

West Northants Schools forum: 7 February 2023

Agenda Item 6

West Northamptonshire Council DSG Funding Update 2023-24

Related agenda items

Agenda item 4 – Early Years Budgets 2023-24

Appendices – Appendix A Maintained Schools Balances Form

1 Purpose of Report

- 1.1 The report is to update West Northamptonshire Schools forum of the Dedicated Schools Grant (DSG) funding settlement for 2023-24.
- 1.2 There are no votes required in relation to this agenda item. Decisions relating to the schools, high needs and central schools services blocks were completed in December 2022 Schools Forum and the early years budget setting votes were in agenda item 4.

2 Background

- 2.1 2023-24 is the second year of a three-year increase to the national core school budget of £7 billion. This was initially announced as increasing the national core schools budget to £56.8 billion by 2024-25 from £49.8 billion in 2021-22. The increase for 2022-23 was £4b, 2023-24 will be £1.5b and 2024-25 another £1.5b.
- 2.2 As part of the 2023-24 Spending Round, the Secretary of State for Education announced increased funding above the £3.8bn increase for the core school budget.

Table 1: National Increases in the core schools budget between 2022-23 and 2023-24

	Base DSG	Schools Block Additional	High Needs Additional	Total
2022-23	53.65	1.19	0.33	55.17
2023-24	57.16	1.45	0.40	59.01
Increase £bn	3.51	0.26	0.07	3.84
Increase %	6.50%	21.85%	21.21%	7.00%

- 2.3 West Northamptonshire’s 2023-24 allocation of the increased funds was allocated in December 2022 is £31.9m, a 7.7% increase.
- 2.4 In 2022-23 additional funding referred to then as “supplementary” funding was provided alongside the base DSG settlement. This has been rolled into the base funding for 2023-24 and another additional funding amount has been awarded. These are compared in the additional column of Table 1.
- 2.5 The overall base increase (including 2022-23 “supplementary”) is £18.0m (4.5%) made up of; £12.3m increase in the Schools Block, £0.4m decrease in central block, £1.6m increase in the early years block and £4.5m increase in the High Needs Block. The additional funding allocations for 2023-24 provide £13.2m additional funding, £10.7m schools block and £2.5m high needs which take the overall increase between 2022-23 and 2023-24 to 7.7%.
- 2.6 Although the increased funding for West Northamptonshire is clearly welcome, a balanced budget will still be a challenge for 2023-24 with inflation currently at 13% and demand for High Needs places continues to rise.
- 2.7 Within overall increases discussed above, the amount that individual schools will receive will vary depending on the impact of the changes in the formula and pupil numbers to their allocations. Schools with a greater proportion of pupils on census in the deprivation factors will see larger increases. Table 2 shows the final published allocations for the WNC.

Table 2 – WNC Final DSG Funding Allocations

	Schools block (£s)	Central SSB (£s)	High needs block (£s)	Early years block (£s)	Total DSG allocation (£s)
Base DSG 2022-23	311.7	4.3	58.9	26.6	401.5
Supplementary Funding 2022-23	8.8	0	2	0	10.8
Base and supplementary DSG 2022-23	320.5	4.3	61.1	26.6	412.5
Provisional 2023-24	327.8	3.9	64.3	26.6	422.6
Final Base 2023-24	332.8	3.9	65.6	28.2	430.5
Increase /(decrease) from prior year	12.3	-0.4	4.5	1.6	18.0
% Increase/(decrease) from prior year	3.8%	-9.3%	7.4%	6.0%	4.5%
Additional Funding 2023-24	10.7	0	2.5	0	13.2
Final Base + Additional 2023-24	343.5	3.9	68.1	28.2	443.7
Increase/(decrease) from prior year	23.0	-0.4	7.0	1.6	31.2
Increase / (decrease) from prior year	7.2%	-9.3%	11.5%	6.0%	7.7%

** Early Years Block section of the final settlement is indicative; the final grant figure is expected to be provided by the ESFA in July 2023.*

2.8 Finalised allocations of the mainstream schools 'additional' grant will be published by the ESFA in spring 2023. For special schools, alternative providers and hospital and outreach the allocations will be calculated based on the methodology provided by the ESFA and communicated directly with providers.

