

## **Schools Forum – 23 March 2023**

### **Schools Budget 2023-24**

#### **Executive Summary**

##### **Schools**

- The request to transfer 0.5% of Schools Block DSG to High Needs has been rejected by the Secretary of State
- The growth fund budget has been set at £2.7m. Any underspend will be transferred into the DSG reserve as per the deficit recovery plan.
- The final education functions levy has been set at £54 per pupil
- School budgets have been set using the National Funding Formula (NFF)
- The minimum funding guarantee (MFG) has been set at 0.5%
- To ensure the NFF is affordable within the schools block DSG allocation, gains have been capped at 2.64%

##### **Early Years**

- Early Years funding base rates have been set at £4.52 per hour for 3 & 4 year olds and £5.67 per hour for 2 year olds
- An Early Years contingency has been set at 0.7% of the Early Years Block funding
- Any underspend on Early Years contingency will be returned to providers as a one-off payment in the following financial year (subject to affordability).

##### **High needs**

- Staffordshire's High Needs Block (HNB) funding for 23/24 has increased by £12m compared to 2022/23
- Special School budgets have been set to provide for a Minimum Funding Guarantee of 0.5% (and no capping of gains)
- A further significant overspend is anticipated on the HNB in 23/24

#### **Recommendation**

1. That the Schools Forum notes the content of this report.

#### **Report of the Director of Finance**

##### **Central Provisions**

2. The Schools Forum considered the indicative level of planned central expenditure for 2023-24 at its November meeting, giving approval to the budget provision for a range of areas, to enable the local authority to meet the DfE timescale of submitting individual

school budgets to ESFA in mid-January. This section of this report updates the Schools Forum with the final figures used within that approval.

3. There are four categories of centrally retained budgets within the Schools Budget:
  - De-delegated items
  - Central School Services Block (CSSB)
  - Central Schools Expenditure
  - Education Functions (previously funded by the Education Services Grant)
4. De-delegated items are those which have been retained centrally to be managed by the local authority on behalf of its maintained schools following the vote of the Schools Forum. These amounts are transferred from the local authority to academies through the ESFA and academies meet the related costs directly. In its annual vote on 10 November the Schools Forum voted to de-delegate for the same services in 2023-24 as in 2022-23. Therefore, this funding will continue to be held centrally to meet these costs on behalf of maintained schools. Insurance provision continues to be provided through the DfE's Risk Protection Agreement. Funding for this service will be transferred from SCC to the DfE.
5. Expenditure within the Central School Service Block (CSSB) was also considered at the November 2022 Schools Forum meeting. Members agreed that ongoing funding allocated within this block should be retained centrally for the purposes outlined in the report. This block also includes funding for Historic Commitments. The only funding retained centrally for Historic Commitments for 2023-24 is £924,130 for prudential borrowing.
6. Central Schools Expenditure areas include funding for infant class size and growth funding. Growth funding is allocated to the local authority on a formula basis. The allocation for 2023-24 is £4.1m. This funding has been used to fund growth above the census in the NFF. The remaining funding is held centrally to meet commitments under the infant class size and exceptional growth fund policies. The amount retained centrally is £2.7m. Any underspend will be transferred to the DSG reserve as per the deficit recovery plan.
7. At the November meeting, maintained schools approved a levy per pupil for Education Functions of £56.47. Due to a slight change in the number on roll at maintained schools, the final levy for 2023-24 has been set at £54 per pupil.

### **Individual School Budgets**

8. This element of the schools' budget represents by far the largest part of the funding for the majority of schools. Formula Budgets are now based on the National Funding Formula (NFF) as approved by Schools Forum in December 2017 and Cabinet in January 2018.
9. The NFF includes a minimum per pupil funding level. For 2023-24 the minimum funding levels per pupil are £4,405 for primary, £5,503 for Key Stage 3 and £6,033 for Key Stage 4.

10. The budget also includes a Minimum Funding Guarantee (MFG) of +0.5% per pupil from the 2022-23 baseline. This ensures schools are protected from excessive year on year changes due to changes in their pupil characteristics.
11. Within the NFF, the deprivation factors have increased by 4.3% and all other factors have been increased by 2.4%
12. The supplementary grant paid separately in 2023/24 to help towards the costs of the Health and Social Care Levy and other costs has been rolled into the NFF by adding the grant funding rates to the relevant factor in the NFF.
13. The request to transfer 0.5% of schools block DSG funding to High Needs was rejected by the Secretary of State.
14. To ensure the NFF is affordable within the Schools Block DSG allocation, gains have been capped at 2.64%. A summary of School Budgets for 2023-24 with a comparison to 2022-23 budgets has been included in Appendix 1. Sixth form funding has been excluded.
15. Mainstream schools will receive a separate Mainstream Schools Additional Grant (MSAG) as announced in the Autumn Statement. These payments will be made by the government in two instalments. Academies will receive the funding directly from the ESFA. Funding for maintained schools will be paid to the local authority who will be required to pass it to schools at the published rates, which are shown below:
  - Basic rate per pupil of £119 for primary pupils
  - Basic rate per pupil of £168 for key stage 3 pupils
  - Basic rate per pupil of £190 for key stage 4 pupils
  - Lump sum of £4,510
  - FSM6 per pupil rate of £104 per eligible primary pupil
  - FSM6 per pupil rate of £152 per eligible secondary pupil

