

THE SCHOOLS BUDGET 2022/23

Cabinet Member(s)	Councillor Susan O'Brien Councillor Martin Goddard
Cabinet Portfolio(s)	Families, Education and Wellbeing Finance
Officer Contact(s)	Graham Young, Finance
Papers with report	Schools Funding 2022/23 Consultation Papers

HEADLINES

Summary	The purpose of this report is to seek Cabinet's approval for the size and distribution of the schools budget for 2022/23, following consultation with school Headteachers, Governors and Early Years providers having regard to the advice of the Schools Forum.
Putting our Residents First	<p>This report supports the following Council objectives of: <i>Our People; Our Built Environment; Financial Management</i></p> <p>Schools are a key frontline service in the Borough and are the largest service providing investment in residents' children's and young people's future life chances. The distribution of funding to schools supports these strategic aims.</p>
Financial Cost	Funding for schools and school related expenditure is provided through the Dedicated Schools Grant (DSG) and the Pupil Premium and as such has no impact on the Council's budget requirement. However, having considered the DSG Budget for 2022/23, and the views of all relevant stakeholders, a deficit DSG Budget has been submitted for approval, totalling £4,887k.
Relevant Select Committee	Families, Education & Wellbeing
Ward(s) affected	All

RECOMMENDATIONS

That Cabinet:

1. **Agrees that the total Schools Budget for 2022/23 be set with an overall deficit of £4,887k when compared to the total of the Dedicated Schools Grant provided to the Council (as set out in paragraphs 80 to 81)**
2. **Approve the Primary and Secondary schools funding formula as agreed by schools and the Schools Forum, as set out in paragraphs 30 to 37.**
3. **Approve the Early Years Single Funding Formula, as set out in paragraphs 38 to 51.**
4. **Approve the base rate of funding for the Two-Year Old Free Entitlement Offer, as set out in paragraph 52.**
5. **Approve the Early Years Centrally Retained budget as agreed by the Schools Forum, as set out in paragraphs 53 to 56.**
6. **Approve the Central School Services budget as agreed by the Schools Forum, as set out in paragraphs 57 to 65.**
7. **Approve the High Needs budget as agreed by the Schools Forum, as set out in paragraphs 66 to 79.**
8. **Note that the Dedicated Schools Grant Budget will be reviewed in light of any outcome from the Safety Valve discussions with the Department for Education.**

Reasons for recommendation

1. Cabinet is the decision-making body for school funding issues and decisions are required on the arrangements to allow for final funding allocations to be provided to schools by no later than 28 February 2022.
2. The School and Early Years Finance (England) Regulations 2021 requires the Council to consult the Schools Forum on a range of financial matters prior to making decisions on them. Each year the Council consults with schools on the following years funding and school funding formulas. For 2022/23 budgets, the consultations ended on 30 November 2021 and the responses to this consultation were considered at the Schools Forum meeting on 8 December 2021. Additionally, Schools Forum are required to set and agree the DSG budget for 2022/23, considering any accumulated surplus/deficit balances, this was agreed at the Schools Forum meeting on 18 January 2022. The results of these decisions are reflected in the recommendations of this report.
3. The DfE issued an updated DSG Conditions of Grant document for 2021/22 including updated conditions relating to DSG deficits and how these can be funded. This outlines that there is a temporary ring-fence on the DSG and until the end of the 2022/23 financial year such deficits should not be financed from General Reserves. Therefore, any DSG deficit must be carried forward to be dealt with from future DSG income.
4. The conditions of grant document also outline that any local authority with an overall deficit on its DSG account, or whose DSG surplus has substantially reduced during the year, must be able to present a recovery plan to the Department for Education (DfE) for managing their future DSG spend.

5. The Council is currently in discussions with the DfE on a safety valve agreement with the objective of securing conditional funding that would allow the DSG deficit to be eliminated over a five-year period. Significant work has been ongoing to create a realistic recovery plan with the aim of eliminating the DSG in-year deficit completely by 2024/25 and no later than 2025/26.
6. If a safety valve agreement is reached then the authority will be required to implement reforms to an agreed timetable, whilst maintaining an agreed savings profile within a prescribed and robust monitoring regime. Identified savings have been included in the DSG budget for 2022/23 and are referenced throughout this paper.

