

York Schools Forum

9 November 2022

Report of the Head of Finance for Children & Education

THE SCHOOLS BUDGET AND THE DEDICATED SCHOOLS GRANT FOR 2023/24

Summary

- 1 This report provides the Schools Forum with initial information on the Schools Budget and Dedicated Schools Grant (DSG) funding for the 2023/24 financial year. The report focuses on decisions that the forum will need to make or areas that the local authority (LA) will be required to consult the forum on, in order for budgets for schools, early years providers and LA maintained services to be set prior to the start of the new financial year.

Background

- 2 The DSG is ring-fenced for funding the provision of education or childcare for 3 to 16 year olds in all settings. As such it covers funding delegated to individual LA maintained schools, academies and PVI providers through the LMS & Early Years funding formulae, plus funding for other pupil provision which is retained centrally by the LA to support such things as Special Educational Needs and some central education services.
- 3 The DSG allocations for schools, high needs, early years and the central school services block have all been run under national funding formulae (NFF) since April 2018. These arrangements are continued for 2023/24 with some minor changes to the schools NFF and a continuing reduction in the funding allocated to the LA for centrally retained budgets. However, for the early years block the DfE has proposed some more material changes that were set out in a consultation earlier this year and are described in a separate report on this agenda.

DSG Allocations for 2023/24

- 4 The funding LAs receive in each block is determined by a specific national funding formula (NFF). At the time of writing this report the provisional allocations for the early years block had not been announced. Therefore the early years allocations referred to in this report are based on the illustrative amounts set out in the DfE consultation document.
- 5 The total DSG allocation for 2023/24 is estimated at £159.968m, an increase of £3.438m (2.2%) from 2022/23 and broken down as follows:

	2022/23	2023/24	Increase	
	Adjusted	Provisional	£m	%
	£m	£m		
Schools Block	118.175	120.137	1.962	1.7%
High Needs Block	25.088	26.402	1.314	5.2%
Early Years Block *	10.892	11.350	0.457	4.2%
Central School Services Block	2.375	2.079	(0.297)	(12.5%)
	156.531	159.968	3.438	2.2%

* Note – Early Years Block is illustrative only

Schools Block

School Formula Funding

- 6 The vast majority of the Schools Block DSG (£119.795m) is used to fund the local funding formula for mainstream schools (maintained and academies). Following a detailed consultation with all schools and the Schools Forum prior to setting the 2018/19 budget, the LA agreed to introduce the DfE's new national funding formula (NFF) at school level from April 2018. For 2023/24 the LA is again proposing to follow the NFF for schools.
- 7 The funding factors used in the 2023/24 NFF remain the same, however the factor values will increase by the following amounts:
 - 2.4% to the basic entitlement, free school meals (FSM), lower prior attainment (LPA), English as an additional language (EAL), sparsity and the lump sum
 - 4.3% to free school meals at any time in the last 6 years (FSM6) and income deprivation affecting children index (IDACI)
 - 0% on the premises factors, except for PFI which has increased by RPIX
- 8 On top of these uplifts, the DfE have increased the basic entitlement, the FSM6 and the lump sum factors to reflect the rolling in of the schools supplementary grant into the NFF, with more details at paragraphs 11 to 14 below.
- 9 The minimum per pupil levels in 2023/24 will be set at £4,405 per pupil for primary schools and £5,715 per pupil for secondary schools. This includes £119, £155 and £173 per primary, KS3 and KS4 pupil respectively for the rolling in of the schools supplementary grant, plus a further 0.5% increase.
- 10 The 2023/24 NFF funding floor has been set at 0.5%. This means that every school will attract an increase in their pupil-led funding of at least 0.5% per pupil, compared to their 2022/23 baseline. Funding floor baselines have also been increased to take account of the rolling in of the schools supplementary grant.
- 11 The schools supplementary grant was introduced to support schools to meet the costs of the Health and Social Care Levy and wider costs in 2022/23. The grant funding in respect of pupils from reception to year 11 (inclusive) is being rolled into the schools NFF from 2023/24.
- 12 The aim of the DfE's approach for rolling the grant into the schools NFF is to ensure that the additional funding schools attract through the NFF is as close as possible to the funding they would have received if the funding was continuing as a separate grant in 2023/24, without adding significant additional complexity to the formula.
- 13 The grants have been rolled in in three ways, to reflect the three different ways in which schools attract funding through the NFF:
 - Adding £97, £137 and £155 to the primary, key stage 3 and key stage 4 per pupil funding factors respectively; £85 and £124 to the primary and secondary FSM6 factors; and £3,680 to the school lump sum. This increases the amount that schools already on their NFF allocations attract. The NFF factor value increases correspond to the values of the grant itself.
 - Adding £119, £155 and £173 to the minimum per pupil (MPP) funding levels for primary, KS3 and KS4 respectively. This increases the amount that schools funded through the MPP funding levels attract through the NFF. The amounts reflect the

