

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Cabinet

Date: 07/03/2022

Subject: School Budget (Dedicated Schools Grant) 2022/23

Report of: Councillor Larry Culhane, Cabinet Member for Children and Education

Report author: Tony Burton, Had of Finance Children's Services and Education
Jan Parnell, Director of Education

Responsible Director: Emily Hill, -Director of Finance
Jacqui McShannon, Director of Children's Services

SUMMARY

This report seeks approval of the final proposed 2022/23 schools block allocation and funding to schools through the schools funding formula for the financial year ending 31 March 2023. Hammersmith & Fulham Schools Forum agreed the model for 2022/23 budget shares on 18 January 2022. The Education and Skills Funding Agency (ESFA) require political endorsement of the schools' forum decision to agree the 2022/23 budget.

This report covers the budget decisions for the following Hammersmith & Fulham education provision funded from the four blocks of the Dedicated Schools Grant:

- The Schools Block – funding for mainstream primary and secondary schools. Schools block funding of £111.107m has been confirmed for Hammersmith & Fulham for 2022/23 by The Department of Education (DfE).
- The Central Services Schools Block Budget – £2.187m funding in 2022/23 to meet the statutory education functions of the local authority and historic central funding commitments.
- Early Years Block – budget with respect to the government's universal and extended childcare and early years education offer for 3- and 4-year-olds.
- High Needs Block – provisional core funding allocation for special educational needs provision of £33.157m in 2022/23 financial year. An additional £4m funding through the High Needs Safety Valve is also expected in 2022/23.

RECOMMENDATIONS

1. Schools Block Budget 2022/23 Financial Year:
 - a. To approve the Local Authority formula for allocating resources to Hammersmith & Fulham schools for 2022/23 as set out in Appendix 1, the Authority Proforma Tool (APT) for setting school budgets.

- b. To approve the National Funding Formula (NFF) transitional funding formula factor rates (as set out in Appendix 1) as the basis for calculating the 2022/23 schools funding formula, together with a 1.5% per pupil Minimum Funding Guarantee (MFG) protection for individual schools versus 2021/22 levels with respect to pupil led funding.
 - c. To approve the transfer of £0.556m (0.5% of the total schools' block allocation) from the schools' block to the high needs block in the 2022/23 financial year. This is to support high needs education expenditure for special educational needs in Hammersmith and Fulham.
 - d. To approve the proposal to top-slice the 2022/23 Schools Block to the value of £0.200m or 0.18% of the total for the Falling Rolls protection fund in 2022/23. Allocations to mainstream schools from the agreed fund would be agreed by a sub-group of the Schools Forum.
 - e. To approve de-delegation budgets of £0.666m for maintained mainstream schools only.
 - f. To approve the education functions budgets of £0.258m for maintained mainstream schools only, as confirmed by Schools Forum on 18th January 2022.
2. Central Services Schools Block Budget 2022/23
 - a. To approve the proposed budget allocation for Central Services Schools Block DSG totalling £2.817m.
 3. Early Years Block Budget 2022/23
 - a. To approve the 2022/23 draft budget of £15.173m for 3- and 4-year-olds in line with grant conditions, including the proposed distribution of an increase in the hourly Base Rate paid to providers from £6.26 to £6.39 and the high level central Early Years budget of £0.759m.
 4. High Needs Block Expenditure 2022/23
 - a. To note the significantly increased funding allocation for High Needs and special educational needs education in 2022/23, planned expenditure by category and commissioned places with special education providers in 2022/23.

Wards Affected: All

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	The allocation of funding to local schools who are employers within the borough.
Creating a compassionate council	Enables pupils within the borough to receive a good quality education.
Doing things with local residents, not to them	Providing educational opportunities for all pupils within the borough.
Being ruthlessly financially efficient	Contributes to a level of financial stability for schools. The high needs block transfer enables this support to schools to continue and helps to reduce the high needs budget pressure.
Taking pride in H&F	Ensures continuing good quality provision in the borough's schools enabling pupils to take pride in their school and the borough.
Rising to the challenge of the climate and ecological emergency	Assists with the delivery of climate Education to young people within the borough.