Alternative options considered / risk management

7. Cabinet could decide to recommend that the Schools Forum reconsider the proposed Primary and Secondary schools funding formula, the Early Years Single Funding Formula, and the High Needs Funding Formula.
8. The recommended Schools Budget 2022/23 contains a contingency for in year growth for expanding schools. There is also some contingency for future growth in the placement of children with Special Educational Needs.
9. The recommended Schools Budget no longer contains a general reserve to cover unforeseen costs and does not provide surplus resources to offset the cumulative deficit accruing on the Dedicated Schools Grant Budget in 2021/22.

Select Committee comments

10. None at this stage.

SUPPORTING INFORMATION

11. The Government have confirmed the 'hard' implementation of the Schools National Funding Formula will be further delayed until at least 2023/24. Therefore, in 2022/23 the 'soft' implementation of the formula will continue with local authorities and Schools Forum still having the ability to set a local funding formula.
12. The schools block will continue to be ring-fenced in 2022/23 but local authorities will be able to transfer up to 0.5% of their schools block funding, with the agreement of Schools Forum. If a local authority wishes to transfer more than 0.5% to address funding pressures in other blocks, then approval must be sought from the Secretary of State.
13. The Government have confirmed that the Early Years National Funding Formula (EYNFF) will continue in 2022/23. 2022/23 will also see the continuation of the additional 15-hour free entitlement for 3&4-year-olds of eligible working parents which was introduced from September 2017.

14. The number of schools converting to Academy status, following the introduction of the Academies Act 2010, has slowed down. The current picture in Hillingdon is that 48 schools are now academies (22 primary, 19 secondary, 1 all-age, 5 special and the Pupil Referral Unit). The Council is not currently aware of any schools with a plan to convert during 2022/23.
15. The following sets out the arrangements that the DfE are making to the schools funding system for 2022/23:

Schools Block

- a) Funding through the schools NFF is increasing by 3.2% overall in 2022/23, and by 2.8% per pupil. The funding floor will ensure that every school is allocated at least 2% more pupil-led funding per pupil compared to its 2021/22 NFF allocation.
- b) The structure of the formula remains unchanged.
- c) Core factors will increase by 3%.
- d) FSM Ever6 eligibility will be measured using the October census (previously this was January).
- e) The minimum per pupil funding levels will increase by 2%, compared to 2021/22. This will mean that every primary school will receive at least £4,265 per pupil, and every secondary school at least £5,525.
- f) Low Prior Attainment factor will use 2019 data following the cancellation of the assessments in 2020.
- g) For any pupils joining between January and May 2020, the Mobility factor will use actual entry date as there was no census in May 2020.
- h) No change to flexibility of local authorities/Schools Forum to set local formula in 2022/23.
- i) Minimum Funding Guarantee (MFG) will continue to be set between +0.5% and +2%.
- j) Local authorities will be able to transfer up to 0.5% of total schools block allocation to other blocks in 2022/23.
- k) Business Rates payment system will be centralised, decreasing administrative burden for schools.

High Needs

- a) The total high needs funding is increasing by £780m (9.6%), in 2022/23.
- b) The high needs NFF will ensure that every local authority receives at least an 8% increase per head of population.
- c) Historic Spend factor updated to use 50% of 2017/18 actual data.

Central School Services Block

- a) Local authorities will continue to be protected so that the maximum per-pupil year-on-year reduction in funding for ongoing responsibilities is 2.5%, while the year-on-year gains cap will be set at a rate of 5.6%.
- b) Funding for historic commitments will continue to decrease with a further 20% reduction in 2022/23.

Early Years (3 and 4-Year-Old Provision)

16. Early Years Funding provides funds for schools, Private, Voluntary and Independent Nursery providers and Childminders for 3 and 4-year-old placements.
17. From April 2017 the Early Years National Funding Formula (EYNFF) was implemented with a new requirement on the amount of funding that local authorities must pass to providers. In 2022/23 local authorities must plan to spend at least 95% of the Early Years funding they receive directly on providers, with at least 90% of this being paid through a universal base rate. It is proposed that for 2022/23 no significant changes are made to the Early Years funding formula in Hillingdon. The formula is made up of the following factors:
 - A base rate per hour for all pupils set at 91% of the funds available to providers,
 - Deprivation funding, based on the Income Deprivation Affecting Children Index (IDACI), set at 7% of the funds available to providers,
 - The remaining 2% paid through an additional needs supplement, payable to those providers with an above average IDACI ranking,
 - Maintained Nursery School supplementary funding (only applies to McMillan Nursery).