average amount of funding these schools currently attract through the grant.

- Adding an amount representing the funding schools receive through the schools supplementary grant in respect of their reception to Year 11 pupils onto their baselines, which is used to calculate funding protection for the schools through the funding floor. This increases the amount that schools whose allocations are determined by the funding floor will attract.
- 14 The rolling in of these grants into the schools' NFF allocations will affect the core budgets that maintained schools will receive from April 2023, and that academies will receive from September 2023. To avoid an unfair gap in the support provided to academies, academies will therefore continue to receive separate grant payments up until the end of August 2023. The 5-16 element of the schools supplementary grant will then cease to operate as a separate grant.
 - 15 At a national level, school funding through the NFF is increasing by 1.9% overall in 2023/24 and by 1.9% per pupil. However, the average increase for York schools is estimated at 1.7% as a significant number of schools are either already receiving protection through the funding floor or the minimum per pupil amounts which only increase by 0.5% in 2023/24.
 - 16 Local authorities will continue to determine the final allocations for all local mainstream schools in 2023/24, but the DfE are in the process of consulting on how to complete their reforms to the schools NFF in the longer term.

Growth Fund

- 17 The remaining £0.342m of the Schools Block DSG is allocated to the growth fund, although this amount will be confirmed once the autumn census numbers are known. The growth fund can only be used to support increases in pre-16 pupil numbers to meet basic need, additional classes needed to meet the infant class size legislation or meet the costs of pupils in new schools commissioned to meet basic need. The growth fund may not be used to support schools in financial difficulty or general growth due to popularity; which is managed through lagged funding. The proposed criteria and formulae for allocating the growth fund are set out at Annex 1.
- 18 The amount of growth funding allocated to the LA by the DfE continues to fall, from £0.800m in 2018/19 down to £0.342m in 2022/23. The level of funding required to be allocated to schools under the current local growth criteria and formulae is difficult to predict with any certainty each year. In each of the last three years the fund has been overspent and this is likely to continue as the DSG allocation from government reduces. Therefore, for all allocations made since the 2020/21 academic year onwards, the LA has implemented a cash limit on this budget. This means that if the total of all allocations to schools in a particular year, calculated via the relevant formulae, exceeds the budget available then all allocations will be reduced pro-rata.

Early Years Block

- 19 In 2022/23 the DfE increased hourly early years funding rates to York by 17p per hour (+3.8%) for 3 & 4 year olds and 22p per hour (+3.9%) for 2 year olds. The LA increased provider funding rates (including deprivation) by the same percentages. Due to the DfE consultation (described in more detail in a separate report on this agenda), we do not expect to know what increase the DfE will provide for 2023/24 until later this term. However, the LA proposes, once again, to increase the basic hourly rates to providers and the hourly deprivation supplement by the same percentage as any increase in the hourly rate received by the LA from DfE.

- 20 Similarly, under the formula the DfE established in 2017 to support stand-alone nursery schools, any amount received by the LA will be passed on in full to St Paul's Nursery School.

High Needs Block

- 21 The high needs block DSG increases by £1.314m (5.2%) in 2023/24. As has been previously reported, the high needs budget is already under significant pressure due to rising demand from increased numbers of SEND pupils. For 2022/23 net in year expenditure within the high needs block is projected to be £1.748m higher than the core DSG funding allocated by government. However, as part of the safety valve agreement that the LA has made with the DfE, additional grant of £2.5m is due to be received by the end of the financial year. The effect of this additional grant produces a net in year high needs block surplus of £0.752m and reduces the projected high needs deficit carry forward to 2023/24 to £5.090m
- 22 Further detail on the DSG safety valve recovery plan is the subject of a separate report on this agenda. However, it should be noted that the plan agreed with the DfE, if implemented in full, would result in a balanced high needs budget by the end of 2025/26. The plan includes a commitment from the DfE to allocate additional funding to York of £9.5m on top of the £7.6m allocated in 2021/22, subject to certain conditions.

