



# Item 6.1a

## Briefing note

**To:** Schools Forum      **Author:** Claire Emmerson

**Date:** 10 November 2022

**Purpose of the Paper:**

Information	√
Consultation	
Decision	

**Title of Briefing:** Update all schools on the funding distribution for 2023/24 and general update on school financial positions for 2022/23

### Purpose of Paper

- 1.1 This paper provides an outline of the current information available relating to 2023/24 for each funding block of the Dedicated Schools Grant (DSG) including indicative allocations (based on October 2021 census data) which were announced in July 2022.
- 1.2 This report also contains a brief update on the draft 2022/23 budget monitoring position after the first set of monitoring visits to schools.

### Update on 2023/24 Funding Allocations

- 2.1 In September 2017 the Department for Education (DfE) published the response to the stage 2 national funding formula consultation and confirmed the details of the National Funding Formula (NFF) for the Schools block. In 2023/24 the Dedicated Schools Grant (DSG) will continue to be comprised of four blocks covering: Schools, High Needs, Early Years and the Central School Services. Each of the four blocks has their own funding formula.

#### DSG Illustrative funding 2023/24: Schools Block

- 2.2 In 2023/24, as in the last 3 financial years, the Authority will receive its DSG funding based on the revised DfE National Funding Formula. In July 2022 the DfE published indicative allocations under the National Funding Formula (NFF) at a school level using

October 2021 census data. This shows the funding level for each mainstream school based on the NFF using the 2023/24 Primary Unit of Funding (PUF) and Secondary Unit of Funding (SUF) with October 2021 pupil numbers. This information is for planning purposes only as local formulae used by each local authority can still vary from the NFF within the guidance issued by the DfE. It is anticipated that the initial DSG allocation to the Authority for 2023/24 will be published in December 2022 using the October 2022 census results. However, this may be delayed depending on the Government's settlement being slightly later than in previous years.

2.3 The link to the school level NFF allocations using October 2021 census data information is shown below: -

<https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs-2023-to-2024>

2.4 The DfE initially proposed a two-year transition period (2018/19 and 2019/20) where local authorities will continue to set a local formula to distribute funding to individual schools. However, in July 2018, as a result of the significant movement witnessed towards the NFF, the Government confirmed that these transitional arrangements would continue into at least 2020/21. In 2020, the DfE again confirmed that the transitional arrangements will continue into 2022/23. This has continued into 2023/24, with the earliest expected move to "hard" NFF being likely in 2025/26.

2.5 The Schools NFF for 2023/24 will continue to have the same factors as at present. The Government announced its intention to implement the formula to address historic underfunding and move to a system where funding is based on need. The key aspects of the formula for 2023/24 are:

- The minimum per pupil funding levels will be set at Primary £4,405, Key Stage 3 £5,503 and Key Stage 4 £6,033; and
- The funding floor will be set at 0.5% per pupil. This minimum increase in 2023/24 allocations will be based on the individual school's LFF allocation in 2022/23.
- Rolling the 2022 to 2023 schools supplementary grant into the NFF.
- Increasing NFF factor values (on top of amounts added for the Schools Supplementary Grant) by:
  - 4.3% to free school meals at any time in the last 6 years (FSM6) and income deprivation affecting children index (IDACI)
  - 2.4% to the basic entitlement, low prior attainment (LPA), FSM, English as an additional language (EAL), mobility, and sparsity factors, and the lump sum.
  - 0.5% to the floor and the minimum per pupil levels (MPPL)
  - 0% on the premises factors, except for Private Finance Initiative (PFI) which has increased by Retail Prices Index excluding mortgage interest payments (RPIX) which is 11.2% for the year to April 2022

In addition, two important restrictions will continue:

- Local authorities will continue to set a Minimum Funding Guarantee in the local formula, which in 2023/24 must be between +0.0% and +0.5%. This allows them to mirror the real terms protection in the NFF, which is the Government's expectation; and
- Local authorities can only transfer up to 0.5% of their Schools block to other blocks of the DSG, with their schools' forum approval. To transfer more than this, or any

amount without their schools' forum approval, they will have to make a disapplication request to the Department for Education, even if the same amount was agreed in the past two years.

- 2.6 The North Tyneside illustrative allocation for the Schools block, Central Schools Services block and High Needs block in 2023/24 (using census 2021 i.e. static pupil numbers) is shown below with the 2017/18 to 2023/24 figures for comparison.
- 2.7 The Early Years Block value for 2023/24 is based on 2022/23 rates and uses prior year pupil numbers, as the DfE have not published this information at time of writing.