3 Financial Overview by DSG Block

3.1 This section of the report provides the key headlines on the 2023-24 DSG funding announcements on the funding received by the LA by funding block.

Schools Block Funding

3.2 Schools block funding is increasing by 7.2% overall in 2023-24 compared to 2022-23. The main features in 2023-24 are:

3.3 The core factors such as basic per-pupil funding, and funding for additional needs such as deprivation will increase by 2.4%.

3.4 The funding floor (i.e. MFG - minimum funding guarantee) will ensure that every school is allocated at least 0.5% more pupil-led funding per pupil compared to 2022-23. MFG is a per pupil protection does not include lump sum funding and premises factors.

3.5 The minimum per pupil funding levels (includes lump sum and premises) will increase by between 3.28% and 3.46% as compared to 2022-23. Schools will receive at least:

- £4,405 for primary (£4,265 in 2022-23) a 3.28% increase,
- £5,503 for KS3 (£5,321 in 2022-23) a 3.42% increase and
- £6,033 for KS4 pupils (£5,831 in 2022-23) a 3.46% increase.

3.6 The funding received by WNC to distribute to schools through the funding formula is increasing by 8.0% and 7.6% for primary and secondary pupils respectively. The primary unit of funding (PUF) increases from £4,400.43 in 2022-23 to £4,753.96 in 2023-24. The secondary unit of funding (SUF) increases from £5,626.35 in 2022-23 to £6,056.19 in 2023-24.

3.7 Table 3 shows the increase in the value of the primary unit of funding and the secondary unit funding for 2023-24.

Table 3: Unit funding rates in 2022-23 and 2023-24

	2022-23	2023-24	2023-24	2023-24
	£	£	Uplift £	Uplift %
Primary Unit Funding (PUF)	4,400.43	4753.96	353.53	8.03%
Secondary Unit Funding (SUF)	5,626.35	6056.19	429.84	7.64%

- 3.8 In addition to the PUF and SUF funding approximately 3.7% of the schools block funding provided is for premises factors (PFI, rates, split sites) and approximately 0.7% is growth.
- 3.9 Schools rates bills are now paid to WNC directly by the ESFA and top sliced off the WNC DSG allocation, so do not impact the individual schools budgets but reduce the overall WNC DSG for distribution. The NFF uses the 2022-23 figures for the 2023-24 school rates (National Non-Domestic Rates) for its calculations and for 2023-24 the school rates have been held at the same level as the NFF published allocations. WNC has provided the ESFA with information on rates values for the 2024-25 NFF calculation to account for inflation and VOA revaluations, with an approximate 14% increase.
- 3.10 Within the modelling of 2023-24 using the provisional settlement we assumed a growth figure of £1.36m (using the Government tool and latest population data). The growth figure confirmed in the final December 2022 DSG announcement was £2.36m.
- 3.11 The growth increase alongside the PUF and SUF increases above the expected provisional values is largely why we have been able to increase the cap on per pupil increases, which was 2.74% in the indicative budgets, to 3.61% in the submitted budgets.
- 3.12 The mainstream schools budgets were submitted to the ESFA on the 20th of January 2023. These are indicative until the ESFA reviews and approves the budgets, which will then be published in February 2023.
- 3.13 As part of the budget setting process for 2023-24 the **maintained** schools carried forward balances are reported back to Schools Forum. The Schools Balances form has been updated and is attached in appendix A to this report.