Early Years (Two-Year-Old Free Entitlement Provision)

18. This new provision came into force on 1 September 2013 and was extended further on 1 September 2014, to cover the 40% most disadvantaged families across the country.
19. The DfE strongly recommended that all councils put in place a simple funding formula for the two-year-old free entitlement offer, which Hillingdon followed, having only a base rate of funding, which has been set at £6.00 per hour per pupil.

Primary and Secondary Schools

20. The Schools Block provides funding for Primary and Secondary schools (including academies and free schools) and a limited range of retained budgets. The DfE's paper; Schools Revenue Funding for 2022 to 2023, sets out how local authorities and schools forums should plan for the local implementation of the funding system for the 2022/23 financial year. The final DSG has been determined based on the October 2021 census data.
21. All primary and secondary schools will be funded based on the approved and agreed funding model, this includes maintained, all academies, free schools, studio colleges and

university technical colleges. For 2022/23, the funding will still be provided as is currently the case (i.e. maintained schools will receive funding from the local authority through the DSG and all other schools will receive funding directly from the Education and Skills Funding Agency (ESFA)).

22. The DfE have announced that implementation of the 'hard' National Funding Formula will be further delayed and therefore the local authority and Schools Forum will still be involved in the determination of the funding allocations to schools in 2022/23.
23. The Schools Block will be ring-fenced, however, local authorities will be able to transfer up to 0.5% of their schools block funding out, with agreement of Schools Forum, to offset ongoing funding pressures in the High Needs and Early Years blocks. In Hillingdon 0.5% equates to approximately £1.3m.
24. Following consultation with stakeholders in November 2021, and a review of the draft DSG Deficit Recovery Plan, Schools Forum, after careful consideration, agreed to transfer 0.5% from the Schools Funding Block.

Dedicated Schools Grant Funding 2022/23

25. The Education and Skills Funding Agency (ESFA) published the draft authority level DSG allocations for the schools, central school services, early years, and high needs blocks on 16 December 2021.
26. The main driver for the determination of DSG funding is pupil numbers which in Hillingdon have reduced overall in October 2021 compared with the previous year as detailed in Table 1 below.

Table 1

	Oct-20	Oct-21	Diff	%
Primary	27,511	26,943	-568	-2.1%
Secondary	17,440	17,647	+207	+1.2%
Total	44,951	44,590	-360	-0.8%

27. Table 2 sets out the published baseline DSG budget for 2022/23, compared to the 2021/22 DSG allocation updated in November 2021

Table 2

Funding Block	DSG Budget 2021/22 £000	DSG Budget 2022/23 £000	Change in Budget £000	Increase %
Schools	247,505	251,897	+4,392	1.8
High Needs	50,329	56,379	+6,050	12.0
Central Services	2,626	2,540	-86	-3.3
Early Years	26,144	23,118	-3,026	-11.5
Total DSG Budget	326,604	333,934	+7,330	2.2

28. In addition to the DSG, mainstream schools will receive supplementary grant funding in 2022/23, in respect of both the Health and Social Care Levy and other cost pressures. This will result in an additional £7,240k to be allocated to mainstream schools in Hillingdon in 2022/23. This funding is outside of the DSG and therefore will be distributed separately to the funding formula.
29. In determining the final distribution of the DSG funds available, it is usually a requirement that predicted year end balances are built into the final determination. For 2021/22, there is an in-year deficit on the DSG, which for month 9 is estimated to be £12.7m. When added to the DSG opening deficit balance of £25.4m, which was carried forward from 2020/21, it is projected that there will be a cumulative deficit of £38.0m carried forward to 2022/23.
30. Given the on-going pressures in High Needs and funding reductions in the historic element of the Central Schools Services Block it has not been possible to set an in-year balanced DSG budget for 2022/23.

Proposals for Use of DSG in 2022/23

Schools Block

Transfer of Schools Block funds

31. The Schools Block will continue to be ring-fenced in 2022/23, however, local authorities will be able to transfer up to 0.5% of their schools block funding to address funding pressures in other areas with agreement of Schools Forum. In November 2021 schools were consulted on proposals to transfer funds and at the December meeting of the Schools Forum members indicated that the majority were in support of the 0.5% schools block transfer. This has therefore been reflected in the total schools block funding to distribute through the funding formula.