Key changes to Early Years Funding:

- updating the data sets underpinning the formulae, alongside some changes to the actual formulae, which aim to 'better target resources';
- the introduction of protections for 2023/24, which support local authorities whose funding is impacted by the formulae changes. Local authorities will receive a minimum 1% funding increase in 2023/24. A cap on maximum increases will also be introduced;
- rolling the early years element of the teachers' pay and pensions grants into the early years funding formula for 3 & 4 year olds; and
- reform of maintained nursery schools' (MNS) funding, including the introduction of a minimum hourly funding rate and a cap on the maximum funding a LA can receive.
- Roll in of Teachers Pay and Pension Grant into Early Years Formula.

There are also local implications:

- North Tyneside's relative level of deprivation has declined under the new formulae and the borough does not score highly on the 'cost of provision' elements;
- North Tyneside's funding for the 2 and 3&4 year old funding entitlements will be limited to the minimum protected increase of 1%; and
- Introduction of a Maintained Nursery School base rate will address the shortfall in funding identified by the school, which is based on historic funding decisions. Under the proposals Sir James Knott nursery would receive £0.128m funding in 2023/24 compared to the £0.011m allocation for 2022/23.

**Table 1: 2023/24 Illustrative allocation compared with prior year actuals**

	2017/18 Baseline £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22* £m	2022/23* £m	2023/24* Indicative £m	2022/23 to 2023/24 £m
Schools	115.395	116.594	120.926	126.794	137.231	140.373	146.813**	6.440
Central School Services	2.500	2.314	2.343	2.051	1.877	1.724	1.620	(0.104)
High Needs	18.680	19.291	19.818	22.319	26.709	30.092	31.987	1.895
Early Years Block	12.064	12.553	12.514	12.771	13.946	14.673	14.673 <sup>†</sup>	0.000
<b>TOTAL</b>	<b>148.639</b>	<b>150.752</b>	<b>155.601</b>	<b>163.935</b>	<b>179.763</b>	<b>186.862</b>	<b>195.093</b>	<b>8.237</b>
Move from 17/18 Baseline £m	-	2.113	6.962	15.296	31.124	38.223	46.460	
Move from 17/18 Baseline %	-	1.42%	4.68%	10.29%	20.94%	25.72%	31.26%	
Change per Year £m	-	2.113	4.849	8.334	15.828	7.099	8.237	
Change per Year %	-	1.42%	3.22%	5.36%	9.66%	3.95%	4.41%	
PUF	-	£3,770	£3,860	£4,083	£4,425	£4,539	£4,771	
SUF	-	£5,273	£5,305	£5,427	£5,841	£5,988	£6,277	
MPPF: Primary	-	£3,300	£4,600	£3,750	£4,180	£4,265	£4,405	
MPPF: Secondary	-	£4,600	£5,100	£5,000	£5,415	£5,525	£5,715	

\* Includes pay award grants previously separate to DSG

\*\* Includes Schools Supplementary Grant (SSG) previously separate to DSG

<sup>†</sup> No information from DSG, so based on last year.

2.8 Within North Tyneside, modelling work is continuing based on the information currently available. At this stage, we are proposing to implement the revised minimum per pupil funding rates published by the DfE for 2023/24.

### High Needs Block Update for 2022/23 Position and 2023/24 illustrative allocation

- 3.1 Schools Forum will recall as reported at the September 2022 meeting, the High Needs block outturn in 2021/22 was an overspend of £13.511m. Despite a budget increase of over £3.4m, this pressure has continued in 2022/23 with a forecasted in-year outturn variance of £5.111m at September and a total cumulative overspend of £18.622m.
- 3.2 The pressures in North Tyneside are due to additional places required in special schools, increasing independent and non-maintained special schools, and in top up payments in mainstream schools, as outlined in Table 2 below.
- 3.3 North Tyneside is an outlier in terms of the number of Education Health and Care Plans (EHCP's) currently maintained. The Authority currently maintains 2,124 EHCP's which is 5.6% more than this time last year, this has reduced from a peak of 2,164 in June 2022

and is currently the same number as in April 2022. This has a significant impact on all the services that work with our children and young people with additional needs. So far in the current year the Authority has received 361 requests for an Education Health and Care Needs Assessment, this is already more than the total of 360 for all of the previous year.