Financial Impact

Schools Block Budget

This report covers the allocation of the funding for all mainstream schools in Hammersmith & Fulham for education between reception and year 11 for the period April 2022 to March 2023. The basis for the distribution of funds within the Schools Block of the Dedicated Schools Grant across all schools is in line with the regulated range of allowable variables in the grant conditions.

Other than the proposed transfer between blocks, the remaining funds are distributed to individual schools in line with their individual characteristics and with regard to the local formula.

The budget for the falling rolls protection fund for 2022/23 is made available by a budget top slice from the mainstream schools' budget and agreed at Schools Forum following wide consultation with schools.

De-delegated budgets are budgets managed for schools centrally by the local authority on their behalf.

Funding for education functions is to meet the cost of providing statutory education functions on behalf of maintained schools and in line with the education funding regulations.

Central Services Schools Block (CSSB)

The historic element of CSSB funding has reduced by £0.496m in the year to 2022/23. The decrease has been met by savings on historic CSSB.

A balanced budget has been proposed for 2022/23. The Education and Skills Funding Agency will confirm further block funding reductions from 2023/24 in the new financial year. The Education Department is exploring budget options for 2023/24 in order to mitigate expected further block reductions.

Early Years Block

The Early Years proposed budget for 2022/23 will ensure the 95% pass through rate of grant as required by the funding regulations and grant conditions.

The increases in funding to early years providers proposed is afforded by the increase in the hourly funded rate confirmed by the ESFA for 2022/23. The rate has increased by 2.1% by £0.17 to £8.23 per funded hour.

This budget is based on estimated likely activity levels in 2022 and 2023 with respect to the government's 3- and 4-year-old universal and targeted childcare offer. The current indicative funding allocation for 2022/23 from the ESFA is £13.389m which is based on the January 2021 census when early years activity was significantly suppressed due to the covid-19 pandemic lockdown. Activity has since recovered to a large extent to pre pandemic levels and so both funding and expenditure are expected to be significantly higher than the provisional funding allocation.

Final 3- and 4-year-old funding for the 2022/23 year will be determined by the January 2022 and January 2023 census points. This will be monitored and reported closely through the financial year ahead.

High Needs Block (HNB)

The total 2022/23 allocation for High Needs Block Spend includes a 0.5% transfer from the schools block of c.£0.556m

Funding Source	2022/23 allocation for High Needs Block expenditure £m
DSG High Needs Block	33.157
Schools block transfer to the HNB	0.556
Total 2022/23 funding available for HNB expenditure	33.713

Tony Burton, Head of Finance Children's Services and Education, 18/01/2022

Verified by, Emily Hill, Director of Finance, 19/01/2022

Legal Implications

The Dedicated Schools Grant is payable to local authorities under section 14 of the Education Act 2002. It is a 'ring fenced grant' that is to say it must be solely spent on the grant conditions and guidance has been prepared by the Education and Skills

Funding Agency (ESFA) to assist local authorities in the operation of the dedicated schools grant (DSG).

Each year new regulations are issued as they only cover one year the current being School and Early Years Finance (England) Regulations 2021. These Regulations provide that Local Authorities must consult their Schools Forum and schools maintained by them when determining the school funding formula. Cabinet is the decision-making body for the schools funding formula and must consider the outcome of the consultation and take that into consideration when making a decision on whether to adopt the NFF, as per Schools Forum's recommendation. Although not duty bound to follow the recommendation of Schools Forum following the consultation, if Cabinet departs from the recommendation clear reasons must be given.