Central School Services Block

- 23 This funding block was created in 2019/20 from elements of the previous schools block and the former Education Services Grant (ESG). As part of the DfE's strategy to remove funding within this block that directly supports exceptional expenditure previously agreed between LAs and their Schools Forums, there is a significant net reduction of 12.5% in 2023/24. This follows similar reductions in 2021/22 and 2022/23. This net reduction is made up of a 2.3% increase in the allocation for the ongoing responsibilities that the LA continues to have for all schools, and a 20% reduction in the allocation for historic commitments.
- 24 For 2023/24 this means allocations of £0.818m for LA on-going responsibilities and £1.261m for historic commitments. As historic commitments currently total £1.576m in 2022/23 the LA, in consultation with the forum, will need to identify budget reductions totalling £0.315m for 2023/24. A description of the historic commitments and the background to how they were created is set out below.

Termination of Employment Costs (£0.383m)

- 25 School redundancy and early retirement costs where the revenue savings achieved by the termination of employment to which they relate are greater than the costs incurred. The costs charged to this budget only relate to decisions made prior to 2013/14. For information, the total expenditure incurred by the LA on school staff redundancy and termination costs is expected to be in excess of £1m in 2022/23.

Prudential Borrowing Costs (£0.305m)

- 26 This budget is set aside to fund the repayment of loans for school building capital works where the original investment contributed towards an overall net revenue saving to the Schools Budget. Contributions to the following schemes are covered by the current budget provision:
- York High School (Merger of Lowfield and Oaklands Secondary Schools)

- Clifton with Rawcliffe Primary School (Merger of Clifton without Junior and Rawcliffe Infants Schools)
- Our Lady Queen of Martyrs Primary School (Merger of Our Lady's and English Martyrs Primary Schools)

Contribution to Combined Budgets (£0.888m)

- 27 Under the school finance regulations, prior to 2012/13 schools could agree (through the Schools Forum) to allow the LA to use DSG funding to support certain central services that have a wider educational benefit or generate a net overall saving to the Schools Budget.
- 28 A significant proportion of this funding relates to former standards fund grants that were mainstreamed in 2011/12. At that time a total of £12m of standards fund grants were transferred into the DSG. Of this £11m was delegated directly to schools or other settings through the school funding formula or other mechanisms. As the remaining standards fund allocations were supporting central services the Schools Forum agreed to allow this to continue to support
- School Improvement Service (£0.293m)
 - Children's Centres on school sites (£0.220m)
- 29 The remaining funding retained under the combined budget heading relates to three specific decisions made prior to 2012/13 by the Schools Forum:
- Safeguarding Advisor (Schools) (£0.050m). This funding, agreed in 2009/10, allows the LA to employ an additional post within the Safeguarding Unit with a specific role of supporting schools to deliver on their safeguarding duties.
 - Schools Causing Concern (£0.200m) / School Improvement Topslice (£0.125m). Although this funding is initially retained centrally by the school improvement service it is all ultimately either allocated to individual schools or spent on activity supporting improvement at individual schools.
- 30 The forum will note that in respect of the budgets for School Improvement (£0.293m), Schools Causing Concern (£0.200m) and School Improvement Topslice (£0.125m), totalling £0.618m, the forum has made a further set of decisions to bring these budgets together into a School Improvement Commissioning fund. Decisions on the use of this fund are subject to regular separate reports to the forum.
- 31 In line with the previous decisions made at the forum in respect of a similar requirement to make reductions in these budgets for 2021/22 and 2022/23; the LA would again propose that the historic commitments are reduced in 2023/24 in proportion to the total amounts currently allocated to LA and school based spending. This would mean that LA expenditure would need to reduce by £0.191m and school based spending by £0.124m. The LA proposes delivering this by reducing the contribution to children's centres (replacing this with funding from the council's General Fund budget) and that the School Improvement Commissioning fund be reduced by £0.124m to £0.494m from 2023/24.
- 32 Members of the forum are asked to give their views on how the LA is proposing to manage the required £0.315m budget reduction for 2023/24, including any further information they would require, before the final decision needs to be made at the February 2023 Schools Forum meeting.
- 33 For completeness, the remaining budgets that fund the on-going LA central responsibilities are described below. The LA proposes no further changes to these budgets for 2022/23.