High Needs Block

- 3.14 WNC's High Needs Block increase of £7.0m (11.2%) represents the authority's share of the £965m (10.7%) national increase for 2023-24.
- 3.15 The £2.5m 'additional' funding for high needs given within the DSG for 2023-24 must be partly given to providers directly, outside of the place and top up system. For special schools, AP and Hospital providers, we estimate this will be £1.5m leaving £1.0m to support the general high needs budget pressures for 2023-24.
- 3.16 As discussed and agreed in the December 2022 Schools Forum, WNC will transfer 0.5% (£1.66m) from the schools block to high needs block to cover the SEND support service and general pressures. This is a £0.4m decrease in funding, as compared to 2022-23 £2.1m (0.68%) transfer. The change from a 0.68% to 0.5% transfer was in response to the schools consultation.
- 3.17 With the increase in funding from the December DSG settlement, the high needs budget position is balanced as shown in table 4 and 5. We will closely monitor the budget in 2023-24 with regular reports to Schools Forum. Any underspend or

overspend on the high needs block funding at the end of 2023-24 will move into the high needs DSG reserve.

Table 4 – High Needs Budget 2023-24

	2022-23 Gross Budget £000	2023-24 Gross Budget £000	Movement £000
SEN Units and Resource Provision Top Ups	3,220	3,995	775
Special Schools	23,918	24,272	354
Post 16 Top Ups	4,140	5,260	1,120
High Needs Out County	14,316	16,028	1,712
Provision For Pupils With SEN	6,693	8,395	1,702
Hospital & Outreach	1,700	1,785	85
Alternative Provision	4,466	3,518	-948
Educational Entitlement Team	179	188	9
Transport contribution (shown in Schools block in monitoring)	59	59	0
Virtual School	243	255	12
Specialist Support Service (schools block funding)	1,026	969	-57
Sensory Impairment Provision (schools block funding)	1,074	1,128	54
Education Health Care team	679	713	34
IASS - NPPS (Northamptonshire Parent Partnership Service)	11	11	0
Prior year deficit repayment	1,500	1,550	50
High Needs Projects		120	120
Total High Needs Expenditure Budgets	63,224	68,246	5,022
Schools Block transfer Funding 0.5%	-1,559	-1,664	-105
Schools block additional transfer above 0.5% (Ministerial disapplication)	-541	0	541
High Needs Block Funding	-61,124	-65,582	-4,458
Additional high needs funding (not to be distributed directly to providers)	0	-1,000	-1,000
Total Funding	-63,224	-68,246	-5,022

Table 5 – High Needs Growth Forecast 2023-24

	High Needs Growth 2023-24 £000
Reason for growth	
Full year effect of current year demand pressures	1,994
Estimated demographic growth based on prior year trends	2,697
Inflation	161
Creation of High Needs project fund	120
Reversal of prior year growth for budgeted deficit repayment	50
Total growth	5,022
Total increased funding	-5,022

Central Schools Services Block (CSSB)

- 3.18 Central school services block funds local authorities for the ongoing responsibilities they continue to have for all schools. The national funding for ongoing responsibilities is £293m in 2023-24 (£284m in 2022-23). The Central School Services Block (CSSB) comprises two elements, ongoing responsibilities and historic commitments. Ongoing responsibilities include the former retained duties element of the Education Services Grant and is funded on a per pupil allocation and deprivation factor.
- 3.19 The ongoing responsibilities element for WNC is provisionally increasing by £0.10m to £2.2m which reflects an increase in the unit of funding from £35.2 to £36.4 (3.4% increase) and an increase in pupil count from 59.4k to 60.2k (1.4%).
- 3.20 The historical responsibilities element for WNC is provisionally decreasing by £0.4m to £1.7m in 2023-24. Government started to reduce this funding in 2020-21 to withdraw historical pre-2013 central schools funding with 20% reduction per year.
- 3.21 This reduction leaves a funding gap of £0.44m against the expenditure requirement even after a review of service efficiencies and disinvestments in 2022-23 which will be met through the WNC general fund £0.4m (proposal in budget).
- 3.22 The expected ongoing reductions currently total £0.3m in 24-25 which are also currently forecast in the WNC general fund medium term financial plan.

