

## **Manchester City Council Report for Resolution**

**Report to:** Children and Young People Scrutiny Committee – 10 February 2021  
Executive – 17 February 2021

**Subject:** School Budget 2021/22

**Report of:** Strategic Director for Children and Education Services

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### **Summary**

Dedicated School Grant (DSG) is a ring-fenced grant of which the majority is used to fund individual schools budgets in maintained schools and academies in the city, early years nursery entitlement and provision for pupils with high needs including those with Education Health & Care Plans (EHCPs) in special schools, special provision and mainstream schools in Manchester and out of city.

Local authorities receive and manage the DSG within four blocks: schools, central school services, high needs and early years. A large proportion of it is paid directly to schools and other settings to provide the majority of education services. A proportion of the DSG is provided for local authorities to deliver education services.

DSG funding is determined in two stages: first, the government provides the grant to local authorities for all state funded schools in the city, and then local authorities determine the grant distribution to the local educational establishments.

DSG arrangements for 2021/22 remain unchanged with the grant continuing to be allocated to local authorities in four blocks based on a national formula, but Local Authorities can continue to fund schools on the local formula. Manchester's Schools Forum has opted to maintain the local funding formula. In the Autumn the Government re-confirmed the intention to implement a National Funding Formula which means that primary and secondary school funding longer term is likely to be determined by the Department of Education (DfE), however it is expected the allocation of budgets will continue to take place locally.

This report provides a summary of the confirmed DSG allocation from the 2021/22 settlement announced on the 17th December and the budget allocation across individual school budgets and Council's retained schools budgets which was reported to Schools Forum on the 18th January 2021.

### **Recommendations**

The Committee and the Executive are invited to review and comment on the 2021/22 individual school budgets (ISB) and Council retained school budgets (RSB) determined from the Dedicated Schools Grant (DSG) settlement.

The Executive is recommended to approve these budget proposals.

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**Wards Affected:** All

**Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city**

The report reflects the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council's planning and budget proposals.

<b>Manchester Strategy Outcomes</b>	<b>Summary of the Contribution to the Strategy</b>
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Effective Children and Education Services are critical to ensuring our children are afforded opportunities and supported to connect and contribute to the city's sustainability and growth.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Ensuring children and young people are supported and afforded the opportunity to access and achieve in the City; empowered and supported by the delivery of a strong and cohesive system that works for all children.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Improving education and social care services that are connected to the wider partnership build the resilience of children and families needed to achieve their potential and be integrated into their communities
A liveable and low carbon city: a destination of choice to live, visit, work	Improving outcomes for the children and families across the City, helps build and develop whole communities and increases the liability of the City
A connected city: world class infrastructure and connectivity to drive growth	Successful services support successful families who are able to deliver continuing growth in the City

**Full details are in the body of the report, along with implications for:**

- Equal Opportunities
- Risk Management
- Legal Considerations

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**Financial Consequences for the Capital and Revenue Budgets:**

The proposals set out in this report forms part of the preparation of the Council's draft revenue and capital budget for 2021/22 to be reported to the Executive for approval in February 2021.

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**Background documents (available for public inspection):**

None

## 1.0 Introduction

1.1 The Dedicated Schools Grant (DSG) for 2021/22 was received on 17 December 2020, this is a ring fenced grant of which the majority is used to fund:

- Individual schools' budgets in maintained schools and academies in Manchester.
- Early years nursery entitlement for two, three- and four-year olds in maintained school nursery classes, private, voluntary and independent (PVI) nurseries.
- Provision for pupils with high needs including those with Education Health & Care Plans (EHCPs) in special schools, special provision, mainstream schools and further education in Manchester and independent settings (commonly known as Out of City placements).

1.2 The DSG is split into four blocks: schools, central school services, early years and high needs. This report sets out the 2021/22 settlement and implications of it on schools and the Council. This report which for ease of reference is structured as follows:

Section 1	Introduction
Section 2	2021/22 DSG Settlement
Section	Distribution of grant across educational establishments and Council retained budgets.
Section 4	Dedicated Schools Grant Deficit Recovery Plan
Section 5	Summary

## 2.0 Dedicated Schools Grant (DSG) 2021/22 Settlement

2.1 The 2021/22 DSG notification was received on the 17<sup>th</sup> December 2020 and totals **£602.626m**. Table one provides a breakdown of the grant across the DSG blocks and sets out why the grant changed between 2020/21 and 2021/22.