Schools Funding Formula Factors

32. At the Schools Forum meeting on 8 December 2021, Schools Forum members voted to retain the factor rates at the same levels as in the previous year. The Age Weighted Pupil Unit (AWPU) will be used as a balancing factor to distribute any surplus schools block funds to all schools. In 2022/23 AWPU rates have increased by 2.3% compared with the previous years.
33. As in previous years the apportionment of deprivation funding remains 75% free school meals (FSM Ever 6) and 25% Income Deprivation affecting Children Index (IDACI). Consistent with previous years approximately 7% of the total schools block funding is distributed through this factor.

Minimum Funding Guarantee (MFG)

34. For 2022/23 there continues to be a requirement that the MFG will need to be set at between +0.5% and +2%. The proposal is that Hillingdon will again set this at +0.5%, which will ensure that every school will receive a minimum of 0.5% increase in per pupil funding in 2022/23.
35. The total MFG in 2022/23 is £335k, a £70k reduction on 2021/22. A total of 7 schools will receive MFG protection in 2022/23, a breakdown of this is set out in Table 3

Table 3

School	MFG Adjustment (£)
Deanesfield Primary School	18,159
Grange Park Infant and Nursery School	23,163
Hillside Infant School	16,645
Parkside Studio College	24,459
De Salis Studio College	2,512
Northwood School	79,838
Rosedale College	169,818
Total	334,594

Growth Fund Contingency

36. A review of the Growth Fund Contingency requirement, which provides funding for expanding schools, diseconomies funding for new Basic Need Academies and funding for significant in-year growth, estimates that the budget in 2022/23 should be £1,450k, a decrease of £204k from the previous year. The 2022/23 allocation includes an additional £153k to off-set the 2021/22 overspend which was a direct consequence of the Schools Forum decision to backdate payment of growth contingency funding to Swakeleys school.
37. The growth funding allocated through the funding formula for 2022/23 is £834k which is insufficient to cover the growth requirement due to an overall reduction in pupil numbers in Hillingdon. Schools Forum members approved the growth allocations at the meeting on 18 January 2022.

Early Years Block

38. Early Years funding rates were published on 16 December 2021 with increases in the funding rates for 2 years-olds and 3 & 4-year-olds for most local authorities. The following funding rates will be used to generate the Hillingdon Early Years Block funding in 2022/23.

Table 4

	2021/22 £ (per hr)	2022/23 £ (per hr)	Increase £ (per hr)	Increase %
2-Year-olds	6.08	6.29	+0.21	3.5%
3- & 4-Year-olds	5.97	6.14	+0.17	2.8%

39. There was a change to the Early Years block funding calculation in 2021/22 due to COVID, with allocations being adjusted following each termly census. The current assumption is, that the Early Years Single Funding Formula for the provision of the 15 hours free entitlement for 3 & 4-year-olds in 2022/23 will return to being calculated based on 5/12ths of the January 2022 census numbers and 7/12ths of the January 2023 census numbers. The 2022/23 allocation is therefore draft as there will be further adjustments in July 2022 and July 2023. It is worth noting that approximately two thirds of this funding are delegated directly to schools for three and four-year-old provision.
40. There are several requirements on how local authorities can allocate Early Years funding to providers. These requirements are intended to ensure that funding provided is fairly distributed to providers. Schools Forum has not proposed to make any changes to the calculation of the Early Years funding formula.

Universal Free Entitlement - Base Rate

41. Local authorities are required to pass 95% of early years funding directly to providers. There is a requirement to set a universal base rate for all providers, and additionally the guidance states that the level of supplements should be capped at 10% of the total funding given to providers, with the remaining 90% distributed through the base rate. Given the limits on supplements, the Hillingdon base rate is set at 91% of available funding as used in 2021/22.
42. Following the increase in hourly funding rates used to determine the Early years block, the base rate is being reviewed to see how much of this increase can be passed on to providers. This will be confirmed before the Early Years funding formula is finalised in March.

Universal Free Entitlement - Funding Supplements

43. The government allow supplements up to a maximum of 10% of the total funding passed to providers. Local authorities will continue to be required to have a mandatory deprivation supplement but will have discretion over the metric used. The following sets out the breakdown of the Hillingdon early years funding formula.

Deprivation Supplement

44. In 2021/22 the deprivation factor within the Hillingdon early years formula was 7% with IDACI as the distribution driver, as this appears to be the best indicator of deprivation for 3 & 4-year-olds. The proposal is that for 2022/23 this is retained at the same percentage.

