



NORTH YORKSHIRE SCHOOLS FORUM

Date of meeting:	Thursday 19 January 2023
Title of report:	Overall DSG and the Schools Block 2023-24
Type of report: Delete as required	For information
Executive summary: Including reason for submission	This paper sets out, for information, the overall DSG allocation and planned expenditure on the Schools Block Budget in 2023-24, following the endorsement of proposals regarding its distribution at the Schools Forum meeting in November 2022 and December 2022 and formal agreement by the Council's Executive in January 2023.
Budget / Risk implications:	N/A
Recommendations:	That the North Yorkshire Schools Forum notes and approves the contents of this paper
Voting requirements:	Schools Forum Voting Members
Appendices: To be attached	None
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1.0 PURPOSE OF THE REPORT

- 1.1 This paper sets out, for information, the planned expenditure on the Schools Block Budget in 2023-24, following the endorsement of proposals regarding its distribution at the North Yorkshire Schools Forum meetings in November 2022 and December 2022 and formal approval by the County Council's Executive in January 2023.

2.0 DSG Allocations 2023-24

- 2.1 The DSG is made up of four blocks (Schools, High Needs, Early Years and Central School Services). In recent meetings the Forum considered the DfE announcements with regard to DSG funding allocations for 2023/24 including the impact of the ongoing National Funding Formula developments.

- 2.2 The amount currently allocated for 2023-24 is in line with expectations. Overall, there has been an increase in the DfE published baseline figure of £31m to £534.4m. This is due to three main factors:

- Additional funding allocated due to the new school funding settlement of £18.8m
- An increase in High Needs Block funding estimated to be in the order of £7.4m
- An increase in the Local Authority early years funding rate of 26p per hour for 3 & 4 year olds and 13p per hour for disadvantaged 2 years olds providing an estimated funding increase of £1.7m
- An overall net increase in the mainstream school pupil population and increases in the take up of early years funded places providing an estimated funding increase of £2.9m

- 2.3 In summary therefore, the change in DSG (before deductions for Academies and other direct funding of High Needs Places by the Education Funding Agency) shows:

	£'000
2022-23 base*	503,403
New funding settlement - NFF	28,011
Primary and Secondary schools - population	1,362
Universal 3 & 4 yr old numbers	759
Working parents (3 & 4 yr olds) numbers	824
Entitlement for 2 year olds	4
Early Years Pupil Premium	8
Early Years Disability Access Fund	41
Maintained Nursery School Supplementary Funding	170
Central School Services Historic Commitments Reduction	-183

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Sub Total	534,399
High Needs Deductions**	-6,366
Academy National Non Domestic Rates (NNDR) Deduction	-995
Total DSG Allocation (after High Needs & NNDR deductions)	527,038

* Original DSG baseline as at December 2021. Total DSG amounts change throughout the year based on academy conversion, high needs recoupment and import/export adjustments, and early years adjustments.

**High Needs Recoupment as per the ESFA is currently £5.8m, but the final figure is not confirmed until a later date. NYCC internal calculations estimate the figure at £6.4m.

2.4 The final allocation is dependent on final early years' numbers and academy recoupment and therefore the total DSG will change throughout the financial year.

2.5 The allocation of the funding to each of the four blocks is as below.

NYCC Split	Schools	CSSB	High Needs	Early Years	Total
	£'000	£'000	£'000	£'000	£'000
2022-23 baseline*	396,701	3,522	70,440	32,740	503,403
NFF - funding settlement	18,830	59	7,419	1,703	28,011
Change in Primary & Secondary pupil numbers	1,354	8			1,362
Change in Early Years funded entitlement take up				1,587	1,587
Other Early Years Adjustments				219	219
Historic Commitments reduction		-183			-183
2022-23	416,885	3,406	77,859	36,249	534,399
High Needs Recoupment**			-5,820		-5,820
Academy National Non Domestic Rates (NNDR) Deduction	-995				-995
Initial DSG after HN Recoupment (as published by DfE)	415,890	3,406	72,039	36,249	527,584
Additional High Needs Recoupment estimated by NYCC			-546		-546
	415,890	3,406	71,493	36,249	527,038