In 2022-23, The Council will continue to determine schools' budget allocations at a local level, through a local funding formula, though in future years to come this will change to a national set funding formula

Verified by, Jade Monroe, Chief Solicitor Social Care, 20/01/2022

Background Papers Used in Preparing This Report – ALL PUBLISHED

Schools Forum 18/01/22 Papers and minutes

[Agenda for Schools Forum on Tuesday, 18th January, 2022, 2.00 pm | LBHF](#)

Schools revenue funding 2022 to 2023 Operational Guide

[Schools revenue funding 2022 to 2023 December 2021 update.pdf \(publishing.service.gov.uk\)](#)

Early Years Funding 2022 to 2023 Operational Guide

[Early years entitlements: local authority funding of providers operational guide 2022 to 2023 - GOV.UK \(www.gov.uk\)](#)

DETAILED ANALYSIS

Proposals and Analysis of Options

Schools Block

1. The recommended model of distribution of the Schools Block of the Dedicated Schools Grant through the Authority Proforma Tool was agreed by Schools Forum on 18th January 2022 as below and per the detailed funding factor rates and values in Appendix 1.
2. The agreed model provides stability to schools in 2022/23 by ensuring that schools benefit from a 1.5% minimum funding guarantee on a per pupil basis for pupil led funding. The agreed factors are National Funding Formula (NFF) factors (plus area cost adjustment for inner London) which have been uprated by 7.33% to ensure the full schools block allocation is distributed to schools.

3. A transfer to support the High Needs Block of £0.556m or 0.5% of the block has been agreed with Schools Forum and will be used to mitigate funding pressures in the high needs budget in 2022/23.
4. De-delegation budgets of £0.666m for maintained mainstream schools have been agreed at Schools Forum. These are budgets that maintained primary schools agree to delegate to the local authority to manage and spend.

Area of expenditure	2022/23 £m
Maintained Schools in Financial Difficulty/Contingency	0.175
Maintained Schools Trade Union Facilities Cover	0.025
Maintained Schools Maternity Cover	0.130
Maintained Schools Licence Fees	0.032
Behavioural Support (SEND)	0.052
Free School Meals Eligibility	0.031
The Learning Partnership	0.046
School Improvement Service	0.175
Total	0.666

5. Education functions budgets of £0.258m were also agreed at Forum. These budgets are set with reference to DfE schools funding guidance to meet the cost of meeting the local authorities retained education functions with respect to maintained mainstream schools.

Area of expenditure	2022/23 £m
Finance	0.088
Asset management	0.074
Asbestos management and risk	0.073
Business Intelligence	0.023
Total	0.258

6. Falling rolls budget support of £0.2m is proposed within the budget to provide limited assistance to mainstream schools to manage the impact of reduced rolls in the short term. Schools Forum have agreed the fund which is available to mainstream schools with a good or outstanding Ofsted assessment per the grant conditions. Available funding will be allocated to eligible schools in due course through Schools Forum decision.

Central Services Schools Block

7. In 2022/23 there is no change to the arrangements for Central Schools Services Block (CSSB) of the DSG. The CSSB allocation for 2022/23 provides funding for:
 - The retained duties element of the Education Services Grant (ESG) for all schools
 - Ongoing central statutory functions – for example Admissions – for maintained schools
 - Ongoing historic commitments.

8. For historic commitments there will be a further reduction to this element of funding for all local authorities receiving it. For Hammersmith & Fulham this equates to a further reduction in grant of £0.496m in 2022/23 versus 2021/22 (a circa £1.6m reduction since 2019/20).
9. The CSSB budget for 2022/23 is presented below and will be recommended to Schools Forum on 15 March 2022.

Central Services Planned Expenditure 2022/23

Area of Expenditure	2022/23 Proposed £m
Copyright Licensing	0.110
Asset Management, Place Planning and Strategic Operations	0.165
Management, Support, Finance/Business Intelligence and SACRE	0.529
Virtual School	0.106
Professional Development Centre/Learning Partnership	0.060
Admissions and ACE	0.528
Contingency to support High Needs Transformation	1.319
Total Spend/Funding	2.817

Early Years Block

10. The 2022/23 Early Years Block initial allocation was received in Autumn 2021 2020 and is based on the January 2021 Early Years census.
11. The draft 2022/23 early years budget is based on the January 2020 headcount as this is considered to better reflect the activity likely in 2022/23. The table below gives a high-level summary of the proposed budget.

