

AGENDA ITEM 6

REPORT TO SCHOOLS FORUM

17th JANUARY 2023

SCHOOLS BUDGET 2023/24

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 2023/24.
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 2023/24, 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 2022 and the results were reported to the Schools Forum on the 15th 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 2023/24 of £0.795m. The budget presented in this report for 2023/24 is based on the agreed decisions.
4. As previously announced, the distribution of the DSG to local authorities will be set out in four blocks for each authority: a schools block, a high needs block, an early years block, and the central school services block.
5. 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

6. Support the approach and overall allocation of DSG for 2023/24, particularly:
 - a. To **note** the Dedicated School Grant settlement (para 9)
 - b. **Support** the funding formula and proposals for growth fund (para 20 to 24)
 - c. **Note** that the authority intends to increase the 3 and 4 year old early years rate to £4.36 and continue to set the pass-through rate at 95%. (paras 25 to 29)
 - d. **Agree** the Early Years central spend of £0.556m (para 30)

- e. **Note** that the authority intends to increase the hourly rate for the extended two year old provision to £5.54 (para 31).
- f. **Note** the position on high needs spend (paras 32 to 37)
- g. **Agree** the proposed central spend block items and associated budget for 2023/24 as detailed in paragraphs 38 to 40.
- h. **Note** the estimated deficit position on the DSG (para 44).
- i. **Note** information related to Mainstream School Additional Grants (paras 51 to 55).
- j. **Note** the position re Pupil Premium and other grants (paras 56-59).
- k. **Note** that if for any reason there is a need to convene a further Schools Forum meeting, 14th February 2023 is arranged for this purpose.

Summary of Key Points

7. The paper discusses and requests decisions where appropriate, on the following for 2023/24:-
 - 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 2023/24 and Projected Brought Forward School Budget Balance
 - g. Pupil Premium and other grants
8. There are significant continuing high needs pressures facing the Schools Budget which starts the financial year with a projected cumulative deficit of £4.66m at 31 March 2023. The budget presented includes an allowance of £1.126m to offset this year end deficit position during 2023/24.

GOVERNMENT FUNDING ALLOCATIONS

Dedicated Schools Grant (DSG) Allocations

9. The 2023/24 DSG allocation for Stockton is £212.662m compared to the revised funding of £199.900m in 2022/23.
10. The 2022 Autumn Statement announced that the core schools budget will increase by £2 billion in the 2023 to 2024 financial year, over and above totals announced at the Spending Review 2021. Mainstream schools will be allocated additional funding through the mainstream schools additional grant (MSAG) 2023 to 2024. This is in addition to schools' allocations through the schools national funding formula. For Stockton this is an additional £5.521m.

11. In addition to the MSAG, local authorities have been allocated £400 million additional high needs funding for 2023 to 2024, on top of their high needs national funding formula allocations. For Stockton this is an additional £1.581m which is included within the overall DSG total in paragraph 9.
12. The overall DSG funding for 2023/24 before deductions will be £218.183m.
13. The distribution of the DSG to local authorities is set out in four blocks and includes the 0.5% transfer and the additional grant. The allocated funding under each block is shown below;

	2023/24 £m
Schools Block	£158.173
High Needs Block	£39.957
Central Services Block	£1.009
Early Years Block	£13.523
DSG	£212.662
Mainstream School Additional Grant	£5.521
Total 2023/24 DSG	£218.183

14. 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 2023/24 primary unit of funding for Stockton is £4,873.22 and the secondary unit of funding is £6,278.75 (compared to £4,644.12 and £5,947.17 respectively in 2022/23). Stockton's allocation for 2023/24 is £158.173m after the £0.795m transfer to High Needs (£0.752m in 2022/23). 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 73 pupils from 2022/23 up to 28,658 pupils (including those in the Free Schools) and this represents an overall increase of 0.26%.
 - d. Growth funding is within local authorities schools block national funding formula allocations and it is requested that the Schools Forum approve £0.528m to cover growth fund items in 2023/24 (2022/23 £0.652m). Further details on this are provided in paragraph 24. The reduction is due to one scheme reaching its natural conclusion.
15. Early Years Block – The allocation is **provisional** and ESFA will update these initial allocations in July 2023 based on January 2023 PTE census numbers. The final 2023-24 allocations will be updated again in July 2024

based on five-twelfths of the January 2023 PTE census numbers (to cover the April 2023 to August 2023 period), and seven-twelfths of the January 2024 PTE census numbers (to cover the September 2023 to March 2024 period). This means that the final allocations will be based on (five-twelfths January 2023 PTE census numbers) + (seven-twelfths January 2024 PTE census numbers).