2.2 The overall increase in grant since last year is £42.477m, table one sets the movement since last year:

- **£20.236m** of the change is due to increases in the grant, £10.611m in the school block, £9.184m uplift in the high needs block. Part of this increase is due to the City having greater need, free school meals have increased by 7% since the start of the pandemic, which is given a heavier weighting in the formula. £0.524m of the increase relates to increase in hourly rates for Early Years and £83k reduction in central services schools grant.
- **£19.498m** of the increase relates to the transfer of the Teacher's Pay Grant and Teacher's Pension Grants into the DSG.
- **£4.454m** of the increase in the grant relates to increases in pupil numbers (last financial year this was £11.528m).
- downward adjustment of **£1.711m** relating to growth funding allocation.

**Table one: DSG settlement 2021/22 and 2020/21**

<b>BLOCK</b>	<b>Schools £m</b>	<b>Central School Services £m</b>	<b>High Needs £m</b>	<b>Early Years £m</b>	<b>Total £m</b>
2021/22	456.200	3.902	100.583	41.941	602.626
2020/21	425.944	3.661	89.127	41.417	560.149
<b>Difference</b>	<b>30.256</b>	<b>0.241</b>	<b>11.456</b>	<b>0.524</b>	<b>42.477</b>
<b>As a result of:</b>					
Change in Grant	10.611	-0.083	9.184	0.524	20.236
Transfer of TPG & TPECG	17.522	0.292	1.683	Tbc	19.498
Pupil No. increases	3.833	0.032	0.589		4.454
Growth Fund change	-1.711				-1.711
<b>Difference</b>	<b>30.256</b>	<b>0.241</b>	<b>11.456</b>	<b>0.524</b>	<b>42.477</b>

### Schools Block

- 2.3 The Schools Block allocation of £456.200m has been calculated bottom up on the basis as if the national funding formula (NFF) was applied at school level. Local authorities are permitted to use a local ('soft') formula to distribute the aggregated total between each school and academy as is the case in Manchester. The £456.200m will be allocated out to schools in individual budget shares or held for the growth fund.
- 2.4 The allocation has increased by **£30.256m** in 2021/22. The funding allocation provides a guaranteed unit of funding of £4,945.87 per primary pupil and £6,636.18 per secondary pupil. These units of funding have increased due to Manchester's historically funding levels are above the national formula funding values and because of this the Council funding is protected which is 2.00% of the minimum increase that can be applied. Part of this increase is due to the City having greater need, free school meals have increased by 7% since the start of the pandemic, which is given a heavier weighting in the formula. This makes up **£10.611m** of the grant increase.
- 2.5 **£17.522m** of the increase relates to the transfer of the Teacher's Pay Grant and Teacher's Pension Grants into the DSG.
- 2.6 The budget is based on 80,159 children aged 5-16, the allocation has increased by **£3.833m** to reflect growth in primary and secondary pupils between October 2019 and October 2020 of 724 (0.9%).
- 2.7 The growth fund allocation has reduced significantly in 2021/22, owing to a reduction in the **levels** of pupil growth between the October 2019 and October 2020 censuses. The 2021/22 growth fund allocation of £3.634m is **£1.711m less** than the 2020/21 allocation and impacts Manchester's ability to fund growing schools in the City.

2.8 At the time of writing this report it is expected that at January 2021 Schools Forum will endorse Council's intention to increase funding for pupils, pupil characteristics, and protection as much as is affordable within the formula when allocating out funding to schools.

#### Central Schools Services Block

2.9 The central school services block allocation is £3.902m and supports the Council's role in education. It comprises two elements:

- 'On-going Responsibilities' - funding for this is determined by number of pupils and deprivation
- 'Historic Commitments' (previously known as Combined Services) - funding for this is based on past actual costs.

2.10 'Ongoing Responsibilities' - funds the Admissions service, copyright licenses, servicing of Schools Forum and duties local authorities have for both maintained schools and academies. The per pupil amount for 'On-going Responsibilities' has reduced by 2.5% which equates to per pupil reduction of £1.04 to £40.54 per pupil. The impact of the reduction in the rate per pupil has been offset by an increase in Manchester's pupil numbers, demonstrated in table three below.

2.11 'Historic Commitments' are time-limited and expected to reduce over a period. The DfE has suspended a planned 20% reduction in funding in 2020/21 where local authorities can demonstrate an on-going borrowing commitment. Manchester has evidenced the on-going commitment for unsupported borrowing against a school's capital scheme of £358k per year, the scheme runs until 2032/33.