School Admissions (£0.177m)

- 34 This budget contributes to the costs of the LA's statutory functions in respect of the schools admissions processes.

Servicing of Schools Forums (£0.042m)

- 35 This covers the costs of the School Forum meetings including officer time in preparing reports and attendance, and other associated costs such as consultations linked to specific School Forum related decisions.

School Copyright Licence Agreements (£0.126m)

- 36 This budget is retained centrally to fund the costs of a number of school copyright licence agreements that are now negotiated nationally by the DfE for all publicly funded schools and charged to LAs rather than to individual schools. For 2022/23 these are:

- The Copyright Licensing Agency licence
- The School Printed Music licence
- The Newspaper Licensing Agency Schools licence
- The Educational Recording Agency licence
- The Public Video Screening licence
- The Motion Picture Licensing Company licence
- The Performing Right Society licence
- The Phonographic Performance licence
- The Mechanical Copyright Protection Society licence
- The Christian Copyright Licensing International licence

Former ESG Retained Budgets (£0.370m)

- 37 This reflects the services formerly funded by the education services grant (ESG). LAs are able to retain funding centrally within the schools budget for services which they provide for all schools, including academies (previously funded by the "retained duties" element of the ESG). The services covered include; education welfare service, management of the LA's capital programme, management of private finance transactions, general landlord duties for buildings including those leased to academies, the director of children's services and office, planning for the education service as a whole, revenue budget preparation and accounts, external audit, formulation and review of local authority schools funding, internal audit and other tasks related to the LA's chief finance officer's responsibilities under Section 151 of LGA 1972, consultation costs and Standing Advisory Committee for Religious Education.

LA Maintained School De-delegations

- 38 LAs can fund some services relating to maintained schools only from maintained school budget shares, with the agreement of maintained school members of the forum. The relevant maintained schools members of the forum (primary, secondary, special, and pupil referral units (PRUs)) will need to agree any amounts that the LA will retain. The number of de-delegations has reduced significantly over the last few years, and the only remaining de-delegation in 2022/23 is in relation to the Behaviour Support Outreach service for primary schools provided by Danesgate.

- 39 The service is provided to primary schools through the Danesgate Community and is often referred to as the Danesgate Outreach Service. Under its current central de-delegated form it is provided to schools in addition to the Danesgate provision for individually named pupils. The current de-delegation for 2022/23 is £3.65 per pupil, plus £60.93 per FSM pupil and £40.28 per Low Prior Attainment (LPA) pupil.
- 40 Maintained primary school forum members are asked to consider what further information they would require in advance of making a decision as to whether the de-delegation should continue in 2023/24 at the February 2023 meeting of the forum.

Recommendations

- 41 Members of the forum are asked to note the report and;
- confirm that they are content for the schools budget to continue to be allocated to schools under the formula and factors contained within the schools national funding formula,
 - agree to the continuation of the pupil growth & infant class size funds under their existing arrangements (as at Annex 1), including cash limiting the budget as described at paragraph 18,
 - agree to an increase in Early Years funding rates to providers in proportion to any increase in the Early Years funding allocated by government to the LA (paragraphs 19 & 20),
 - give their views on how the LA should manage the required £0.315m budget reduction in centrally retained historic commitment budgets for 2023/24, including any further information they would require, before the final decision needs to be made at the February meeting (paragraphs 24 to 32),
 - agree to the LA’s proposal that no further changes (except to reflect inflationary increases allocated by the DfE) are made to the centrally retained budgets funded from the on-going central school services block DSG (paragraphs 34 to 37),
 - consider what further information they would require in advance of making a decision as to whether the primary behaviour support service de-delegation should continue in 2023/24

Contact Details Author:	Chief Officers Responsible for the Report:			
Richard Hartle Head of Finance for Children & Education Tel: 01904 554225 email: richard.hartle@york.gov.uk	Martin Kelly Corporate Director of Children & Education Tel: 01904 554200			
	Report Approved	√	Date	02 November 2022
For further information please contact the author of the report				

Annexes

Annex 1 - Pupil Growth Funding Criteria

Pupil Growth Funding

Infant Class Size Funding

To maintain class sizes at no more than 30 pupils, Infant Class Size funding will be allocated based on the actual autumn census numbers for each school, i.e. autumn 2022 for an allocation for the 2022/23 academic year. Schools will be allocated a sum equivalent to the notional class teacher element of the primary AWPU to provide funding to support a teacher for each infant class, with reductions to take account of the economies of scale available to larger schools.