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- 2.6 The Autumn 2022 Spending Review confirmed a net additional £2.0 billion funding increase for schools and high needs for the 2023/24 financial year, above the funding settlement announced in the 2021 Spending Review that year. Nationally, £1.6 billion of the additional funding has been allocated to schools via the Mainstream Schools Additional Grant and £400 million has been allocated as additional high needs funding within the Dedicated Schools Grant (DSG) High Needs Block allocations. The indicative additional funding allocations for the Council are £13.94m for the Mainstream Schools Additional Grant and £3.23m additional funding for high needs.

3.0 PLANNED SCHOOLS BLOCK EXPENDITURE

- 3.1 A full summary of the Schools Block in 2023-24, including a list of de-delegated and centrally-managed budgets is shown below. The de-delegated budgets reflect the decision made at the November 2022 and December 2022 meetings of the Forum. The budgets have been updated to take account of the October 2022 pupil census and the latest position with regard to academy conversions.

Schools Block (£000s)	£'000	
ISB (delegated budgets)	414,315	99.17%
<u>De-delegated</u>		
Schools in Financial Difficulty – Schools Causing Concern element	238	
Unreasonable School Expenditure	46	
Trade Union Costs	114	
School Improvement – Core Service	739	
	1,137	0.27%
<u>Central Budgets</u>		
Falling Rolls	50	
Pupil Growth	450	
Pupil Growth – New School Provision Reserve	1,827	
	2,327	0.56%
TOTAL	417,779	
Funded by:		
2023/24 Schools Block DSG	416,884	

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Pupil Growth – New School Provision Reserve (Keeble & Cambrai additional year groups)	136	
Schools Block General DSG Reserve	759	
TOTAL	417,779	

- 3.2 The 2023/24 school budget funding requirement, based on National Funding Formula (NFF) values and providing a Minimum Funding Guarantee (MFG) of 0.5%, is calculated to be £415,452k. This results in a funding shortfall of £759k against the £414,557k funding available from the 2023/24 Schools Block DSG, after the deduction of the funding provision for Pupil Growth, Falling Rolls and Pupil Growth – New Schools and using the Pupil Growth – New Schools Reserve to fund the additional year groups at Keeble and Cambrai (£136k).
- 3.3 Analysis of the reasons for the funding shortfall has highlighted that there have been some significant changes in the profile of pupil characteristics between the October 2021 census and the October 2022 census within North Yorkshire. The characteristics where the largest changes have been experienced is in the areas of Free School Meals (FSM & FSM6) and English as an Additional Language (EAL). The percentage of the primary pupil population eligible for FSM has increased by approx.1% (16.58% to 17.55%) and the percentage of the secondary pupil population eligible for FSM has increased by approx. 2% (14.21% to 16.18%); this has resulted in an additional funding requirement of approx. £947k on the FSM and FSM6 funding formula factors. The percentage of the pupil population recorded as EAL has increased by 0.7% and 0.6% respectively for primary and secondary pupils resulting in an increased funding commitment of approx. £498k.
- 3.4 The methodology used by the DfE to calculate 2023/24 schools block DSG allocations is based, in summary, on generating a primary unit of funding (PUF) and a secondary unit of funding (SUF) that is based on the 2023/24 NFF values applied to the pupil and school characteristics recorded in the October 2021 census and funded in the 2022/23 financial year. The units of funding are then applied to the pupil numbers recorded on the October 2022 census. Whilst this funding methodology reflects changes in pupil numbers, there is a time lag in the updating of the PUF and SUF values to reflect any increased funding requirement related to a change in the profile of the characteristics within the pupil population. Initial exploration of the increases in FSM and EAL appear to indicate that the Afghan and Ukrainian pupils joining schools in North Yorkshire may provide some explanation of the increase, alongside the wider challenges in the economy with more families either becoming eligible or taking up their eligibility for FSM.
- 3.5 The Schools Block DSG General Reserve will be used to meet the funding shortfall of £759k in 2023/24. The Schools Block DSG General Reserve as at 31 March 2022 was £2.9m. In the event of there been further shortfalls in funding in future years, it may be necessary to consider the application of the school funding formula capping and scaling mechanism that can be utilised at a local level in order to ensure affordability of the funding formula. The local authority will monitor future school census data for further changes in the profile of the characteristics within the pupil population.
- 3.6 A further complexity of the funding calculation for 2023/24 has been the number of duplicate pupil records that have been identified which if left unaddressed would result in a risk of double funding and a further funding pressure. The schools and academies