**Table two: Central Schools Service Block**

<b>CSSB</b>	2020/21	2021/22	Difference
<b>Historic Commitments (£m)</b>	<b>0.358</b>	<b>0.358</b>	<b>0</b>
<b>On-going responsibilities:</b>			
Unit of funding	£41.58	£40.54	-£1.04
Transfer TPG & TPECG	£0.00	£3.67	£3.67
Total Unit of funding	£41.58	£44.21	£2.63
Oct 20 census number on roll	79,435	80,159	724
<b>Total On-going responsibilities (£m):</b>	<b>£3.303</b>	<b>£3.544</b>	<b>£0.241</b>
<b>CSSB Total (£m)</b>	<b>£3.661</b>	<b>£3,902</b>	<b>£0.241</b>

#### High Needs Block

2.12 The high needs block allocation is £100.583m and provides funding for children and young people with special educational needs and disability (SEND) from early years to age 25. The DfE has allocated an additional £0.7bn to the high needs block nationally. Manchester's additional high needs

block grant allocation is £11.456m, an increase of 12.85% compared to 2020/21.

- 2.13 This block of funding is for those pupils or students who require provision that would not normally be available within the delegated resources of a mainstream school. It is also for pupils who would require additional targeted resources in order to meet their needs in a mainstream setting or placement in a specialist setting, such as a SEND resource unit or a special school. It enables both local authorities and providers to meet their statutory duties under the Children and Families Act 2014. High needs funding is also intended to support good quality alternative provision (AP) for pre-16 pupils who cannot receive education in schools.

#### Early Years Block

- 2.14 The early years block funding is £41.941m and is provisional, this reflects the 2021/22 early years national funding formula (EYNFF) rates for all councils published in December 2020. Both the two year old rate and the three and four year old rate for Manchester have increased in 2021/22, by 8p and 6p per hour respectively. This is an increase of 1.21% for three and four year olds and 1.49% for two year olds.

### **3.0 Distribution of grant across educational establishments and Council retained budgets**

- 3.1 DSG funding is provided in two stages: first, the government provides the grant to a local authority, and then the Council determines the grant distribution to the local educational establishments.

#### Schools Block

- 3.2 The schools block funds individual primary and secondary (mainstream) schools' budgets. Funding is currently based on a local funding formula. This formula applies to all primary and secondary schools and academies. Individual school funding is determined by pupil numbers, pupil characteristics, a lump sum and premises related factors.
- 3.3 No change to Manchester's individual schools formula for primary and secondary schools is proposed. Manchester schools will receive a 3% increase on funding for pupils and pupil led characteristics. The lump sum continues to be funded at £37k above the rate the Council has been funded as part of the local formula. Protection of plus 2% per pupil compared to last year's budgets has been provided. This ensures that all schools will receive an inflationary increase compared to what was received last financial year on a per pupil basis.
- 3.4 The element of the grant which should support new schools and ones that are expanding is over-committed by £1.259m, this shortfall will be met from the budget which would otherwise be allocated out to all schools.

### Central Schools Services Block

- 3.5 This block provides funding for the Council to carry out central functions on behalf of pupils in state-funded maintained schools and academies. The block is split into funding for historic commitments and funding for the Council's school responsibilities, such as Admissions.

### High Needs Block

- 3.6 The 2021/22 high needs block grant allocation totals £100.584m and includes an £11.456m uplift to the block. The table below provides the planned spend against the additional allocations provided in 2020/21 and 2021/22 are table three below:

**Table three: High Needs Block growth**

	2020/21 £m	2021/22 £m
<b>Additional HNB Allocation</b>	<b>11.994</b>	<b>11.456</b>
Mainstream EHCPs, Special School places, Resource units, Education, Health and Care Plans	5.124	6.076
Post 16 Places	1.700	0.956
Out of City Places	3.059	1.281
Central Services	0.279	-0.040
<b>TOTAL: Growth</b>	<b>10.162</b>	<b>8.273</b>
TPG and TPECG		1.683
Recovery Balance (year 1)	1.832	1.500
Balance	<b>0</b>	<b>0</b>

### **4.0 DSG – High needs pressures**

- 4.1 DSG deficits can no longer be paid off from general funds without requesting permission from the Secretary of State. Deficits needs to be paid off from within DSG funds. Manchester's DSG is overspent due to high needs block pressure, table four below sets out the position 2017/18 – 2020/21 (forecast). At the point of 2020/21 budget setting, £1.83m of the 2020/21 HNB allocation was earmarked for planned recovery against the 2019/20 brought forward £4.28m deficit. Due to additional demand for EHCPs and Post 16 support surpassing expectations, very little of last year's deficit has been recovered.