- 3.4 In July 2022, the Authority was formally invited by the Department for Education (DfE) to take part in the 'safety valve' intervention programme, with the aim of agreeing a package of reform to the Authority's high needs system that will bring the Dedicated School Grant (DSG) overspend under control. The Authority is required to demonstrate this package of reform within a DSG Management Plan which shows that it can create lasting sustainability, effective for children and young people, which includes reaching an in-year balance within five years. Where the Authority does this, the DfE will enter into an agreement with the Authority, subject to Ministerial approval. Where there is evidence of progress in reaching that in year balance, the DfE will provide additional funding over time, with a view to removing the Authority's DSG deficit.
- 3.5 The Authority is undertaking engagement with partners across Special Educational Needs and Disabilities (SEND) to co-create the DSG Management Plan. An initial draft has been submitted to the DfE and together, with them and schools, the Authority will continue to refine the Plan before a final submission is made on 3 February 2023. The Secretary of State for Education will inform the Authority in March 2023 if it has been successful to enter onto the programme.

**Table 2: Forecasted High Needs Overspend as at September 2022**

Provision	Budget	Forecast September	Variance	Comment	Previous Variance
	£m	£m	£m		£m
Maintained special schools and PRU	16.715	19.599	2.884	Pressure on places for children with profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder	3.060
ARPs/Top ups	4.706	5.633	0.927	Pressures in pre 16 top ups	0.191
Out of Borough	3.316	4.571	1.255	Increased number of children placed in independent and non-maintained special schools	1.117
Commissioned services	3.974	4.019	0.045		0.045
Additional High Needs Funding	1.073	1.073	0.000		0.000
<b>Subtotal</b>	<b>29.784</b>	<b>34.895</b>	<b>5.111</b>		<b>4.413</b>
2021/22 b/f			13.511		13.511
<b>Subtotal</b>			<b>18.622</b>		<b>17.926</b>

- 3.6 Transfers have been made to the High Needs block from the Schools block in previous years. These transfers were consolidated into the High Needs block as part of rebasing exercises carried out in 2016/17 and 2017/18 by the DfE. There is currently no mechanism for transfers to be permanently consolidated into the High Needs block (as both blocks are on a formula basis with the historic element of the High Needs block referenced to a 2017/18 baseline).
- 3.7 The indicative value of the High Needs block in 2023/24 based on static rolls is as follows:

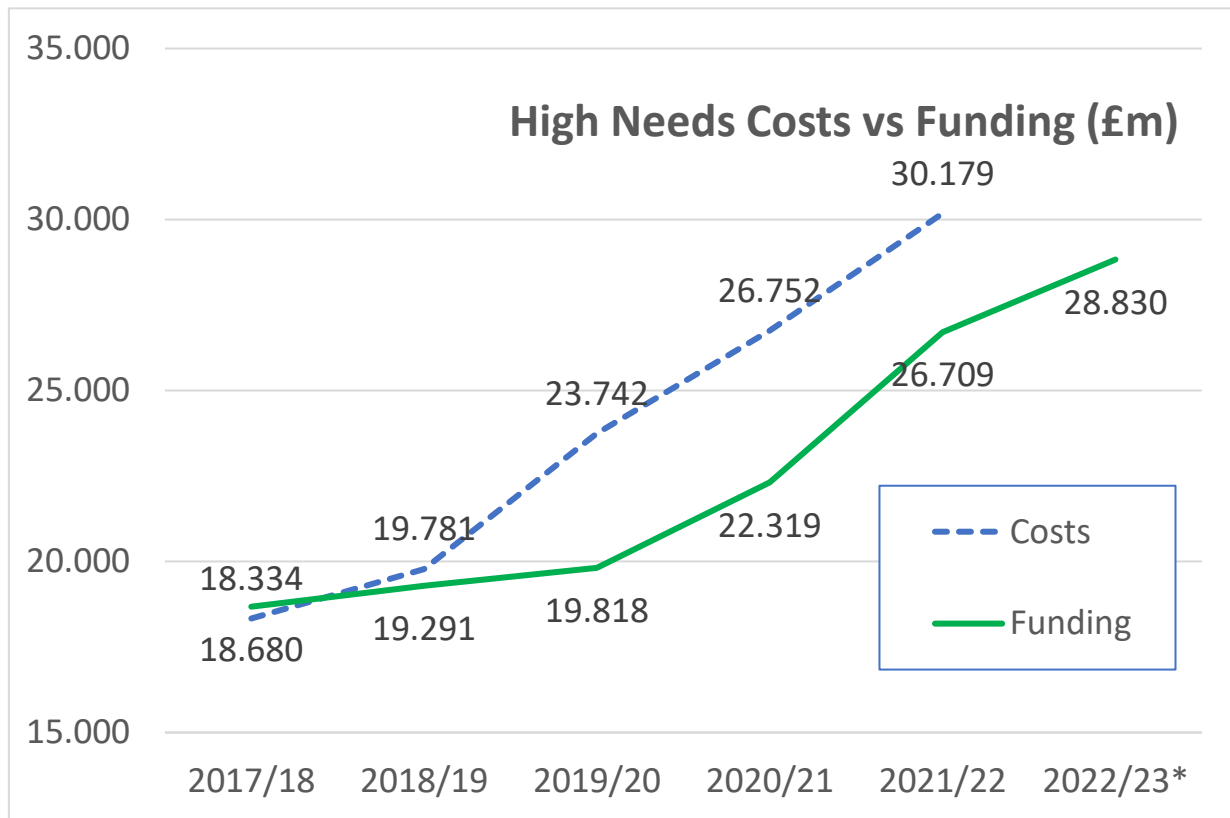
**Table 3: Indicative High Needs Block Values 2023/24 compared to prior years DSG funding (excluding any in year transfer)**