## **Early Years Funding**

16. The funding for Early Years continues to follow the national Early Years Funding Formula.
17. The Early Years budget consists of the following areas of expenditure:
  - Pupils in Private, Voluntary, and Independent (PVI) providers
  - Pupils in Nursery schools
  - 2 year olds
  - Central expenditure
18. The early years national funding formula allocates funding to local authorities for the existing 15-hour entitlement for all 3 & 4 year olds and the additional 15 hours for 3 & 4 year old children of eligible working parents. The rate consists of a base rate and an uplift for additional needs, based on measures of free school meals; Disability Living Allowance and English as an additional language. This is all subject to an Area Cost Adjustment.

19. For 2023-24 Staffordshire County Council has been awarded the minimum national funding rate of £4.87 per hour for 3 & 4 year olds and a rate of £5.77 per hour for 2 year olds, this is a 26p and 20p rise respectively from 2022-23.
20. The Disability Access Fund (DAF) has increased by £28, from £800 to £828 per eligible child per hour to support access to the free entitlements. This Fund will be for 3 & 4 year olds who are taking up their free entitlement and are in receipt of Disability Living Allowance. The Early Years Pupil Premium (EYPP) has increased by 2p, from 60p to 62 pence per eligible child per hour.
21. Local authorities are required to pass at least 95% of early years funding to providers. The early years funding central expenditure was approved by School Forum on 10 November 2022, leaving 96% of 3 and 4 year old funding being provided directly to providers.
22. In order to gain the views of the Early years sector on rate changes for 2023-24, to inform the decision making, a workshop was held on the 24th of January 2023 with the Early Years Reference Group, this is a group of Early Years Providers. This was at the request of the November 22 Schools Forum.
23. The following views were raised at the workshop:
  - Due to the financial pressures being faced by providers as much of the rise in the Government funded hourly rate as possible should be passed to the sector through an increase in the basic hourly rate.
  - Broad support for the continuation of existing policy to distribute c 2% of the budget based on deprivation. However, there were mixed views on the criteria that should be used in determining whether a setting qualified for deprivation funding as some of the group felt that the deprivation funding should follow the individual child rather than the nursery setting. The group acknowledged any change to this methodology would require consultation with the wider sector and within the timescales would be impractical to implement for 23/24. Although there was support within the group for further research into this and a consultation on any proposed changes in future years.
  - Broad recognition and support for the continued 'topslice' for contingency to mitigate against in year unforeseeable variation. However, it was considered that this should be limited to 1% of the overall budget and – if unspent – should continue be redistributed to the sector as a one off sum in the following financial year (subject to affordability).
24. The base rate for 3 & 4 year olds has been set at £4.52 per hour per child and this rate will also apply for 30 hour entitlements. This represents an increase of 26p (i.e. 100% of the Government increase of 26p/hour) per hour per child. The rate for 2 year olds has been set at £5.67 per hour per child. This represents an increase of 20p (i.e. all of the Government rise) per hour per child.
25. Deprivation rates have been set at £0.20 (lower rate) and £0.30 (upper rate). These rates have been maintained at the same amount as in 22/23. The overall actual amount of deprivation funding to be distributed is estimated to be 1.6% of the overall 3 and 4 year old budget allocation.

26. A contingency fund has also been set up to manage fluctuations in demand figures from year to year of 0.4% for 3 and 4 year olds and 1.7% for 2 year olds. This is equivalent of 0.7% of the whole Early Years DSG Block, which is lower than the 1% threshold advised by the workshop.

## High Needs Funding

27. The Schools Forum has a consultative role in the financial arrangements for pupils with Special Education Needs (SEN). The amount of funding that Staffordshire receives is determined by the high needs national funding formula (NFF).

