

## AGENDA ITEM 7

### REPORT TO SCHOOLS FORUM

21<sup>st</sup> JANUARY 2022

## SCHOOLS BUDGET 2022/23

### SUMMARY

1. The purpose of this paper is to provide information and recommendations on the local distribution of the Dedicated Schools Grant (DSG) for the next financial year. This report sets out the proposed Schools budget and confirms the final Stockton funding formula arrangements for 2022/23.
2. While it remains the government's intention that a school's budget should be set on the basis of a single national formula, in 2022/23, local authorities can continue to determine final funding allocations for schools through a local formula.
3. To agree the local formula the authority consulted with all schools. This exercise was undertaken during October and November 2021 and the results were reported to the Schools Forum on the 23<sup>rd</sup> November. The Forum subsequently agreed the proposals for the schools funding formula and a 0.5% transfer from the Schools to High Needs block for 2022/23 of £0.752m. The budget presented in this report for 2022/23 is based on the agreed decisions.
4. Within the overall budget setting process, there are a few central spend decisions that the Forum has responsibility for and these are presented for approval.

### RECOMMENDATIONS

5. Support the approach and overall allocation of DSG for 2022/23, particularly:
  - a. To **note** the Dedicated School Grant settlement (para 10)
  - b. **Support** the funding formula and proposals for growth fund (para 17 to 21)
  - c. **Note** that the authority intends to increase the 3 and 4 year old early years rate to £4.31 and continue to set the pass-through rate at 95%. (paras 22-25)
  - d. **Agree** the Early Years central spend of £0.556m (para 26)
  - e. **Note** that the authority intends to increase the hourly rate for the extended two year old provision to £5.48 (para 27).
  - f. **Note** the position on high needs spend (paras 28 to 31)

- g. **Agree** the proposed central spend block items and associated budget for 2022/23 as detailed in paragraphs 32 to 34.
- h. **Note** the estimated deficit position on the DSG. (para 38).
- i. That the eligible Schools Forum members representing maintained schools **vote** separately according to their sector on the proposals to de-delegate the schools improvement functions as set out in the report (paras 43 to 48).
- j. **Note** information related to the Schools Supplementary Grants (paras 49 to 55).
- k. **Note** the position re Pupil Premium and other grants (paras 56-60).
- l. **Note** that if for any reason there is a need to convene a further Schools Forum meeting, 8th February is arranged for this purpose.

### **Summary of Key Points**

6. The paper discusses and requests decisions where appropriate, on the following for 2022/23:-
  - a. Dedicated Schools Grant Allocations
  - b. Schools Block spend including Growth Fund
  - c. Early Years Block Spend
  - d. High Needs Block Spend
  - e. Central Services Block Spend
  - f. Schools Budget 2022/23 and Projected Brought Forward School Budget Balance
  - g. De-delegation of School Improvement functions funding.
  - h. Pupil Premium and other grants
7. There are significant continuing high needs pressures facing the Schools Budget which starts the financial year with a projected cumulative deficit of £6.143m at 31 March 2022. The budget presented includes an allowance of £1.701m to offset this year end deficit position.

### **GOVERNMENT FUNDING ALLOCATIONS**

#### **Dedicated Schools Grant (DSG) Allocations**

8. The 2022/23 DSG allocation for Stockton is £199.016m compared to the revised funding of £191.792m in 2021/22. The DfE have also estimated that Stockton's mainstream schools will receive additional grant of £4.470m (see paras 49 to 55 for further details) and £1.288m for the High Needs (see para 13c to 13e for further details) for the increase in national insurance contributions. These amounts include funding for both maintained schools and Academies.
9. Including the additional grant the overall DSG funding for 2022/23 before deductions will be £204.774m.