	2017/18 Baseline	2018/19	2019/20	2020/21	2021/22	2022/23*	2023/24*
	£m	£m	£m	£m	£m	£m	£m
<b>High Needs</b>	<b>18.680</b>	<b>19.291</b>	<b>19.818</b>	<b>22.319</b>	<b>26.709</b>	<b>30.092</b>	<b>31.987</b>
Move from 17/18 Baseline £m	-	0.611	1.138	3.639	8.029	11.412	13.307
Move from 17/18 Baseline %	-	3.27%	6.09%	19.48%	42.98%	61.09%	71.23%
Change per Year £m	-	0.611	0.527	2.501	4.390	3.383	1.895
Change per Year %	-	3.27%	2.73%	12.62%	19.67%	18.11%	6.30%

\* Includes additional High Needs Funding

- 3.8 The funding increases since 2017/18 have been ahead of inflation but still lag behind the actual costs of High Needs over the same period, as can be seen in chart 1 below. To make more sense of this chart, it should be noted that the costs per placement for EHCPs have not been increased for inflation in over 10 years. The increase in costs is purely down to volume increases.

**Chart 1: High Needs Costs vs Funding 2017/18 to 2022/23**



**Early Years Block Update for 2021/22 Outturn Position and 2022/23 illustrative forecast**

4.1 The Early Years block outturn for 2021/22 was a surplus of £0.075m after a final ESFA funding adjustment reflecting updated pupil numbers. All provisions are forecast to be provided on budget for the year.

**Update on 2022/23 Budget Monitoring for Schools**

5.1 Forum will recall, as reported in July 2022, that the overall level of school balances at the end of March 2022 was £3.398m compared to £3.721m as at March 2021. This represented a decrease in balances of £0.323m.

5.2 In-year monitoring for 2022/23 is progressing with the schools and schools finance support. A steep learning curve has taken place with the new financial reporting system SBS and as a result Budget Monitoring 1 is not yet finalised. Schools are at different stages of completion and support is ongoing. Additional work is being undertaken, as dual monitoring positions are being produced to highlight non-controllable staffing pressures in relation to staff pay awards and National Insurance changes.

5.3 There are 9 schools with a projected deficit in 2022/23, see table 4 below. The ESFA have offered support to schools in the form of School Resource Management Advisors (SRMAs). For the four schools new to deficit, along with Beaconhill and Monkseaton High School, the SRMAs will work through the schools' finances and management structure to then provide a report to these schools and the Authority during the autumn term. Initial deficit review meetings held between representatives of the Director of Resources and the Director of Health, Education, Care and Safeguarding and the Heads and Chairs of Governors of schools under the deficit approval process will take place following the outcome of the SRMA deployments.