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identified as having duplicate records have been contacted in order for them to resolve the issue. In the event of the issue being unable to be resolved, the local authority will deduct the duplicate pupils from the school or academy in order to avoid a double funding position and to reflect the number of pupils funded by the DfE within the schools block DSG.

- 3.7 At the meeting on the 15th December 2022, the Schools Forum considered and approved a number of proposals with regard to the de-delegated contingency budgets for Schools in Financial Difficulty (including Schools Causing Concern and School Redundancy Support Costs contribution) and Unreasonable School Expenditure for the 2023/24 financial year. The proposals had regard to the cost pressures currently being faced by schools and the levels of reserve on the de-delegated contingency budgets. The agreed proposals are summarised as follows:
- £7.15 per pupil will be de-delegated in the 2023/24 financial year in relation to Schools Causing Concern funding element of the Schools in Financial Difficulty de-delegated contingency budget. This is the equivalent value de-delegated for this element of the contingency budget in 2022/23.
 - The £450k reserve funding will be utilised to support the Schools in Financial Difficulty element of the de-delegation contingency for the 2023/24 financial year with no de-delegation of funds for this element of the funding.
 - The £441k reserve funding will be utilised to support the School Redundancy Costs Contribution element of the Schools in Financial Difficulty de-delegation contingency budget for the 2023/24 financial year with no de-delegation of funds for this element of the funding.
 - £1.39 per pupil will be de-delegated in the 2023/24 financial year in relation to the Unreasonable School Expenditure de-delegated contingency budget. This is the equivalent value de-delegated for this contingency budget in 2022/23.

Schools Forum members have noted the risk that any demands on the contingency budgets in excess of the available reserves will result in a request for an increase in de-delegation rates for these contingency budgets in the 2024/25 financial year.

- 3.8 On the 29th October 2021, the DfE launched a consultation "Reforming how local authorities' school improvement functions are funded". The consultation proposed a 50% reduction to the LA School Improvement Monitoring & Brokering Grant for the 2022/23 financial year, followed by full removal of the Grant in the 2023/24 financial year. The consultation also proposed making provisions within the School and Early Years Finance (England) Regulations for the 2022/23 financial year to allow local authorities to fund all of their school improvement activity (including all core school improvement activities) via de-delegation from schools' budget shares. In January 2022, the DfE subsequently confirmed their intention to implement the consultation proposals for the 2022/23 and 2023/24 financial years. At the meeting on the 17 November 2022, the Schools Forum approved the following methodology for the de-delegation of funding from school budgets to provide the funding required for the delivery of the core statutory school improvement service for the LA maintained primary and secondary schools within North Yorkshire for the 2023/24 financial year. The agreed de-delegation methodology is as follows:

School Phase	Lump Sum	Amount Per Pupil
Primary	£3,200	£2.35
Secondary	£3,200	£2.86