10. The distribution of the DSG to local authorities is set out in four blocks and includes the 0.5% transfer and the additional grants. The allocated funding under each block is shown below;

	<b>2022/23 £m</b>
Schools Block	£149.613
High Needs Block	£35.108
Central Services Block	£0.970
Early Years Block	£13.325
<b>DSG</b>	<b>£199.016</b>
Additional Schools Block Funding	£4.470
Additional High Needs Funding	£1.288
<b>Total 2022/23 DSG</b>	<b>£204.774</b>

11. Schools Block :-

- a. The schools block has been allocated between local authorities on the basis of the primary and secondary units of funding plus elements for premises costs and growth.
- b. The 2022/23 primary unit of funding for Stockton is £4,644.12 and the secondary unit of funding is £5,947.17 (compared to £4,531.11 and £5,777.58 respectively in 2021/22). Stockton's allocation for 2022/23 is £149.613m after the £0.752m transfer to High Needs (£0.698m in 2021/22). This will be the allocation before academy recoupment which will be taken and given to the ESFA (Education and Skills Funding Agency) for all Stockton's Academies and Free Schools from the DSG allocation.
- c. There is a total increase of 116 pupils from 2021/22 up to 28,585 pupils (including those in the Free Schools) and this represents an overall increase of 0.4%.
- d. Growth funding is within local authorities schools block national funding formula allocations and it is requested that the Schools Forum approve £0.652m to cover growth fund items in 2022/23 (2021/22 £0.625m). Further details on this are provided in paragraph 21.

12. Early Years Block – The allocation is **provisional** and ESFA will update these initial allocations in July 2022 based on January 2022 PTE census numbers July 2023, based on five-twelfths of the January 2022 PTE census numbers (to cover the April 2022 to August 2023 period), and seven-twelfths of the January 2023 PTE census numbers (to cover the September 2022 to March 2023 period) This means that the final allocations will be based on (five-twelfths January 2022 PTE census numbers) + (seven-twelfths January 2023 PTE census numbers).

### 3 & 4 Year Old's

- a. The 2022/23 three & four year old per hour per pupil unit of funding for Stockton has increased to £4.76 (up £0.17). Stockton's allocation for 2022/23 is £11.117m. The Early Years block will continue to pay for free nursery places up to 15 hours in Primary schools, including academies and Private, Voluntary and Independent providers together with the additional 15 hours for three and four year old children of eligible working parents.
- b. Stockton's allocation for the Disability Access Fund which been increased to the equivalent to £800 per child per year will be £0.094k for 2022/23.
- c. The Early Years Pupil Premium (EYPP) is to enable schools, nurseries and child minders to receive a maximum of £342.00 per annum (£0.60 x 570 hours) for every 3 and 4 year-old from a low-income family, looked after child etc. so these children start school on an equal footing to their peers. EYPP for 2022/23 is £0.164m.

### Disadvantaged 2 Year Old's

- d. Stockton's allocation is £1.949m. This is based on the weighted national average which for Stockton is £5.57 per hour (£5.36 in 2021/22)

### 13. High Needs Block :-

- a. The high needs block supports provision for pupils and students with special educational needs and disabilities (SEND), up to the age of 25, and alternative provision for pupils who cannot receive their education in schools.
- b. DfE have announced an additional £780m of additional funding, or 9.6% nationally for High Needs in 2022/23 compared to 2021/22. For Stockton this means an additional £3.072m over 2021/22, making the total £34.356m before recoupment. The allocation received is provisional as adjustments will be made in year for the export/import of places between authorities.
- c. The Government have also published details for additional high needs funding allocations of the DSG for 2022 to 2023, following the autumn spending review announcement of extra funding for schools and high needs. These allocations are on top of the DSG high needs block allocations shown in the DSG published allocations 2022 to 2023 above, but are subject to the same DSG conditions of grant. For Stockton the allocation is £1.288m for 2022/23.
- d. This extra funding recognises the additional costs that local authorities and schools will face in the coming year, which were not foreseen when the original high needs block allocations were calculated, including the Health and Social Care Levy, that will be applied initially through increased national insurance contributions from employers.

- e. The Government have advised authorities with which they are most closely engaging with on their financial planning, through the safety valve programme, to use an assumption of a 5% year-on-year increase in 2023 to 2024, and 3% beyond that for High Needs. These increase will be reflected in future income projections.
- f. Stockton's allocation for 2022/23 is £35.644m but this will be increased by the £0.752m transfer from Schools Block to £36.396m.

#### 14. Central Schools Services Block (CSSB):-

- a. The central school services block funds local authorities for their statutory responsibilities they hold for both academies and maintained schools.
- b. The CSSB brings together funding previously allocated through the retained duties element of the ESG, funding for ongoing central functions such as admissions and residual funding for historic commitments. The 2022/23 allocation is £0.970m and includes a further 20% reduction for historic commitments.