3 & 4 Year Old's

- a. The 2023/24 three & four year old per hour per pupil unit of funding for Stockton has increased to £5.00 (up £0.24). Stockton's allocation for 2023/24 is £11.128m. 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 £828 per child per year will be £0.116m for 2023/24.
- c. The Early Years Pupil Premium (EYPP) is to enable schools, nurseries and child minders to receive a maximum of £353.40 per annum (£0.62 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 2023/24 is £0.190m.

Disadvantaged 2 Year Old's

- d. Stockton's allocation is £2.0889m. This is based on the weighted national average which for Stockton is £5.63 per hour (£5.57 in 2022/23).

16. 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. High needs funding is increasing by a further £970 million, or 10.6%, in 2023 to 2024, following the £1 billion increase in 2022 to 2023 and £1.56 billion increase over the previous 2 years. The total high needs budget of £9.7 billion announced in July 2022 has been increased by a further £400 million, to £10.1 billion, as a result of additional schools funding included in HM Treasury's 2022 Autumn Statement. The vast majority of this total high needs funding of £10.1 billion is allocated through the high needs NFF.
- c. For Stockton this means an additional £4.806m over 2022/23 (of which £1.58m is Stockton's share of the additional £400m described in paragraph 11) , making the total £39.162m before recoupment. The

allocation received is provisional as adjustments will be made in year for the export/import of places between authorities.

- d. Stockton's allocation for 2023/24 is £39.162m but this will be increased by the £0.795m transfer from Schools Block to £39.957m.

17. 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 2023/24 allocation is £1.009m and includes a further 20% reduction for historic commitments.

Transfer Between Blocks

18. Following a consultation with all school and academies in October and November 2022 the Schools Forum agreed at its meeting on 15th November the transfer of 0.5% equivalent to £0.795m (£0.752m in 2022/23) from the Schools Block to the High Needs budget.

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

	2023/24	2022/23	Change
	£m	£m	£m
Schools Block			
DSG - Main Funding	£158.97	£150.36	£8.61
Transfer to High Needs	-£0.79	-£0.75	-£0.04
Additional grant	£5.52	£4.47	£1.05
Total Schools Block*	£163.70	£154.08	£9.62
Early Years Block			
3/4 Year Old Funding	£7.90	£8.24	-£0.34
3/4 Year Old Additional 15 Hours	£3.23	£2.88	£0.35
Early Years Pupil Premium	£0.19	£0.16	£0.03
Disability Access Fund	£0.11	£0.09	£0.02
2 Year Olds	£2.09	£1.95	£0.14
Total Early Years Block	£13.52	£13.32	£0.20
Central Services Block			
Historic Spend	£0.06	£0.08	-£0.02
Pupil Numbers	£0.95	£0.89	£0.06
Total Central Service Block	£1.01	£0.97	£0.04
High Needs Block			
Transfer From School Block	£0.79	£0.75	£0.04
High Needs Main Funding	£39.16	£34.36	£4.80
Additional High Needs Funding	£0.00	£1.29	-£1.29
Total High Needs Block	£39.95	£36.40	£3.55
Total DSG	£218.18	£204.77	£13.41

PROPOSED DISTRIBUTION

Schools Block Spend

20. In 2023/24 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 2.4% to the formula's core pupil led factors (plus lump sum), except for the PFI factor increasing in line with the RPIX measure of inflation to reflect the use of RPIX in PFI contracts.
21. The 2023/24 factors and associated values are shown in **Appendix 1** with 2022/23 figures included for comparison.
22. The minimum per pupil levels in 2023-24 will be set at £4,405 for primary schools and £5,503 for KS3 and £6,033 for KS4, ensuring that standard secondary schools with 5 year groups receive at least £5,715 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.
23. The minimum funding guarantee (MFG) will be set at a positive 0.5% per pupil in 2023/24 as agreed following the consultation for all mainstream schools and academies.
24. 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 2023/24 will need to decrease to £0.528m (2022-23 £0.652m) to accommodate requirement for the provision of secondary growth. **Therefore it is recommended that School Forum approve an allocation of £0.528m for 2023/24.**

Early Years Block Spend

3 & 4 Year Old's

25. Stockton is proposing to pass on the funding rate increase from central Government. Overall funding allocated per hour to each child will be £4.36 per hour for 2023/24 (£4.31 in 2022/23) and deprivation and sparsity will be the same as current levels.
26. DfE have baselined the Teachers Pay and Pension Grant into the funding formula for 3 and 4 year olds in 2023/24. Additional work is being

undertaken on eligibility of this additional funding between mainstream schools and PVI providers.