Proposed 2022/23 Early Years budget based on January 2020 headcount

Element	Amount £m
3- and 4-YO universal offer	12.364
3- and 4-YO extended offer	2.809
Sub-total 3- and 4-Year Old Offer	15.173
2-YO Disadvantaged offer	1.198
EY Pupil Premium	0.100
Disability Access Fund	0.051
MNS supplementary funding	0.880
TOTAL	17.402

12. The decisions required in this report relate to the allocation of the 3- and 4-year-old funding which is made up of a number of parts. The table below shows the proposed breakdown of the 2022/23 budget which is compliant with the DfE regulations for 95% pass through to Early Years providers. This budget includes a 2.1% increase of £0.13 in the hourly base rate paid to providers from £6.26 to £6.39 per hour.

2022/23 Early Years Budget – 3- & 4-YO Universal and Extended Offer

	21/22 Budget	22/23 Budget	Change
	£000	£000	£000
A. Participation based on estimated hours - base rate	11,542	11,784	242
B. Participation based on estimated hours – deprivation.	1,302	1,329	27
C. SEN Inclusion Fund	500	629	129
D. Provision for Vulnerable & Additional Needs Children	550	562	12
E. Contingency	73	50	-23
F. Central services expenditure - 5% maximum allowed	743	759	16
G. G. Best Practice, Training and Network Building	150	60	-90
TOTAL SPEND	14,860	15,173	313

13. Funding for Early Years is adjusted annually to take account of the changes in the January census numbers. The final allocation for 2022/23 financial year will not be confirmed until July 2023.

14. Years providers have been consulted based on the recommendations in paragraph 12 above in line with DfE requirements. The results will be presented to Schools Forum on 15th March 2022 along with the final proposed budget for 2022/23.

High Needs Block Budget 2022/23 and Place Commissioning

15. 2022/23 HNB planned expenditure and 2021/22 forecast outturn is detailed below:

2022/23 High Needs Block Budget

Category	2021/22 Forecast £m	2022/23 Budget £m
Alternative Provision	1.004	0.967
Commissioned Services	2.107	2.423
Discretionary payments	0.040	0.040
EHCP top-up	18.258	19.473
LAC Belongings	0.683	0.538

Place Funding	8.609	8.264
SEND Service	0.919	0.874
Other	0.592	1.134
Total	32.212	33.713

16. Place funding should broadly reflect the local authority's recent commissioning activity and strategic plans to secure suitable Special Educational Needs and Disabilities (SEND) and Alternative Provision (AP). The LA has consulted with local providers to determine the agreed number of funded places.

Planned Commissioned Place Numbers for Academic Year (2022/23)

Provision Type	Commissioned Place Numbers AY 2021/22	Commissioned Place Numbers AY 2022/23	Place Number increase/(decrease)	Commissioned Place Cost FY 2022/23 £m	2022/23 Financial year impact £m
Maintained					
Special Schools	287	287	0	2.870	0
SEN Resource Unit	20	20	0	0.144	0
Sixth Form College	50	50	0	0.300	0
Maintained – sub-total	357	357	0	3.314	0
Academies					
Special Schools	246	246	0	2.460	0
Alternative Provision	88	64	(24)	0.740	(0.140)
SEN Resource Unit	20	20	0	0.168	0
Further Education College	266	300	34	1.582	0.136
Academies – sub-total	620	630	10	4.950	(0.004)
Total	977	987	10	8.264	(0.004)

17. The planned commissioned place numbers have been costed within the safety valve forecast agreement in the Q3 monitoring report submitted in December 2021.