**Table four: DSG Outturn Position**

Balance surplus/(deficit)	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 (forecast) £m
Opening	0.045	(0.769)	(1.711)	(4.281)
In-Year	(0.814)	(0.942)	(2.570)	(0.239)
<b>Year-End</b>	<b>(0.769)</b>	<b>(1.711)</b>	<b>(4.281)</b>	<b>(4.520)</b>



- 4.2 The key cause for the deficit is due to pupil growth and demand on part of the grant supporting children with high level of needs is greater than growth in the high needs block grant allocation. High needs block pressures are recognised to be a pressure nationally, over 80% of local authorities are reporting a high needs block deficit and the scale of the shortfall in funding is rapidly escalating. In order to manage high needs block the Council continues to develop more local less costly provision by creating additional special school places to meet demand within Manchester.
- 4.3 In the light of the DSG settlement and following review of all high needs block budget the recovery plan has been revised. The additional high need block will fund existing shortfalls and expected growth in both special schools and EHCPs in 2020/21 but not fully cover current shortfalls. Given this it is planned that the deficit is recovered over a three year period, whereby £1.5m of the annual grant allocation will be set aside for the recovery.

## 5.0 Summary

- 5.1 Table five below sets out the grant breakdown of DSG blocks. The table provides a summary of the split between individual school budgets and those budgets retained centrally by the authority across each of the blocks in 2020/21 and 2021/22.

**Table five: DSG individual school budgets and retained school budgets**

Budget	Schools £m	Central School Services Block £m	High Needs £m	Early Years £m	Total £m
Retained School	2.392	3.661	30.188	1.262	<b>37.503</b>
Individual School	423.552	0	58.939	40.155	<b>522.646</b>
<b>DSG 2020/21</b>	<b>425.944</b>	<b>3.661</b>	<b>89.127</b>	<b>41.417</b>	<b>560.149</b>
Retained School	1.100	3.902	33.884	1.569	<b>40.455</b>
Individual School	455.100	0	66.699	40.372	<b>562.171</b>
<b>DSG 2021/22</b>	<b>456.200</b>	<b>3.902</b>	<b>100.583</b>	<b>41.941</b>	<b>602.626</b>

- 5.2 The DSG recovery plan has been revised, whereby £1.5m of next year's grant will be earmarked for the grant's recovery.

## Glossary

<b>Central Services Block</b>	This is one of four blocks of Dedicated Schools Grant (DSG) allocated to local authorities to carry out functions on behalf of pupils in both maintained schools and academies. There are two distinct elements within this block: the 'ongoing responsibilities', comprising of funds previously separately specified by the Department for Education (DfE) and retained centrally (admissions, copyright licenses and servicing schools' forum). the 'historic commitments' previously known as 'combined services'.
<b>Early Years Block</b>	The early years block funds all factors relating to three and four-year-olds and disadvantaged two-year-olds in nurseries, private, voluntary and independent settings, and maintained schools.
<b>High Needs Block</b>	The high needs block covers place funding for special schools/academies and units, top-up funding for high needs pupils, alternative provision and education otherwise than at school, and funding for local authority central special educational; needs services.
<b>Minimum Funding Guarantee</b>	The MFG stipulates the minimum amount by which a school's budget must increase (or maximum decrease) when compared with its budget for the previous year, before allowing for changes in pupil numbers. Some specific items of expenditure (such as rates and resources specifically assigned to individual pupils with special needs) are excluded from the coverage of the MFG. The local authority can modify the operation of the MFG with the approval of the Secretary of State
<b>National Funding Formula</b>	National Funding Formula DfE has published proposals for a new national funding formula for schools, high needs and early years funding. In March 2016 DfE published proposals to make the distribution of schools and high needs funding fairer, and in August 2016 DfE published proposals on early years funding reforms.
<b>Soft Funding Formula</b>	The DfE will moved to a national funding formula at Local Authority level. The DfE use the national funding formula to calculate LAs' funding allocations, LAs can still determine individual schools' funding allocations through their local formula.
<b>Schools Block</b>	The schools block will fund all primary and secondary school pupils that are not funded through high needs or early years blocks.
<b>TPG &amp; TPEG</b>	Teacher's Pay Grant and Teacher's Pension Grant. This funding covers the cost of the increase in the employer contribution rate of the Teachers' Pension Scheme (TPS) from 16.4% to 23.6%, from September 2019.