27. The LA will continue to pass on the EYPP funding on to all state-funded early years providers. This has been increased to 62p per hour per eligible pupil (60p in 2022/23). This means settings will receive a maximum of £353.40 for each eligible 3 or 4 year-old who takes up the full 570 hours of state-funded early education they are entitled to.
28. 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 2023/24 Stockton will be allocating £0.120m for this purpose (2022/23 £0.120m)
29. In 2023/24 Stockton will continue to pass through the full 95% of the funding rate for 3 and 4-year old's to providers.
30. The central allocation in 2023/24 will be £0.556m (£0.556m in 2022/23) to contribute towards the Council's early year's provision. **It is recommended that School Forum approve an allocation of £0.556m for 2023/24.**

Disadvantaged 2 Year Old's

31. It is proposed that the disadvantaged 2-year old's hourly rate for 2023/24 will be set at £5.54 (2022/23 £5.48)

High Needs Block Spend

32. 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 and projected growth.
33. Previous reports presented on High Needs to the Forum have provided updates 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.
34. The increase in government funding of £4.806m described in paragraphs 16b and c above will be allocated to those specific budgets where we have seen pressures arising, which are predominantly agency, top ups and alternative provision. It will also be used to support specific funding requirements within the High Needs Operational Guide relating to the Minimum Funding Guarantee for Special Schools and Academies and also to the additional funding following the 2022 Autumn Statement (both described below). The increase in budgets between 2022/23 and 2023/24 are detailed in Appendix 2.
35. The 2023/24 High Needs Operational Guide provides details of conditions on the MFG specifically for maintained special schools and special academies. In 2023 to 2024, the MFG must be calculated based

on a comparison of the combined place and top-up funding per pupil in the 2021 to 2022 and 2023 to 2024 financial years.

36. The top-up funding must be set at a rate to ensure a special school's total budget is 3% higher per pupil than in 2021 to 2022. This recognises that local authorities like Stockton have already passed on additional funding for pressures in 2022 to 2023.
37. In the financial year 2023 to 2024 maintained special schools and pupil referral units, special and alternative provision (AP) academies (including free schools), and maintained and academy hospital schools, will also receive a separate allocation amounting to 3.4% of their total place and top-up funding income, similar to the mainstream schools additional grant.

Central Services Block Spend

38. As noted in paragraph 17 the central services block is £1.009m comprising funding previously allocated through the retained element of DSG, central function and historic commitments.
39. It is recommended that for 2023/24 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
40. The remaining CSSB funding totaling £0.625m will be utilised to fund licences and statutory central services previously funded from the retained element of the old Education Services Grant.

Schools Budget 2023/24 and Projected Brought Forward School Budget Balance

41. The Schools' Budget is a ring-fenced account within the authority's books and this report sets out the budget and funding formula for 2023/24. 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.

42. 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.
43. 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.
44. The current budgetary control is showing that there are continued increased pressures on high needs spending. Even though the authority is estimating to reduce the overall DSG deficit in year the schools budget position will still show an anticipated £4.66m cumulative deficit at 31st March 2023.
45. Any local authority that has an overall deficit on its DSG account at the end of the 2022 to 2023 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 2023 to 2024 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
46. 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.
47. DLUHC is now running 3 programmes offering direct support in respect of the effectiveness and sustainability of local authorities' high needs systems, which together will work with all local authorities: the Safety Valve Intervention programme, the Delivering Better Value in SEND (DBV) programme and ESFA support programme. The aim of all 3 programmes is to secure sustainable management of local authorities' high needs systems.
48. As noted in the previous reports on High Needs presented to the Forum, Stockton is part of the Delivering Better Value in SEND (DBV) programme which has targeted authorities with less severe but either substantial and/or growing deficit issues, helping them reform their high needs systems.

49. Based on the information earlier in this paper the proposed 2023/24 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.
50. Updates will be provided throughout the year to the Forum on projected spend against budget.

Mainstream Schools Additional Grant (MSAG)

51. As noted in paragraph 10 mainstream schools will be allocated additional funding through the mainstream schools additional grant (MSAG) 2023 to 2024.
52. Authority level allocations have been published with Stockton being allocated £5.521m. DfE will publish school level allocations of this funding in May 2023. Details of funding rates can be found in the following link; [Mainstream schools additional grant 2023 to 2024: methodology - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/mainstream-schools-additional-grant-2023-to-2024-methodology)
53. The intention is that payment of this additional funding in the form of a separate grant will be for 2023 to 2024 only. The funding will be incorporated into core budget allocations for 2024 to 2025. So, for primary, secondary and all-through schools, this will mean the funding being rolled into the schools national funding formula for 2024 to 2025.
54. In recognition of the funding cycle for academies, which follows the academic year (rather than the financial year used for local authority-maintained schools), academies will receive an additional allocation of the MSAG to cover April to August 2024. This is the period in advance of the funding being rolled into academies' core budget allocations through the national funding formula. This will be allocated using the same rates and pupil numbers as the 2023 to 2024 grant and will, therefore, represent five-twelfths of their 2023 to 2024 allocations.
55. Schools will have the flexibility to prioritise their spending of the MSAG to best support the needs of their pupils and staff and address cost pressures.