Flexibility Supplement

45. In previous years the remaining 2% of the funding has been used to target those providers with higher numbers of children with additional needs by allocating funding to settings with a higher-than-average IDACI rank. This recognised that there are links between deprivation and additional need and reflected that this was the most robust data set held to distribute additional needs funding.

46. Now that the SEND Advisory Service is embedded, the local authority can access data that better reflects the level of additional need in early years settings. Officers are establishing a dataset that will use the proportion of children on the SEND register to distribute funding through the formula whilst still meeting the supplement requirements within the guidance. It is considered that the Flexibility supplement is probably the way to incorporate this into the formula and this funding supplement will be confirmed before the Early Years funding formula is finalised in March.

Maintained Nursery School Supplementary Funding

47. The government recognises that maintained nursery schools have additional costs and has confirmed that it will continue to provide supplementary funding to local authorities for maintained nursery schools. The allocation for 2022/23 is £275k and this will be passed in full to McMillan Nursery school. Unlike in 2021/22, this funding is confirmed for the full year.

Additional 15 hours Free Entitlement

48. Hillingdon has received an indicative £4,845k to fund the additional 15 hours free entitlement for eligible children in 2022/23. This funding will be adjusted to reflect actual numbers accessing the entitlement and therefore this funding will be earmarked in full for the delivery of the additional 15 hours free entitlement.

Disability Access Funding

49. The government introduced a new targeted early years Disability Access Fund in 2017/18, with the purpose of aiding access to places for those 3 & 4-year-olds with a disability. Funding will be passed to providers with eligible children and the setting is then responsible for the use of the funding. This funding has been increased in 2022/23 from £615 to £800 per pupil and the Hillingdon allocation of this funding in 2022/23 is £125k.

Early Years Pupil Premium

50. The early years pupil premium will increase by 7 pence to 60 pence per hour, equivalent to up to £342 per eligible child per year, to support better outcomes for disadvantaged 3 & 4-year-olds. The indicative early years pupil premium allocation for 2022/23 is £166k.

SEN Inclusion Fund

51. All local authorities were required to establish SEN inclusion funds for 3 & 4-year-olds in their local funding systems from April 2017. The SEND Advisory service work with early years providers to determine how best this funding is distributed with the focus on children with lower level or emerging SEN. It is proposed that the £200k allocated to the SEN inclusion fund is retained and that this is taken from the early years block. The SEN inclusion funding will be included in the 95% pass through to providers and therefore does not count in the 5% that local authorities can centrally retain in 2022/23.

Two-Year Old Provision

52. The funding rate to local authorities for disadvantaged two-year olds has increased to £6.29. Given the increase, the hourly rate of £6.00 paid to Hillingdon providers is being reviewed to see if some of this additional funding can be passed on to providers. This will be confirmed before the Early Years funding formula is finalised in March.

Early Years Centrally Retained

Provision for Vulnerable Children Placements

53. The £139k budget for the placement of vulnerable early years children is again projected to underspend in 2021/22, due to a lower-than-expected number of referrals being made for additional funding. However, it is recognised that there are still children and families that have a need for this funding and therefore there it is not proposed to reduce this budget in 2022/23.

Family Information Service

54. The Family Information Service (FIS) team helps parents to access the free early years provision that they are entitled to for their children. This relates to the universal entitlement to free early education for all 3 & 4-year-olds and covers the entitlement to free childcare for the most disadvantaged two-year olds. The FIS consists of the FIS Manager, 4.0 (FTE) FIS Officers and a Parental Childcare Advisor and the proposed budget for 2022/23 is £268k.

Early Years Advisory Service

55. The Early Years Advisory service provides targeted support, advice, and guidance to all early years settings (including schools and Private Voluntary and Independent Nursery providers). The service consists of 3.0 (FTE) Early Years Advisory Teachers with a proposed budget of £245k for 2022/23.

Early Support Team

56. The Early Support team consists of 3.5 (FTE) Home Portage Visitors who support parents and carers helping to build resilience within families with children and young people with additional needs or disabilities. The proposed budget for this team in 2022/23 is £159k.

Central School Services Block

Education Services

57. The School Placement and Admissions team consists of 1.9 (FTE) Senior Admissions Officers and 3.9 (FTE) Admissions Officer at a total budgeted cost of £248k. Given the increase in workload and the growth in elective home education, the team structure will need to be reviewed further in the coming months.