### Transfer Between Blocks

15. Following a consultation with all school and academies in October and November 2021 the Schools Forum agreed at its meeting on 23<sup>rd</sup> November the transfer of 0.5% equivalent to £0.752m (£0.698m in 2021/22) from the Schools Block to the High Needs budget.

16. The level of funding under each block is represented in the table below.

	2022/23	2021/22	Change
	£m	£m	£m
<b>Schools Block</b>			
DSG - Main Funding	£150.36	£145.78	£4.58
Transfer to High Needs	-£0.75	-£0.70	-£0.05
Additional Schools Block Funding	£4.47	£0.00	£4.47
<b>Total Schools Block*</b>	<b>£154.08</b>	<b>£145.08</b>	<b>£9.00</b>
<b>Early Years Block</b>			
3/4 Year Old Funding	£8.24	£8.34	-£0.10
3/4 Year Old Additional 15 Hours	£2.88	£2.93	-£0.05
Early Years Pupil Premium	£0.16	£0.13	£0.03
Disability Access Fund	£0.09	£0.07	£0.02
2 Year Olds	£1.95	£2.21	-£0.26
<b>Total Early Years Block</b>	<b>£13.32</b>	<b>£13.68</b>	<b>-£0.36</b>
<b>Central Services Block</b>			
Historic Spend	£0.08	£0.10	-£0.02
Pupil Numbers	£0.89	£0.84	£0.05
<b>Total Central Service Block</b>	<b>£0.97</b>	<b>£0.94</b>	<b>£0.03</b>
<b>High Needs Block</b>			
Transfer From School Block	£0.75	£0.70	£0.05
High Needs Main Funding	£34.36	£31.28	£3.08
Additional High Needs Funding	£1.29	£0.00	£1.29
<b>Total High Needs Block</b>	<b>£36.40</b>	<b>£31.98</b>	<b>£4.42</b>
<b>Total DSG</b>	<b>£204.77</b>	<b>£191.68</b>	<b>£13.09</b>

## **PROPOSED DISTRIBUTION**

### **Schools Block Spend**

17. In 2022/23 local authorities continue to have discretion over their schools funding formulae. The Authority consulted to increase the formula factors **where affordable** in line with the National Funding Formula i.e. an increase of 3% to the formula's core pupil led factors (plus lump sum), except for Free School Meals which will rise by 2% and PFI factors which will be increased by inflation.
18. The 2022/23 factors and associated values are shown in **Appendix 1** with 2021/22 figures included for comparison.
19. The minimum per pupil levels in 2022-23 will be set at £4,265 for primary schools and £5,321 for KS3 and £5,831 for KS4, ensuring that standard secondary schools with 5 year groups receive at least £5,525 per pupil. For the purpose of calculating whether and how much a school should be 'topped up' to the minimum level, its per pupil funding includes all funding it receives through the local schools formula, excluding premises and growth funding.
20. The minimum funding guarantee (MFG) will be set at a positive 2% per pupil in 2022/23 as agreed following the consultation for all mainstream schools and academies.
21. Growth Fund:-
  - a. The Council has an agreed investment strategy for Schools funded from Capital Basic Need allocations including expansions to address expected shortages in school places. To support the planned admission number increases the Forum has set up a Growth Fund and policy for access to enable schools to manage increases.
  - b. Based on current analysis, it is estimated that the Growth Fund requirements for 2022/23 will need to increase to £0.652m (2021-22 £0.625m) to accommodate requirement for the provision of secondary growth. **Therefore it is recommended that School Forum approve an allocation of £0.652m for 2022/23.**

### **Early Years Block Spend**

#### **3 & 4 Year Old's**

22. Stockton is proposing to pass on the funding rate increase from central Government. Overall funding allocated per hour to each child will be £4.31 per hour for 2022/23 (£4.14 in 2021/22) and deprivation and sparsity will be the same as current levels.
23. The LA will continue to pass on the EYPP funding on to all state-funded early years providers. This has been increased to 60p per hour per eligible pupil (53p in 2021/22). This means settings will receive a maximum of £342.00 for

each eligible 3 or 4 year-old who takes up the full 570 hours of state-funded early education they are entitled to.