28. For Staffordshire the Government had initially indicated a High Needs Block allocation 2023/24 for c £122.2m; however, in the recent Autumn Statement, the Chancellor confirmed additional funding for schools of c £2bn nationally including £400m that will be directed to the HNB. Staffordshire will receive a further £4.8m in 23/24, a proportion of which, according to terms and conditions that have been confirmed alongside the extra funding, must be used to provide additional support to Special Schools (and PRUs) equivalent to 3.4% of the estimated total grant funding for each school for the increase in costs they face in the provision for children and young people with high needs. This will be paid separately in 2023/24 and is on top of existing MFG commitments.

29. For Staffordshire the HNB 2023/24 is £127.0m, a net increase of c £12m compared with 2022/23 (10%). Whilst this increase is welcomed, it is insufficient to close the existing funding gap and Staffordshire will continue to lobby for both additional funding and a fair and equitable mechanism for addressing cumulative deficits that should not impact on the Council's already stretched general resources.

30. It is Staffordshire's intention to pass on the full budget increase next year for the provision of SEND support; none of this funding rise will be used to repay historical deficits.

31. The Council recognises the financial pressures schools across Staffordshire are facing and, given the increase in Government funding, will increase funding to providers by as much as is affordable, acknowledging the current pressures on the HNB and the depleted DSG balances which – at the end of the current financial year – will likely be in deficit by circa £14m.

32. For 2023-24 Special School budgets will be set based on:

- a Minimum Funding Guarantee of 0.5%; ensuring that funding for all Special Schools, on a like for like basis, will increase next year by a minimum of 0.5%. This is in line with Government guidance for a MFG of 3% over 2 years (Staffordshire approved MFG in 22/23 was 2.5%).
- there will be no capping of school gains

33. Even with the additional Government funding a further significant overspend is anticipated in 2023/24. Given the accumulated (and growing) deficit, the Council has brought forward a DSG 'deficit management plan' (DMP) outlining the actions that can be taken to address and mitigate the existing shortfall as far as possible. The DMP sits alongside the wider service transformation plans and, working in partnership with Schools Forum, will be monitored regularly throughout the year and going forward and updated as and when decisions are made.

34. Alongside other actions, and shared with a working group of Schools Forum, the Council sought approval from Schools Forum for a 0.5% block transfer from the Schools Block to the High Needs Block in 2023/24. Whilst acknowledging the pressure on high needs funding, this request was not supported. The Council submitted a disapplication request for the block transfer which was not approved by the Secretary of State for Education.
35. Special Schools continue to be funded on a place plus top-up basis, the value of which is £10,000 in line with Government guidelines. Staffordshire County Council has commissioned 2,764 places at Staffordshire Special Schools, of which 2,189 places are at academies (at the time of writing this report).
36. From April 2022 the Council introduced a new Education Banding Tool to help calculate top up funding in a fair and consistent way. This is a 'needs led' tool and enables us to:
  - take a holistic view a child or young person's needs
  - make calculations based on the support a child or young person needs to meet their educational outcomes and
  - secure the special educational provision to meet their special education needs as detailed in their Education Health and Care Plan.
37. This has now been in place for a year and a review of the implementation will be undertaken during the forthcoming year to ensure it is delivering the intended objectives. This may necessitate a review of the assimilated rates to ensure that – overall – the new model is broadly cost neutral.
38. Pupil Referral Units (PRUs) continue to be funded as school-like entities on a place plus top-up basis. For 2023/24 Staffordshire County Council has commissioned 354 places at Staffordshire PRUs at a value of £10,000 per place in line with Government guidance.

Funding next year will also include adjustments for:

- To ensure PRUs see a comparable 0.5% rise next year, local authority funded top up payments (TRIG-8) for single rolled pupil will be increased from £7,635 to £7,675; Charges for school commissioned preventative places have been aligned at £50 for all key stage years.
  - A further 'lump sum' contribution will be made of £0.128m for fixed overheads in line with other school funding arrangements (up from £0.121m in 2022/23).
  - One pupil referral unit provides hospital-based tuition (the Darwin Centre) and receives a set payment to reflect these costs. The total budget allocation for hospital-based tuition at this PRU setting is £0.195m, an uplift of 0.5% compared to 2022/23 in line with other school funding rises.
39. The budgets for special schools and PRUs are detailed in Appendix 2.
  40. Provision will continue to be made for Post-16 high needs colleges and independent providers in line with latest forecasts (circa £5.5m). In addition to this, the Council has commissioned 538 places FE colleges for the academic year 2023/24.
  41. There is a special unit attached to three mainstream schools. Places in the units are included in the main formula budget and top up funding is received from the High Needs Block to ensure each placement is funded at £10,000 in line with Government guidelines. The total number of places for 2023/24 within these schools is 35.

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**List of background papers:**

Schools Forum 10 November 2022: Item 9 - Schools Budget 2023-24: De-delegation  
Central Expenditure and Education Functions