58. The Hillingdon Virtual School is part-funded from the DSG along with a contribution from the Pupil Premium Plus grant. The team consists of a Virtual School Headteacher and 11 FTE practitioners. The DSG funding for this team is £535k with £231k charged to the Pupil Premium Plus grant.
59. The DSG also part funds four posts in the structure following last year's Education review which delivered a net saving to the DSG. These are as follows, Deputy Director Education, Head of Access to Education, Vulnerable Learners Support Manager and Post-16 Partnership Co-ordinator with the total DSG requirement for these posts being £282k.

Education Safeguarding

60. The DSG has historically funded the LADO post along with the School Domestic Violence and Child Protection officer posts. The budget requirement for these three posts is £184k.

Non-statemented LAC placements

61. There is a continuing pressure linked to the number of looked after children who have been placed Out of Borough in residential provision. The DSG only funds the education element of these placements, and there is an on-going budget requirement of £300k for these placements.

Support Service Costs

62. A proportion of the total support services costs for central services at the Local Authority are charged to the DSG under a nationally agreed model, which has historically been capped. As part of the review of the DSG carried out in 2021/22 alongside the DSG Deficit Recovery plan process and Council-wide annual update of the share of these costs, the charge for 2022/23 will reduce by £153k.

ESG retained services

63. In the 2015 Spending Review, the DfE announced that ESG funding would cease in 2017/18 and that for those services defined as retained duties previously funded through the ESG, the funding and responsibility would be transferred into the DSG. The Schools Revenue Funding Operational Guide provides the definition of those services deemed to be retained duties. The DSG baseline includes a sum of £753k for retained duties, and it is proposed that this figure is retained in 2022/23 to fund these services.

Copyright Licences

64. The ESFA procures copyright licences centrally for all schools and the cost is then charged to the DSG. The ESFA have informed that the cost for 2022/23 will be £237k, which is a £3k increase to the 2021/22 budget.

CSSB Savings

65. As part of the DSG Deficit Recovery plan work, there are additional savings that have been badged against the Central School Service block in 2022/23. Further detail is being worked up on these savings.

High Needs Block

Planned Place Numbers

66. There have been several changes to planned place numbers in Special schools and SRPs to reflect current demand as specified in Table 5 below.

Table 5

Special School	Change in Place Number	Month Change Effective	Change in Funding 2022/23 £
Grangewood	+1	Sep 2022	5,833
Hedgewood	+20	Apr 2022	200,000
Moorcroft	+14	Sep 2022	81,667
Young People's Academy	+18	Sep 2022	105,000
Total Special Schools	+53		+392,500
SRP	Change in Place Number	Month Change Effective	Change in Funding 2022/23 £
St Martin's	3	Sep 2022	+17,500
SRP Total	3		+17,500
Grand Total	56		+410,000

67. Academies receive planned place funding directly from the ESFA. This funding is included in the amount recouped from the High Needs block.

SEN Top-up Funding

68. There is no proposal to make any changes to the banded funding model for the distribution of top-up funding in 2022/23. However, the DSG Deficit Recovery plan contains several workstreams which should impact on the ongoing expenditure on top-up funding. The 2022/23 budgets for top-up funding have been updated to reflect current demand, projected growth and savings as detailed in the recovery plan. This results in a total budget of £26,576k for 2022/23.

Early Support Funding (ESF)

69. ESF was introduced in 2020 to support children and young people who require SEND provision beyond the 'Ordinarily Available' national threshold, but whose needs can be best met within mainstream provision. Importantly, ESF draws from the same budget as

an EHCP and is designed as a strategic reallocation of EHCP budget for those for whom mainstream is better-suited.

70. One of the main workstreams of the DSG deficit recovery plan is focusing on growth in ESF take-up with the aim of increasing early intervention for those whose SEND needs can be met within mainstream and ultimately, reducing future volumes of EHCPs. The savings modelled in the recovery plan have been included in the updated ESF budget for 2022/23.

Independent & Non-Maintained Special Needs

71. The Council has seen a further increase in the number and total spend on SEN placements in Independent and Non-maintained schools in the last year, predominantly because of a lack of capacity within in-borough provision. For 2022/23 the budget has been increased by £4,721k to reflect the current spend and projected growth. This includes a £175k reduction as included in the DSG Recovery plan in relation to the planned approach to bring pupils back from Independent placements.

