

**Manchester City Council
Report for Resolution**

Report to: Children and Young People Scrutiny Committee – 8 February 2023
Executive - 15 February 2023

Subject: Schools Budget 2023/24

Report of: Strategic Director for Children's and Education Services

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.

Councils 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 to the Council to deliver education services.

Most of the DSG arrangements for 2023/24 remain unchanged with the grant continuing to be allocated to councils in four blocks based on a national formula, but councils can continue to fund schools on the local formula.

This report provides a summary of the confirmed DSG allocation from the 2023/24 settlement announced in December which was reported to Schools Forum on the 16th January 2023. Schools will receive a new grant from April 2023, this grant is also outlined in the report.

Recommendations

The Committee is recommended to:-

Consider the content of this report and comment on the proposed changes which are relevant to the remit of this scrutiny committee

The Executive is recommended to approve these budget proposals.

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 budget 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.

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments

Consideration has been given to how the proposed savings could impact on different protected or disadvantaged groups. Where applicable proposals will be subject to completion of an Equality Impact Assessment (EqIA) and an Anti Poverty Assessment.

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The effective use of resources underpins the Council's activities in support of its strategic priorities as set out in the Corporate Plan which is underpinned by the Our Manchester Strategy.
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	
A connected city: world class infrastructure and connectivity to drive growth	

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The changes included within this report are officer proposals and, subject to Member comments and consultation, these will be included as part of the 2023/24 budget preparation.

Financial Consequences – Capital

None directly arising from this report.

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Background documents (available for public inspection):

Not applicable

1. INTRODUCTION

- 1.1 Dedicated Schools Grant (DSG) is a ring-fenced grant. A new additional funding grant is also outlined in the report. DSG is made up of four blocks: schools (SB), central school services (CSS), early years (EYB), and high needs (HNB). Table one sets out the number pupils and of school/providers DSG supports.

Table One: Schools/Provider supported by DSG

Dedicated School Grant (DSG)	Schools/Providers	Pupil Numbers
Nursery Schools	2	88
Private, Voluntary and Independent Sector	460	15,013
Primary Schools & Academies	135	53,877
Secondary Schools & Academies	31	35,293
Special School Schools & Academies	17	2,618
Mainstream Education, Health and Care Plans	165	2,605
Post 16 EHCPs	36	602
Out of City Places	54	643
	Full Time Equivalents	
Council Staff	126.5	

- 1.2 This report which for ease of reference is structured as follows:

Section 1 Introduction

Section 2 Outline of the 2023/24 DSG allocation

Section 3 Additional Schools Grant 2023/24

Section 4 Schools Forum

2. DEDICATED SCHOOLS GRANT (DSG) 2023/24 ALLOCATION

- 2.1 The 2023/24 DSG notification was received 16th December 2022 and totals **£671.364m**. Table two provides a breakdown of the grant across the DSG blocks and sets out why the grant changed between 2022/23 and 2023/24. The overall increase in DSG since last year is £37.930m, table two also sets the movement since last year.

Table two: DSG settlement 2023/24 compared to 2022/23

	Schools £m	Central Services School £m	High Needs £m	Early Years £m	£m
2023/24	503.271	3.753	122.847	41.494	671.364
2022/23	475.054	3.868	114.540	39.972	633.434
Difference	28.217	-0.115	8.306	1.521	37.930
The difference is a result of the change in £m:					
Formula	21.344	-0.160	7.338	1.521	30.044
Pupil Numbers	7.398	0.044	0.968	0.000	8.411
Growth Fund	-0.525				-0.525
Difference	28.217	-0.115	8.306	1.521	37.930

- Above excludes the additional funding of £22.250m detailed in section 4: Mainstream schools (£17.241m) and High Needs Block (£5.009m), Schools Block
- 2.2 The Schools Block allocation of £503.271m has been calculated bottom up on the basis as if the national funding formula (NFF) was applied at school level. On average the DfE has increased the formula determined by pupil level data by 3.5%.
 - 2.3 This part of the grant will fund 82,492 pupils aged 5-16 years. Primary pupil numbers have marginally increased in 2023/24 (+46 pupils), while secondary numbers continue to grow (+1,006 pupils).
 - 2.4 The Council will allocate funding in line with the locally agreed formula. Based on previous decisions and affordability all Manchester primary and secondary schools should receive between a minimum increase of 0.5% and maximum of 3.2% increase on a per pupil basis.
 - 2.5 Individual schools funding is based on pupil numbers and their characteristics, such as whether pupils are eligible for free school meals plus premises related characteristics. Pupil related and other funding within most of the local formula allocation has been increased by 3.25%, the only significant change is the funding allocated to schools that are subject to Private Finance Initiative (PFI).
 - 2.6 Manchester has two PFI schools, where buildings for the schools have been procured and facilities managed under the scheme. Under the scheme, responsibility for building and managing infrastructures and services has transferred to a private consortium, including banks, financiers, and a construction company. Payments for the building and facilities are uplifted year on year in line with inflation, due to the significant increase in the rate of inflation the costs associated with PFI charges have increased more than expected, the overall impact of this is **£331k** on the schools funding block.