24. All local authorities are required to establish an inclusion fund in their local funding system for three and four year old's with SEN taking the free entitlement. For 2022/23 Stockton will be allocating £0.120m for this purpose (2021/22 £0.120m)
25. In 2022/23 Stockton will be passing through the full 95% of funding to providers.
26. The central allocation in 2022/23 will be £0.556m (£0.564m in 2021/22) to contribute towards the Council's early year's provision.

### **Disadvantaged 2 Year Old's**

27. It is proposed that the disadvantaged 2-year old's hourly rate for 2022/23 will be set at £5.48 (2021/22 £5.27)

### **High Needs Block Spend**

28. As Forum members are aware from regular updates that there are continuing significant pressures against the high needs areas which is also evident from the current year's Budget Monitoring report on today's agenda. The budgets included within **Appendix 2** are based on historic trends, spend in the current financial year, projected growth and the savings programme.
29. The report presented on High Needs to today's Forum provides an update on the current issues, reasons, the scale of the challenges and the work being done to address the position. We will continue to report to Schools Forum as the work progresses.
30. The increase in government funding of £3.072m provided within the high needs block has been allocated to those specific budgets where we have seen pressures arising predominantly agency, top ups and alternative provision. The increase in budgets between 2021/22 and 2022/23 are detailed in Appendix 2.
31. In previous years representation has been made to the School Forum regarding the MFG increase for mainstream schools and its non-applicability to special schools despite them facing similar inflationary pressures. As per last year the Council will continue to increase the top up rate in line with the MFG of +2% to be paid to special sector schools. The cost of this has been built into next year's budget.

### **Central Services Block Spend**

32. As noted in paragraph 10 the central services block is £0.970m comprising funding previously allocated through the retained element of DSG, central function and historic commitments.
33. It is recommended that for 2022/23 the central items remain unchanged and funds allocated across the following services;

- a. Combined Budgets
  - i. Psychology and Intervention £3,748
  - ii. Virtual School Head £30,000
  - iii. First Contact Team £25,000
  - iv. Family Support £25,000
  - v. Local Safeguarding Board £25,000
  - vi. Public Health Team £30,000
- b. School Admissions £212,000
- c. Servicing of Schools Forum £22,000
- d. Termination of employment costs £11,000

34. The remaining CSSB funding totaling £586,000 will be utilised to fund licences and statutory central services previously funded from the retained element of the old Education Services Grant.

### **Schools Budget 2022/23 and Projected Brought Forward School Budget Balance**

35. The Schools' Budget is a ring-fenced account within the authority's books and this report sets out the budget and funding formula for 2022/23. Under Schedule 2 of the School and Early Years Finance (England) Regulations 2022, local authorities are required to carry forward overspends to their schools budget either in the immediately following year or the year after. They can apply to the Secretary of State to disregard this requirement. In the case of the Secretary of State giving such permission, this may be for all or part of the sum requested by a local authority, and permission may be given subject to conditions.

36. The impact of these statutory provisions means that an LA with a DSG deficit from the previous year must either: (1) carry the whole of the deficit forward to be dealt with in the schools budget for the new financial year (2) carry part of it forward into the new financial year and the rest of it into the following financial year (3) carry all of it into the following financial year (4) apply to the Secretary of State under for authorisation to disregard the requirements in Schedule 2 relating to deficits if it wishes to fund any part of the deficit from a source other than the DSG.

37. A deficit must be carried forward to be dealt with from future DSG income, unless the Secretary of State authorises the LA not to do this.

38. The current budgetary control is forecasting that there are increased pressures on high needs spending. The Schools Budget Position shows an anticipated £6.142m cumulative overspend at 31<sup>st</sup> March 2022.

39. Any local authority that has an overall deficit on its DSG account at the end of the 2021 to 2022 financial year, or whose DSG surplus has substantially reduced during the year, must co-operate with the Department for Education in handling that situation. In particular, the authority must:

- provide information as and when requested by the department about its plans for managing its DSG account in the 2022 to 2023 financial year and subsequently



- provide information as and when requested by the department about pressures and potential savings on its high needs budget
- meet with officials of the department as and when they request to discuss the authority's plans and financial situation
- keep the school's forum regularly updated about the authority's DSG account and plans for handling it, including high needs pressures and potential savings

40. The Secretary of State reserves the right to impose more specific conditions of grant on individual local authorities that have an overall deficit on their DSG account, where he believes that they are not taking sufficient action to address the situation.