Post-16 Special Educational Needs Placements

72. In recent years there has been continued growth in the number of post-16 pupils with special educational needs requiring college placements. The budget has been increased significantly in previous years with the budget split between FE Colleges and Independent Specialist Providers.
73. The local authority has been in consultation with FE providers and will be implementing a banded funding model for FE Colleges from September 2022. It is projected that this will generate a small cost reduction in 2022/23 and this has been reflected in a £81k reduction to the budget.

Alternative Provision

74. The local authority currently commissions 73 places at the in-borough alternative provision setting. A reconciliation of the actual number of young people accessing the provision is carried out each term and the funding adjusted to reflect over and under numbers (with a 5% tolerance).
75. In addition, the authority commissions 20 Pupil Support places for children that are unable to access education due to ill health. Funding for these places will be on the same basis as the alternative provision places with £10k planned place funding and top-up of £10,476. There are also 20 places commissioned for an interim provision with these 20 places funded at the KS4 AWPU funding rate.

SEN Advisory Service

76. Following a full transformation of the SEND teams in 2019/20, the SEND Advisory Service was created to provide advice and guidance to educational settings to ensure they can meet the needs of most children and young people within their own resources. This service represents a cost to the DSG of £1,342k, which is a £44k increase on the

previous year due to pay inflation. The expectation is that over time this expenditure will be offset by a reduction in the number of EHCPs issued, through early intervention and support and this is captured in the DSG Deficit Recovery plan.

3% Threshold

77. The 3% threshold recognises those schools that have a disproportionate number of pupils with SEN and distributes an additional £6k funding for each pupil over the 3%. The threshold was set several years ago and when the mechanism was introduced the number of pupils with a Statement of SEN in mainstream schools was on average 2% of the total school population.

78. A workstream of the DSG deficit recovery plan has been to review the threshold with the decision taken to increase in 2022/23 to 3.5%. Therefore, the budget has been reduced by £223k to £204k to reflect this change to the threshold.

SEN Tuition

79. Over the last few years there has been a significant increase in the number of pupils with SEN accessing specialist out of school tuition. A workstream of the DSG Deficit Recovery plan has been reviewing the use of SEN tuition and has identified that a projected saving of £138k could be achieved in 2022/23 and this has been built into the budget.

Proposed DSG Budget for 2022/23

80. Table 6 summarises the final DSG Budget for 2022/23

Table 6

Funding Block		£
Schools Block	Income	(250,638)
	Expenditure	250,638
	Net Total	0
Early Years Block	Income	(23,118)
	Expenditure	23,118
	Net Total	0
High Needs Block	Income	(57,639)
	HN Recoupment	9,966
	Expenditure	52,560
	Net Total	4,887
Central School Services Block	Income	(2,540)
	Expenditure	2,540
	Net Total	0
Overall DSG Position		4,887

81. Table 7 details the final DSG Budget for 2022/23: **Table 7**

Funding Block	Cost Centre description	Proposed Budget £'000
Schools	Schools Block Funding	-251,897
Schools	0.5% Transfer	1,260
Schools	Individual Schools Budget	249,187
Schools	Growth Fund Contingency	1,450
Schools Block Total		0
Early Years	Early Years Block Funding	-23,118
Early Years	Early Years Single Funding Formula	14,603
Early Years	Early Years Single Funding Formula (additional 15 hrs)	4,846
Early Years	Maintained Nursery School Supplementary Funding	275
Early Years	Disability Access Fund	125
Early Years	SEN Inclusion Fund	200
Early Years	Core Childcare & Early Years (FIS)	267
Early Years	Early Years Advisory Teachers	245
Early Years	Early Support Team	159
Early Years	Provision for Vulnerable Children Placements	139
Early Years	Early Years Overheads	293
Early Years	Early Years Pupil Premium	166
Early Years	2YO Funding	1,800
Early Years Block Total		0
High Needs	High Needs Block Funding	-56,380
High Needs	0.5% Transfer from Schools Block	-1,260
High Needs	High Needs Block Academy Recoupment	9,966
High Needs	Maintained ISB	4,898
High Needs	Top-up funding	26,576
High Needs	Early Support Funding	912
High Needs	Independent placement provision (pre-16)	13,200
High Needs	Independent placement provision (post-16)	1,502
High Needs	Contributions from Health & Social Care	-1,383
High Needs	FE college top up funding	2,889
High Needs	Alternative Provision	1,276
High Needs	SEN Therapies	542
High Needs	3.5% Threshold Mechanism	204
High Needs	SEN Exceptional funding	100
High Needs	Tuition - SEN out of school	437
High Needs	SEN Support Services	1,342
High Needs	High Needs Overheads	216
High Needs	High Needs Block Savings	-150
High Needs Block Total		4,887
Central Schools	Central Schools Block Funding	-2,540
Central Schools	DSG Funded Business Support	35
Central Schools	School Placements & Admissions	248
Central Schools	Education posts	282
Central Schools	Hillingdon Virtual School	535
Central Schools	Non-statemented LAC placements	300
Central Schools	Education Safeguarding	184
Central Schools	Copyright Licences	237
Central Schools	ESG Funded Services	753
Central Schools	Central Schools Block Overheads	216
Central Schools	Central Schools Block Savings	-250
Central Schools Block Total		0
Grand Total		4,887