Central School Services Block (CSSB)

2.7 The CSSB allocation is **£3.753m** 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. It funds the admissions service, copyright licenses, servicing of Schools Forum and duties local authorities have for both maintained schools and academies
- 'Historic Commitments' (previously known as Combined Services) - funding for this is based on past actual costs.

2.8 The per pupil amount for 'On-going Responsibilities' has reduced by 2.5% which equates to per pupil reduction of £1.08 to £42.02 per pupil. The impact of the reduction in the rate per pupil has been partly mitigated by an increase in Manchester's pupil numbers, resulting in an overall net reduction of £44k, this on-going reduction will need to be managed going forward.

High Needs Block (HNB)

2.9 The HNB allocation is **£122.847m** and provides increased funding for children and young people with special educational needs and disability from early years to age 25 years. The DfE has allocated an additional £0.97bn to the HNB nationally. Manchester's additional HNB grant is **£8.306m**, an increase of 7.25% compared to 2022/23, this is £1m higher than previously expected.

2.10 The Council has also received an additional £5.009m of funding for high needs, this was following the Government's autumn statement, announcing additional £2bn funding for schools. Council plans to allocate the £8.306m and £5.009m, total of an **£13.315m** increase in the following way:

Table three: High Needs Budget Outline

Budget	£000's
Special School and Resource Units –	5,090
Mainstream Education, Health and Care plans Including post 16	3,764
Out of City and Other Council	1,838
Recovery Plan and in-year growth	2,623
Total	13,315

2.11 The HNB is currently in deficit and has a recovery agreed with Schools' Forum on the 19th November 2022. Following the Schools' Forum meeting a steering group has been established to have oversight of the delivery of this plan, actions to reduce the deficit along with the associated risks. The group comprise officers from education, finance, commissioning, and Schools' Forum representatives.

2.12 If the plan does not address the deficit the gap in the HNB increases year on year over the next three years, and give the significant risk if demand is not managed the deficit will increase significantly.

- 2.13 Included in the recovery plan is the option to request a 0.5% transfer from the schools block to the HNB, this would contribute c.£2.4m to the HNB recovery position. At this stage given the settlement and recovery made to date, Manchester does not intend to propose a 0.5% transfer in 2023/24.
- 2.14 However, the work to strengthen special educational needs support and prevention of needs escalating and will need time to embed before the desired impact of reduced requests for an Education, Health and Care plan requests is felt. It would also seem counter intuitive to take funding out of school budgets at a time when this funding is required to support these developments.

Early Years

- 2.15 The early years funding £41.494m and is provisional, this reflects the 2023/24 early years national funding formula (EYNFF) rates for all councils published in December 2022. Funding will be finalised at later date.
- 2.16 Key changes are:
- Two-year-old rate is increasing by **6p** (1.06%).
 - Three and four-year-old rate is increasing by **22p**.

This includes the rolling in of the teachers' pay and pension grant (TPG) and teachers' pension employer contribution grant (TPEGC) into the EYNFF. Excluding this, the rate increase equates to 0.93%. of the 22p per house, 5 p per hour will be passed onto all providers, 17p will be earmarked for settings that have teachers.

3. ADDITIONAL SCHOOLS FUNDING 2023/24

- 3.1 Manchester has been allocated £22.250m from the Government's £2bn additional schools funding, on-top of the 2023/24 DSG. This additional funding provides support for schools (reception to year 11) for pay and inflation increases. The funding does not include any allocation for early years or post-16. For 2023/24 this is in the form of a separate grant, the DfE intend to incorporate this funding into core budget allocations for 2024/25, so for schools 5 to 16 years, this will mean the funding being rolled into the schools national funding formula (NFF) from 2024/25.
- 3.2 The £22.250m allocation to Manchester is made up of:
- **£17.241m** for mainstream schools. This funding, Mainstream Schools Additional Grant (MSAG) is formula based and consist of three elements, within the NFF.
 - **£5.009m** for special schools and alternative provisions, will be added to the HNB. Councils are required to pass on a 3.4% funding increase on top of the average place and top-up rates, following DfE formula.

4. SCHOOLS FORUM

4.1 The proposed Schools Budget has been agreed in consultation with Schools Forum on 16th January 2023 and included the following changes:

- All Manchester primary and secondary schools should receive a per pupil increase between 0.5% minimum and up to 3.2% on pupil-led funding.
- Manchester does not intend to propose a 0.5% transfer from the school block to high needs 2023/24.
- Early year rates two-year-old base rate increase by 6p. Three and four-year old 22p increase, to be passed onto providers by increase base rate by 5p per hour and adding a new quality supplement (17p per hour) to reflect the rolling in TPG and TPEGC funding into the funding formula.
- Central services school block (CSSB) funding has reduced on a per pupil basis by 2.5% despite there being additional burden due to the new admission code, with no reduction in other functions councils are required to provide.
- Additional Schools Funding 2023/24 will be allocated as a separate grant for mainstream schools. Special schools will receive a 3.4% funding increase on top of the average place and top-up rates, following DfE formula.