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- 3.9 The ESFA approved the request, supported by Schools Forum in September 2022, to include an exceptional circumstance of up to £50,000 for very small sparse secondary schools, which would otherwise be unable to attract sufficient funding to remain viable, in the 2023/24 North Yorkshire school funding formula. One school, The Wensleydale School, is eligible to receive this funding. Funding provision is now incorporated within the 2023-24 schools block DSG funding due to the DfE funding methodology of the Premises element of this funding allocation at LA level reflecting the 2022-23 funding allocated to schools for the formula factors included within this element.
- 3.10 The 2023/24 Schools Block includes Growth Funding of £2.327m. £500k of this funding will be allocated to the Pupil Growth and Falling Rolls Fund Contingency Funds that can be accessed by LA maintained schools and academies who meet the funding eligibility criteria (as agreed at the September 2020 meeting of the Schools Forum). Initial estimated funding requirements indicate that the current funding allocations of £450k for Pupil Growth and a smaller contingency of £50k for Falling Rolls should be retained for 2023/24. As reported to the Schools Forum in September 2022, the estimated Pupil Growth and Falling Rolls funding requirement for the 2022/23 financial year is £565.5k. This will require £65.5k of the Pupil Growth & Falling Rolls Fund general reserve to be utilised to fund the expenditure above the £500k 2022/23 funding allocation. It is estimated that the reserves position as at 31 March 2023 will be £789.6k.
- 3.11 Two new primary schools are currently scheduled to open in North Yorkshire in September 2024 and September 2025: North Northallerton and Manse Farm in Knaresborough. The new schools are mainstream free schools under the DfE free school presumption process and, as such, require an additional funding commitment from the LA in respect of pre-opening funding, post-opening diseconomies funding and delegated budget in relation to estimated pupil numbers. The additional funding commitment, based on the updated new school pupil growth funding methodology agreed by the Schools Forum in November 2022, is currently estimated to be £1.79m (£896k per school) over the initial seven years of operation until all year groups are established. In addition to the two new schools identified above, it is expected that a further 3-4 new schools may be required within North Yorkshire over the next five to seven year period. It is proposed to use the balance available from the 2023/24 Schools Block Pupil Growth funding, after the provision for Pupil Growth and Falling Rolls Contingency Funds and ensuring that 2023/24 NFF factor values are achieved in the calculation of school budgets, to further develop reserve provision for the additional funding commitment associated with the funding requirement for new schools. The balance is currently estimated to be £1.827m; this is subject to the finalisation of the 2023/24 school budget calculation. The balance on the Pupil Growth – New Schools reserve is estimated to be £2.669m as at 31 March 2023.
- 3.12 The Pupil Growth – New Schools reserve will be utilised in 2023/24 to provide the funding for the additional year groups which will be added to Keeble Primary Academy and Cambrai Primary Academy from September 2023. The two schools were new in September 2019 and are still not operating at their full cohort of year groups. The funding requirement is £136k.
- 3.13 At the time of writing the report to Schools Forum, work is continuing to be undertaken on verifying the funding data and resolving the duplicate pupil records. Any changes or finding which materially affect the school funding position will be verbally reported on the meeting of the Schools Forum on 19 January 2023.