**Table 4: Schools in an expected deficit position 2022/23**

<b>Deficit School Positions 2021/22</b>	<b>Outturn 2021/22</b>	<b>Budget Plan 2022/23</b>	<b>Movement</b>	<b>Comments</b>
	£m	£m	£m	
Coquet Park	0.036	(0.020)	(0.056)	New Deficit
Holystone	0.015	(0.069)	(0.085)	New Deficit
Balliol Primary	0.012	(0.025)	(0.037)	New Deficit
Wallsend St Peter's	0.093	(0.107)	(0.200)	New Deficit
Monkseaton High	(5.328)	(5.799)	(0.471)	Structural Deficit
Ivy Road Primary	(0.139)	(0.162)	(0.023)	Existing Deficit
Longbenton High	(2.095)	(1.863)	0.231	Existing Deficit
Norham High	(3.684)	(4.130)	(0.446)	Existing Deficit
Beacon Hill	(0.521)	(1.794)	(1.274)	Existing Deficit
<b>Total</b>	<b>(11.611)</b>	<b>(13.971)</b>	<b>(2.360)</b>	

#### **Central Block Funding for 2023/24**

6.1 The make-up of the Central School Services Block (CSSB) has changed from 2019/20, with further changes to be implemented in 2023/24. Funding is comprised of a historic commitments' allocation and a formula-based amount for ongoing functions. Table 5 shows the impact of the indicative funding for 2023/24, which reflects the DfE's plan to reduce funding of CSSB. The historic commitments element has been reduced by 20% per annum, in line with strategic DfE published plans over the last two years.



**Table 5: Indicative allocations for North Tyneside CSSB 2023/24 compared to prior years DSG funding**

	2019/20	2020/21	2021/22	2022/23	2023/24 Indicative	Annual Change	
	£m	£m	£m	£m	£m	£m	%
Historical Commitments	1.555	1.244	0.995	0.796	0.637	(0.159)	(19.97%)
Ongoing Functions	0.788	0.807	0.882	0.928	0.982	0.054	5.81%
<b>Total</b>	<b>2.343</b>	<b>2.051</b>	<b>1.877</b>	<b>1.724</b>	<b>1.619</b>	<b>(0.105)</b>	<b>(6.09%)</b>
Change from 2017/18 Baseline £m	-	(0.292)	(0.466)	(0.619)	(0.724)		
Change from 2017/18 Baseline %	-	(12.46%)	(19.89%)	(26.42%)	(30.90%)		
Change per Year £m	-	(0.292)	(0.174)	(0.153)	(0.105)		
Change per Year %	-	(12.46%)	(8.48%)	(8.15%)	(6.09%)		

6.2 To reduce the impact on the Council services in 21/22 only, the drop in CSSB funding was replaced by Schools in Financial Difficulty (Headroom) funding. Forum will recall that the 2022/23 decrease in CSSB funding (£0.153m) was to be met by reducing funding on the following functions:

- School Support Service (£0.142m).
- Education Improvement Partnership (£0.020m)

The total reduction to the above services was £8,700 higher due to an increase in National Copyright Licences central charge.

6.3 The 2023/24 indicative reduction in CSSB (£0.105m) will need to be taken from the remaining functions funded by CSSB on behalf of schools. The relevant services will be reporting back to Forum in January 2023 to ratify these changes and to agree any services, including additional functions, to be funded by de-delegation.

The remaining 2022/23 CSSB funding allocations are shown in table 6 below.

**Table 6: CSSB Funding Allocations by Function for 2022/23**

<b>Budgets which now form part of the CSSB</b>	<b>CSSB 2022/23 £m</b>
Budget to fund the Schools Support Service	<b>0.415</b>
Budget to support vulnerable schools.	<b>0.052</b>
Budget to maintain High Borrans Outdoor education facility	<b>0</b>
Budget for the Education Improvement Partnership (secondary schools)	<b>0.060</b>
Budget to support the informational requests of the Schools Forum and improved budgetary awareness across all schools	<b>0.030</b>
Collective contribution to ongoing pension costs incurred when allowing teachers to leave schools prematurely	<b>0.625</b>
Budget for costs associated with de-commissioned school buildings	<b>0</b>
Schools admission service	<b>0.141</b>
Former Education Services Grant (Retained)	<b>0.244</b>
National Copyright Licences	<b>0.157</b>
<b>Total CSSB Funding</b>	<b>1.724</b>

## **Recommendations**

### **7.1 Schools Forum is asked to:**

- Note the update on indicative allocations for each of the four DSG funding blocks;
- Note the reported positions on High Needs, Early Years Block funding;
- Continue to review the position of the High Needs block, considering the work to keep children in schools, the SEND Review and DSG Management Plan;
- Note the delay in the budget monitoring position for schools;
- Note the impact on funding the Authority's services via CSSB from the decisions in 2022/23 and the expected additional impact in 2023/24.