. The overall impact provides a net decrease in Central Schools Services Block grant allocation of £185k compared to the 2021-22 baseline figure. There has been an increase of £44k in the grant income for Ongoing Functions and the anticipated cost of Copyright Licences has increased by £30k. The costs supporting the operation of Schools Forum have been reduced from £100k to £70k.
- 5.3 The Schools Revenue Funding Operational Guide outlines the functions that are covered under the former Education Service Grants. The functions include statutory and regulatory duties that the local authority must deliver. Many will not be directly visible to schools, but they reduce the risks to senior leaders and governing bodies by ensuring compliance with legal requirements. Retained duties include education welfare (functions relating to children excluded from school, school attendance, responsibilities regarding employment of children), asset management, and statutory and regulatory duties (including planning for the education service as a whole, formulation and review of the school funding formula, budget preparation).

6.0 RECOMMENDATIONS

- 6.1 The North Yorkshire Schools Forum is asked to approve the contents of this report.

STUART CARLTON

Corporate Director – Children and Young People’s Service