41. Based on the information earlier in this paper the proposed 2022/23 Schools Budget for each funding block is set out in **Appendix 2**. It shows the DfE block funding allocation against the spending plans for that area.

42. Updates will be provided throughout the year to the Forum on projected spend against budget.

### **Reforming how local authorities school improvement functions are funded**

43. In the Delegation / De-Delegation report presented to the Forum at the meeting on the 23<sup>rd</sup> November I notified you that the Government had opened a consultation on reforming how local authorities school improvement functions are funded.

44. The Government has recently published the results of this consultation and the document can be found in the following link.

<https://www.gov.uk/government/consultations/reforming-how-local-authority-school-improvement-functions-are-funded>

45. This confirms that the Government will proceed with reducing the local authority school improvement monitoring and brokering grant by 50% for financial year 2022 to 2023, prior to full removal in financial year 2023 to 2024 and provision will be included in the School and Early Years Finance Regulations 2022 (England) to allow local authorities to deduct funding for local authorities' core school improvement activities from maintained school budgets via the de-delegation process.

46. The authority is proposing the option of de-delegation (i.e. central management) for the school improvement functions for 2022/23. Funding for de-delegated services must be allocated through the formula but can be passed back, or de-delegated for maintained primary and secondary schools with school forum approval.

47. Stockton is set to receive £87,000 in 2021/22 for these services and therefore approval is requested from Schools Forum members representing maintained schools to de-delegate £43,500 for the 2022/23 which is 50% of the current grant.

48. The Government intend to change the Schools and Early Years Finance regulations to enable local authorities to deduct funding from maintained school budgets to support this activity; and the Secretary of State would retain the power to approve the de-delegation contrary to the decisions of the schools forum, if satisfied that the local authority had demonstrated such de-delegation was necessary to ensure the local authority is adequately funded to exercise core school improvement activities. Due to the short timescales and to maintain the current service this would be the intention of the authority.

### **Schools Supplementary Grant**

49. The DfE announced in the settlement that there will be an additional grant allocated to schools to cover the additional costs of the increase in national insurance contributions.

50. The early years and post-16 elements of the schools supplementary grant will be allocated on a simple per-pupil basis. Funding for 5 to 16 mainstream schools makes up the bulk of the additional £1.2 billion to be allocated through the schools supplementary grant. The 5 to 16 funding rates consist of the following three elements, which are based on factors already in the schools national funding formula:

- a basic per-pupil rate (with different rates for primary, key stage 3 and key stage 4)
- a lump sum paid to all schools, regardless of pupil numbers
- a per-pupil rate for pupils who are recorded as having been eligible for free school meals at any point in the last six years (FSM6), with different rates for primary and secondary pupils.

51. The base per-pupil funding rate for early years provision in schools, and for maintained nursery schools, will be £24 per pupil.

52. The base funding rates for 5-16 schools will be:

- basic per-pupil rate of £97 for primary pupils
- basic per-pupil rate of £137 for key stage 3 pupils
- basic per-pupil rate of £155 for key stage 4 pupils
- lump sum of £3,680
- FSM6 per-pupil rate of £85 per eligible primary pupil
- FSM6 per-pupil rate of £124 per eligible secondary pupil.

53. Rates for post-16 The base per-student funding rate for 16-19 provision in schools, including 16 to 19 schools and academies, will be £35 per student.

54. Allocations School-level allocations will be **published in spring 2022** and will show the total funding allocated for each applicable phase of provision.

55. The DfE have estimated that Stockton's mainstream schools will receive £4.470m for the increase in national insurance contributions. It is anticipated that this grant will be mainstreamed into the DSG from 2023/24.

## Pupil Premium and Other Grants

56. The DfE have advised that the pupil premium funding rates for 2022/23 will be increased over the 2021/22 level. Details are provided below

	<b>2021/22</b>	<b>2022/23</b>
	£	£
Free School Meals Ever 6		
- Secondary	955	985
- Primary	1,345	1,385
Service Child Ever 6	310	320

57. The Looked After Children rate is £2,410 with £1,400 to schools and £1,010 retained for management by the Virtual Head.