Financial Implications

This is a financial report dealing with funding issues affecting schools. The financial impact on Schools Delegated Funding, is that schools will see an increase in per pupil funding when compared with 2021/22 following an increase in the Schools Block funding. It should be noted that school budgets are protected by the Minimum Funding Guarantee level of +0.5% of per pupil funding.

The DSG has competing demands across the four funding blocks (Early Years, Schools, High Needs and Central School Services), with pressures in High Needs, where any increase in funding has not been sufficient to meet the cost of High Needs growth relating to the actual growth in pupil numbers along with complexity of need experienced over the period. The implementation of the ring-fenced arrangement between the relevant funding blocks has resulted in a shortfall of funding in the High Needs block. The proposals in this report do not provide any additional resources that can be used to offset the cumulative deficit accruing on the DSG, which at Month 9 stands at a deficit of £38,043k.

The Council is currently in discussions with the DfE on a safety valve agreement with the objective of securing conditional funding that would allow the DSG deficit to be eliminated over a five-year period. Significant work has been ongoing to create a realistic recovery plan with the aim of eliminating the DSG in-year deficit completely by 2024/25 and no later than 2025/26. The outcomes from this work including a 0.5% transfer from the Schools Block have been incorporated into the 2022/23 deficit budget of £4,887k.

The proposals contained within this report do not affect the General Fund proposals that are considered elsewhere on this agenda, as the School Budget is funded from the ring-fenced Dedicated Schools Grant.

RESIDENT BENEFIT & CONSULTATION

What will be the effect of the recommendation?

The approval of the recommendations as set out in this report will enable the distribution and confirmation of the funding arrangements for schools for 2020/21, including the final individual school budget shares, which must be distributed to schools on or before 29 February 2020.

Consultation Carried Out or Required

The Council is required to consult with the Schools Forum on any changes to the school funding formula and the Early Years Single Funding Formula as prescribed in the Schools Forums (England) Regulations 2012, which are covered in this consultation paper. The Schools Forum has a limited range of decision-making powers with regards to school funding. In most aspects the Schools Forum role is to advise the Council on decisions that rest with Cabinet, such as the school budget.

The main role of the Schools Forum is to consult with schools on proposed changes to funding arrangements, including any changes to the school funding formula. For 2022/23, the consultation with schools revolved around the transfer of funds out of the Schools Block and proposed minor changes to the school funding formula. The formal consultation ended on 30 November 2021.

CORPORATE CONSIDERATIONS

Corporate Finance

Corporate Finance has reviewed this report and confirms that budget proposals for the 2022/23 schools budget are consistent with the Council's wider budget plans also being presented to Cabinet on this agenda. As the statutory override remains in place during the 2022/23 financial year, there are no direct implications for the Council's General Fund from the cumulative deficit beyond servicing the deficit, the costs of which are factored into projections for borrowing costs detailed in the main budget report. The indications are that this override will be extended beyond 2022/23 as the Department for Education continue to work with local authorities across the country to eliminate deficits.

The Council is in discussions with the Department for Education on a Safety Valve agreement to tackle the structural deficit within the Schools Budget and manage the cumulative deficit, with the outcome not expected until after budgets for the 2022/23 financial year are approved. As part of this activity, the Council and Schools Forum have committed to a number of actions including the transfer of funds from the Schools Block, which have been fully reflected in the budget proposals recommended for approval.

Legal

The Borough Solicitor confirms that this budget has been set in accordance with the Schools and Early Years Finance (England) Regulations 2021.

BACKGROUND PAPERS

NIL