The total number of reception, year 1 and year 2 pupils at each school is divided by 30. The remainder (after whole classes of 30 have been accounted for) is deemed to be the size of the “last class”. The amount of funding for the “last class” then depends on its size.

The formula calculates the total amount of notional class teacher funding already allocated to the school within the AWPU sum for each pupil in the “last class”. This sum is then deducted from the notional cost of a class teacher. The result of this calculation is the top-up amount available to support a full time equivalent teacher for the “last class”. The table below shows the amount of the top up depending on the size of the “last class”. However, it should be noted that these values have not been updated for the last three years whilst the growth fund allocation from the DfE has been reducing:

Size of “Last Class”	Top-up Funding £	Size of “Last Class”	Top-up Funding £	Size of “Last Class”	Top-up Funding £
0	0	10	20,943	20	7,903
1	32,679	11	19,639	21	6,599
2	31,375	12	18,335	22	5,295
3	30,071	13	17,031	23	3,991
4	28,767	14	15,727	24	2,687
5	27,463	15	14,423	25	1,383
6	26,159	16	13,119	26	79
7	24,855	17	11,815	27	0
8	23,551	18	10,511	28	0
9	22,247	19	9,207	29	0

Each school then receives a proportion of this top-up funding depending on the total number of infant pupils in the school (this is to try and recognise that larger schools are likely to have more flexibility in organising class structures than smaller schools). The following table shows the percentage of the top-up funding actually received:

Number of Infant Pupils	Funding Percentage
1 to 90	100%
91 to 120	80%
121 to 150	60%
151 to 180	40%
181 and above	20%

No retrospective adjustments are made even if pupil numbers change during the year.

Example:

- Autumn Census = 100 infant aged pupils
- Size of “last class” = remainder of 100 / 30
= 10
- Top-up funding from table 1 = £20,943
- Percentage of top-up from table 2 = 80%
- Infant Class Size Funding = £20,943 x 80% = **£16,754**

Basic Need Pupil Growth Funding

Additional funding for basic need growth will be made available to schools that are subject to a significant (i.e. >1%) increase in pupil numbers under the following circumstances:

- the LA (or the school at the request, or with the support, of the LA) carries out a formal consultation and approves an increase in the capacity of a school
- the LA requests a school to increase or exceed its published admissions number
- the LA requests a school to admit significant additional pupils as part of a reorganisation or school closure

Funding will not be allocated to a school in the following circumstances:

- the school has surplus places and then takes additional pupils up to its PAN outside of the circumstances described above
- the school admits pupils in excess of their PAN at their own choice
- the school is directed/requested to admit additional pupils as a result of errors, appeals, fair access protocol, SEN, LAC etc.

Depending on the circumstances, funding will be calculated based on the number of relevant (i.e. whole school, specific year groups, geographic areas etc.) additional pupils admitted as per the autumn census data for each year, multiplied by the appropriate AWPU value and pro-rated for the period that the pupils will be unfunded (normally 7 months for maintained schools and 12 months for academies) in the main school funding formula allocation. Whatever the circumstances, the maximum pupil growth allocation will be capped at an amount equivalent to that attributable to the school's total increase in reception to year 11 pupils in excess of 1%.

Funding Cap

The level of funding required to be allocated to schools under the local growth criteria and formulae is difficult to predict with any certainty each year. In recent years the fund has been overspent and this is likely to continue as the DSG allocation from government reduces. As a result, and following consultation with the Schools Forum, all allocations made from the growth fund will be capped under a cash limited budget. This means that if the total of all allocations to schools in a particular year, calculated via the relevant formulae, exceeds the budget available then all allocations will be reduced pro-rata. The reduction being applied for the 2021/22 academic year allocations is 20.76%.