4.0 MAINSTREAM SCHOOLS ADDITIONAL GRANT 2023-24

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- 4.1 The Autumn 2022 Spending Review confirmed a net additional £2.0 billion funding increase for schools and high needs for the 2023/24 financial year, above the funding settlement announced in the 2021 Spending Review that year. Nationally, £1.6 billion of the additional funding has been allocated to schools via the Mainstream Schools Additional Grant and £400 million has been allocated as additional high needs funding within the Dedicated Schools Grant (DSG) High Needs Block allocations. The indicative additional funding allocation for North Yorkshire is £13.94m for the Mainstream Schools Additional Grant.
- 4.2 In 2023/24 mainstream schools will be allocated additional funding through the mainstream schools' additional grant (MSAG). This is in addition to schools' allocations through the schools national funding formula.
- 4.3 The MSAG will fund the following providers, for the 5 to 16-year old range:
- primary and secondary maintained schools
 - primary and secondary academies and free schools
 - all-through maintained schools
 - all-through academies
 - city technology colleges.
- 4.4 School-level allocations of the MSAG for the full 2023-24 financial year will be published in May 2023. DfE will provide funding for mainstream schools to local authorities who will be required to pay it to individual schools at the published rates. DfE's intention is that payment of this additional funding in the form of a separate grant will be for 2023/24 only. The funding will be incorporated into core budget allocations for 2024/25. So, for primary and secondary schools, this will mean the funding being rolled into the schools national funding formula for 2024/25.
- 4.5 In recognition of the funding cycle for academies, which follows the academic year, academies will receive an additional allocation of the MSAG to cover April to August 2024. This is in 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 2023/24 grant and will, therefore, represent five-twelfths of their 2023/24 allocations.
- 4.6 Schools will have the flexibility to prioritise their spending of the MSAG to better support the needs of their pupils and staff and address cost pressures.
- 4.7 The funding rates consist of the following three elements, which are based on factors already in the national funding formula:
- a basic per-pupil rate (with different rates for primary, KS3 and KS4);
 - a lump sum paid to all schools, regardless of pupil numbers;
 - a per-pupil rate for pupils who are recorded as having been eligible for free school meals at any point in the last six years (FSM6) with different rates for primary and secondary pupils.
- 4.8 Base funding rates will be:
- a basic per-pupil rate of £119 for primary pupils, including pupils in reception
 - a basic per-pupil rate of £168 for key stage 3 pupils
 - a basic per-pupil rate of £190 for key stage 4 pupils
 - a lump sum of £4,510

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- an FSM6 per-pupil rate of £104 per eligible primary pupil
- an FSM6 per-pupil rate of £152 per eligible secondary pupil

4.9 Schools that have opened in the past seven years and are still adding year groups in the 2023/24 academic year, and schools that opened between September 2022 and August 2023 (and are not recorded on the October 2022 census) will be funded based on the estimated pupil numbers. These schools' funding allocations will be subject to adjustment to reflect actual pupil numbers in 2023/24. For these 'new and growing' schools the second payment of the MSAG will determine whether a retrospective adjustment is required to bring the initial funding allocations into line with the actual pupil numbers that the schools record in the Autumn 2023 (October) school census. These schools will receive this second payment of MSAG by February 2024, to allow sufficient time to process the Autumn 2023 census data. If the 'new and growing' school is an academy, the third and final payment of the MSAG (to cover the period April 2024 to August 2024) will also include this adjustment, again based on autumn 2023 (October) pupil numbers.

5.0 HIGH NEEDS

5.1 A significant financial pressure on the Local Authority relates to SEN within the High Needs Block of the Dedicated Schools Grant (DSG). In 2022-23, the in-year financial pressure is projected to be a deficit of £0.5m. This will be in addition to the accumulated deficit of £9.6m from prior years. Over a number of years, there has been an unprecedented increase in the numbers of requests for Education, Health and Care Plans (EHCPs) – numbers of EHCPs have increased from 1,728 in January 2015 to c.4,330 in November 2022 (a rise of c.150%). Whilst the DfE has provided some additional funding, most notably in 2022-23, High Needs Block funding remains insufficient to fund current and growing demand and the trend is expected to continue with the rate of increases in demand expected to outstrip any increases in DfE funding.

5.2 Nationally, the High Needs Block of the DSG will benefit from an additional £400 million in 2023/24, through a top up to the DSG allocations. The allocation for North Yorkshire is £3.23m.