Early Years Block

- 3.23 2023-24 is the second year of a three year settlement for early years funding announced at the Spending Review in 2021. The increases announced were £160m in 2022-23, £180m in 2023-24 and £170m in 2024-25, compared to the 2021-22 financial year. In response to the recently announced National Living Wage increase next year, the Government have also announced that they are investing a further £20m in 2023-24 to help meet this cost to providers at a national level.
- 3.24 Over summer 2022 the Government consulted on proposals to update data sets underpinning the formulae for 2023-24. The main proposals affecting WNC were:

- To update the underlying data within both the EYNFF and the separate 2-year-old formula to ensure we are using the latest available data where possible.
- To mainstream the currently separate teachers' pay and pensions grants into the EYNFF and into maintained nursery school supplementary funding.
- To reform the distribution of maintained nursery school supplementary funding, alongside an additional £10 million investment, to ensure that it is being shared more evenly across all LAs with MNSs

3.25 The results of these changes are that WNC are due to receive an increase of 23p in 3&4 year old rate, an increase of 2p on the provisionally announced rate in July 2022

2022-23 EYNFF rate (£ / hr)	2022-23 TPPG rate (£ / hr)	2022-23 EYNFF rate + TPPG rate (£ / hr)	2023-24 EYNFF rate (£ / hr)	Change (£) from 2022-23 rate + TPPG rate	Change (%) from 2022-23 rate + TPPG rate
4.66	0.04	4.70	4.93	0.23	5%

3.26 The two year old rate is also higher than the provisionally announced rate of £5.81, and increase of £0.19. The final rate is a rate of £5.85 and a 23p increase.

2022-23 2YO funding rate (£ / hr)	2023-24 2YO funding rate (£ / hr)	Change (£) from 2022-23 rate	Change (%) from 2022-23 rate
£5.62	£5.85	£0.23	4.1%

3.27 Agenda item 4 has provided the detail on the local formula for 2023-24 and is therefore not repeated in this agenda item.

3.28 The December settlement was also accompanied by updated guidance with a stronger request from the Government around the use of a "quality" supplement. This is to ensure that nursery units receive this separately to ensure they can cover the unavoidable contractual salary costs.

3.29 WNC do not intend to include a quality supplement in the local early years funding formula for 2023-24 but will be working on this with providers and schools forum over the coming months.

3.30 The maintained nursery school (MNS) supplement in the provisional announcement was £776k and the final announcement it is £867k as this now includes the TPPG funding for the MNS setting.

2022-23 MNS indicative supplement (£)	2023-24 MNS pre-reforms funding (£)	MNS' share of TPPG (£)	Indicative MNS supplementary funding for 2023-24 (£)
£751,053	£776,459	£90,508	£866,966

Key Changes 2023-24

Key change to the schools National Funding Formula in 2023 to 2024 are

- The 2022-23 supplementary grant for schools and high needs has been rolled into the base DSG for 2023-24
- There is a similar separate funding stream like the supplementary funding, called the "additional" funding for schools and high needs in 2023-24.
- The minimum funding guarantee is 0.5%,
- The minimum per pupil levels are £4,405 for primary 3.28% increase, £5,503 for KS3 a 3.42% increase and £6,033 for KS4 pupils 3.46% increase.
- There is an MFG cap on per pupil increases is 3.61%
- There are increases to the early years funding to be received by WNC of 23p per 3&4 year old part time equivalents (PTEs) and TPPG of 4p has been rolled into the 3&4 year old funding and MNS supplement and a 21p increase on 2 year old PTEs.
- The local early years funding formula table for 2023-24 has been published within Agenda item 4.

4 Financial implications

4.1 Financial implications are set out in the paper above.

5 Legal implications

5.1 There are no legal implications arising from the information in this paper.

6 Recommendations for schools forum

6.1 That schools forum note the final funding settlement and schools budgets for 2023-24.

7 Next Steps

7.1 Following the approval of the school individual formula budgets and the finalisation of the WNC early years formula, the individual school and provider budgets will be calculated and published.

Report Author:

Officer name: Emily Taylor / Beth Baines

Officer title: Strategic Finance Business Partner / Senior Finance Business Partner

Email address: emily.taylor@westnorthants.gov.uk /

beth.baines@westnorthants.gov.uk