18. The increase in commissioned places was agreed in the cabinet report approved on the 11th November 2021. A further increase of 15 places at the Further Education College was agreed in January 2022 by a Director's decision report.

Reasons for Decision

19. Schools' budget shares from the schools' block of the Dedicated Schools Grant (DSG) are agreed annually according to the process and regulations set out by the Education and Schools Funding Agency (ESFA).

20. Schools Forum and the Local Authority must approve the basis for the allocation to schools. Hammersmith & Fulham Schools Forum agreed the budget model proposed at a meeting on 18 January 2022.
21. Both the Early Years and High Needs Block budgets in Hammersmith & Fulham are significant in value at £17.4m and £33.7m respectively. Whilst the application of Dedicated Schools Grant is heavily regulated by grant conditions and the requirements of the national funding formula funding guidance, local authorities must work with Schools Forum and education leaders to agree effective, efficient and value for money budgets.
22. Work continues with the Department for Education in order to address the retained deficit on the Dedicated Schools Grant in line with the Safety Valve agreement.

Equality Implications

23. There are no direct negative equality implications for groups with protected characteristics, under the Equality Act 2010, by the approval of these funding proposals set out in the Recommendations.
24. Officers anticipate a neutral impact as the funding model outlined in this report is intended to provide financial stability to schools in the final year of the transitional period before changes in funding and allocations arrangements.
25. Place funding decisions are negotiated with schools, accounting for the needs of the school population and to ensure a budget for the efficient and effective running of schools. In addition to place funding, individual learners also attract top-up funding to deliver to the specification in their Education, Health and Care Plans. Place and top-up funding is determined within the national funding formula for schools funding.

Risk Management Implications

26. The council has experienced growing pressures on the High Needs budget as a result of demographic growth, government policy changes and the continuing impact of the government's austerity. Ensuring that resources available to schools are appropriately allocated supports the delivery of the council's corporate priorities to ensure that children and young people will receive a great start in life and that schools will be amongst the best in the country, with enough places for all and with all children achieving the best that they can.
27. In line with the Council's objective of being Ruthlessly Financially Efficient and given the significant financial pressures faced by schools, it is important that strong oversight and financial monitoring continues to be maintained and appropriate ongoing assurances provided on the management of these risks.

Verified by, David Hughes, Director of Audit, Fraud, Risk and Insurance, 18/01/2022

Climate and Ecological Emergency Implications

28. This report covers are the revenue budgets for schools and education in Hammersmith and Fulham rather than the maintenance or capital programme on the school's estate. There is no expectation from the DfE that these budgets are used by education providers for anything other than minor revenue maintenance. The local authority holds the budget for the school's capital investment as this is not delegated to schools and subject to separate decisions as part of the medium-term capital strategy.

Verified by, Hinesh Mehta, Strategic Lead – Climate Emergency, 31/01/2022

Consultation

29. The local authority consulted with Schools Forum in October 2021 with respect to the distribution of the provisional schools block allocation advised by the ESFA.
30. The local authority consulted with the wider schools' community in October and November 2021 with respect to the proposed options for the schools block budget allocation. Budget workshops were held for schools to review the key elements of the proposed model over the course of the consultation. A further budget briefing was held on 12th January 2022 to include details of the final recommended proposals and the updated final funding notified by the ESFA in December 2021, prior to Schools Forum on the 18th January 2022.
31. Hammersmith & Fulham Schools Forum agreed the proposed 2022/23 schools block budget shares on 18 January 2022.
32. Following Schools Forum on 18 January 2022, Early Years providers will be consulted with respect to budget proposals to support the sector in the Spring 2022 term and beyond.
33. The local authority will continue to consult and liaise with special education providers with respect to high needs place numbers and top-up funding.

LIST OF APPENDICES

Appendix 1, the 2022/23 Authority Proforma Tool (APT) for setting school budgets