5.3 In respect of the additional High Needs funding in 2023/24, the DfE require local authorities to pass on a 3.4% funding increase to maintained special and alternative provision (AP) schools, and special and AP academies (including free schools), based on the number of places being funded in 2022/23. This requirement is a condition of grant attached to the additional DSG high needs funding allocated to local authorities. For maintained special schools, special academies and special free schools, the funding calculation is applied to the £10,000 funding per place multiplied by the number of places at each school plus the average top-up funding per pupil that the local authority gave the school in the financial year 2022/23. Local authorities may increase the number of places used for calculating the allocation, or their estimate of the total funding of the school, where they believe it will be significantly higher in 2023/24. For PRUs, AP academies and AP free schools, local authorities use the total grant funding for the school from the latest DfE published data in calculating the additional funding allocations for these establishments.

5.4 Despite the additional High Needs DSG funding allocation announced in the Autumn 2022 Statement, the in-year projected High Needs budget deficit for North Yorkshire for 2023-24 is currently expected to amount to be c.£4.5m although further work is

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ongoing to refine estimates particularly in respect of independent and non-maintained special school provision. This will be in addition to the estimated £10.1m accumulated deficit from prior years.

- 5.5 The Local Authority budget makes provision for the projected high needs overspend. It does this by ensuring that there is sufficient funding to pay for the statutory services that the LA has a duty to deliver and any deficit on DSG is set to be earmarked on the balance sheet at the year-end. The budget also provides for an equal and opposite provision to offset the projected deficit. In this way the LA is able to offset any deficit but should the DfE provide the appropriate level of additional funds then LA can re-claim the offsetting provision and reduce its level of projected funding gap. The LA is therefore not funding the DSG deficit at this point but is funding provision for the possibility that it may need to in the future in line with good financial practice.
- 5.6 The local authority has been invited to participate in the Delivering Better Value (DBV) programme being co-ordinated by the DfE. The local authority is actively engaging with the opportunity to work towards developing a sustainable high needs budget, with the benefit of DfE delivery partners. North Yorkshire has been assigned to Tranche 3 (the latest tranche to start) of the 55 authorities in the DBV programme. Whilst it is expected that the work with the DfE will commence in earnest in Summer 2023, the local authority is already seeking to utilise the research findings from other local authorities and DfE guidance material in enhancing the efficiency and effectiveness of the high needs system in North Yorkshire.

6.0 CENTRAL SCHOOLS SERVICES BLOCK EXPENDITURE (BUDGET)

- 6.1 The Central Schools Services Block (CSSB) is made up of the following budgets:

	£'000s
<u>Historic Commitments</u>	
Prevention Service	732
<u>Ongoing Functions</u>	
Access management, Admissions and Appeals	783
Schools Forum	70
Copyright Licences	609
Education Services – Retained Duties	1,008
Centrally Employed Teacher Costs	204
TOTAL	3,406

- 6.2 The 2023/24 CSSB grant allocation related to ongoing responsibilities includes funding related to the mainstreaming of the pay and pension grants for centrally employed teachers. The 2023/24 funding level also reflects the ongoing reduction in the Historic Commitments element of the Block with a reduction of £183k from £0.91m to £0.73m. The overall impact provides a net decrease in Central Schools Services Block grant allocation of £116k compared to the 2022-23 baseline figure.

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There has been an increase of £67k in the grant income for Ongoing Functions and the anticipated cost of Copyright Licenses has increased by £62k.

- 6.3 The Schools Revenue Funding Operational Guide outlines the functions that are covered under the former Education Service Grants. The functions include statutory and regulatory duties that the local authority must deliver. Many will not be directly visible to schools, but they reduce the risks to senior leaders and governing bodies by ensuring compliance with legal requirements. Retained duties include education welfare (functions relating to children excluded from school, school attendance, responsibilities regarding employment of children), asset management, and statutory and regulatory duties (including planning for the education service as a whole, formulation and review of the school funding formula, budget preparation).

7.0 RECOMMENDATIONS

- 7.1 The North Yorkshire Schools Forum is asked to note and approve the contents of this report.

STUART CARLTON

Corporate Director – Children and Young People's Service