Pupil Premium and Other Grants

56. The DfE have advised that the pupil premium funding rates for 2023/24 will be increased over the 2022/23 level. Details are provided below

	2022/23	2023/24
	£	£
Free School Meals Ever 6		
- Secondary	985	1,035
- Primary	1,385	1,455
Service Child Ever 6	320	335

57. The Looked After Children rate is £2,530 with £1,400 to schools and £1,130 retained for management by the Virtual Head.

58. For 2023/24 the October 2022 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 2022/23 was £12.422m (Dec 2022 allocation).

59. The below grants will continue for 2023/24 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 2023/24 academic year.

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Appendix 1

Formula Factors	2022/23 Unit Value	2022/23 Amount Distributed £m	2023/24 Unit Value	2023/24 Proposed Amount Distributed £m	Incr. / (Decr) In Amount Distributed £m
AWPU – Primary	£3,208	54.664	£3,383	56.885	2.221
AWPU - Key Stage 3	£4,525	32.204	£4,758	34.619	2.415
AWPU - Key Stage 4	£5,099	22.578	£5,346	24.415	1.837
Current FSM – Primary	£470	2.216	£480	2.363	0.147
Current FSM – Secondary	£470	1.349	£480	1.555	0.206
Free School Meals Ever 6 – Primary	£590	2.973	£705	3.572	0.599
Free School Meals Ever 6 – Secondary	£865	3.197	£1,030	3.890	0.693
IDACI band F – Primary	£220	0.234	£230	0.233	(0.001)
IDACI band E – Primary	£270	0.466	£280	0.462	(0.004)
IDACI band D – Primary	£420	0.460	£440	0.484	0.024
IDACI band C – Primary	£460	0.643	£480	0.682	0.039
IDACI band B – Primary	£490	0.794	£510	0.799	0.005
IDACI band A – Primary	£640	1.109	£670	1.194	0.085
IDACI band F – Secondary	£320	0.225	£335	0.237	0.012
IDACI band E – Secondary	£425	0.494	£445	0.524	0.030
IDACI band D – Secondary	£595	0.426	£620	0.440	0.014
IDACI band C – Secondary	£650	0.539	£680	0.607	0.068
IDACI band B – Secondary	£700	0.684	£730	0.782	0.098
IDACI band A – Secondary	£890	0.967	£930	1.052	0.085
Low Prior Attainment – Primary	£1,130	5.406	£1,155	5.359	(0.047)
Low Prior Attainment – Secondary	£1,710	3.607	£1,750	3.724	0.117
English as an additional language – Primary	£565	0.383	£580	0.427	0.044
English as an additional language – Secondary	£1,530	0.114	£1,565	0.198	0.084
Mobility - primary	£925	0.129	£945	0.158	0.029
Mobility - secondary	£1,330	0.038	£1,360	0.039	0.001
Lump Sum	£114,400	8.351	£121,790	8.890	0.539
Sparcity	Prim: £0-£55k Sec £0-£80k	0.057	Prim: £0-£56.3k Sec £0-£81.9k	0.120	0.063
Split Site	n/a	0.000	n/a	0.000	0.000
Rates	Actual	1.392	Actual	1.368	(0.024)
PFI	Actual	0.421	Actual	0.480	0.059
Min per pupil funding adj.	Actual	2.826	Actual	2.038	(0.788)
MFG / Limit on Gains	Actual	0.016	Actual	0.049	0.033
Add: Baselined Supplementary grant	n/a	4.469	n/a	Incl. above	(4.469)
TOTAL for comparison purposes		153.431	Actual	157.645	4.214

Notes re above proposed distribution

MFG applied at +0.5% / Capping (limit on gains) applied at 5.78%

AWPU factor values have been scaled back from the 2023/24 NFF values to ensure affordability.

The total figure for schools excludes growth fund of £0.528m.

The Lump Sum has moved closer to the NFF Factor Values for 2023/24.

All other factor values are 2023-24 NFF factor values.

Schools Supplementary grant paid 2022/23 (totalling £4.47m) has been baselined for 2023/24

Please note that the above table excludes the £5.52m MSAG for 2023/24.