58. For 2022/23 the October 2021 school census data will be used to allocate the pupil premium to local authorities. The total amount receivable for pupil premium in the Borough in 2021/22 was £11.69m (Sept 2021 allocation).

59. The below grants will continue for 2022/23 but the rates per pupil for the following grants have not yet been published:

- Universal Infant Free School Meals
- Primary PE and Sport Premium have not been announced for 2022/23 academic year.

60. A second window for COVID-19 workforce grant for the period 22 November 2021 to 18 February 2022 has been announced and the claim form will be available from Spring 2022.

**Contact Officer:** Andy Bryson, Chief Accountant  
**Tel No:** 01642 528850

## Appendix 1

Formula Factors	2021/22 Unit Value	2021/22 Amount Distributed £m	2022/23 Unit Value	2022/23 Proposed Amount Distributed £m	Incr. / (Decr) In Amount Distributed £m
AWPU – Primary	£3,123	53.750	£3,208	54.664	0.914
AWPU - Key Stage 3	£4,404	30.564	£4,525	32.204	1.640
AWPU - Key Stage 4	£4,963	21.430	£5,099	22.578	1.148
Current FSM – Primary	£460	1.973	£470	2.216	0.243
Current FSM – Secondary	£460	1.198	£470	1.349	0.151
Free School Meals Ever 6 – Primary	£575	2.728	£590	2.973	0.245
Free School Meals Ever 6 – Secondary	£840	2.976	£865	3.197	0.221
IDACI band F – Primary	£215	0.241	£220	0.234	(0.007)
IDACI band E – Primary	£260	0.453	£270	0.466	0.013
IDACI band D – Primary	£410	0.459	£420	0.460	0.001
IDACI band C – Primary	£445	0.607	£460	0.643	0.036
IDACI band B – Primary	£475	0.767	£490	0.794	0.027
IDACI band A – Primary	£620	1.092	£640	1.109	0.017
IDACI band F – Secondary	£310	0.205	£320	0.225	0.020
IDACI band E – Secondary	£415	0.476	£425	0.494	0.018
IDACI band D – Secondary	£580	0.409	£595	0.426	0.017
IDACI band C – Secondary	£630	0.485	£650	0.539	0.054
IDACI band B – Secondary	£680	0.657	£700	0.684	0.027
IDACI band A – Secondary	£865	0.900	£890	0.967	0.067
Looked After Children	n/a	0.000	n/a	0.000	0.000
Low Prior Attainment – Primary	£1,095	5.702	£1,130	5.406	(0.296)
Low Prior Attainment – Secondary	£1,660	3.540	£1,710	3.607	0.067
English as an additional language – Primary	£550	0.361	£565	0.383	0.022
English as an additional language – Secondary	£1,485	0.095	£1,530	0.114	0.019
Mobility - primary	£900	0.012	£925	0.129	0.117
Mobility - secondary	£1,290	0.005	£1,330	0.038	0.033
Lump Sum	£114,400	8.351	£114,400	8.351	0.000
Sparcity	Prim: £0-£45k Sec £0-£70k	0.017	Prim: £0-£55k Sec £0-£80k	0.057	0.040
Split Site	n/a	0.000	n/a	0.000	0.000
Rates	Actual	1.383	Actual	1.392	0.009
PFI	Actual	0.393	Actual	0.421	0.028
Min per pupil funding adj	Actual	2.902	Actual	2.826	(0.076)
MFG / Limit on Gains	Actual	0.324	Actual	0.016	(0.308)
<b>TOTAL for comparison purposes</b>		<b>144.455</b>	<b>Actual</b>	<b>148.962</b>	<b>4.507</b>

**Notes re above proposed distribution**

MFG applied at +2.00% / Capping (limit on gains) applied at 3.20%

AWPU factor values have been scaled back from the 2022/23 NFF values to ensure affordability.

The total figure for schools excludes growth fund of £0.652m.

The Lump Sum has remained at the 2021/22 value of £114,400.

All other factor values are 2022-23 NFF factor values.