

Schools Budget 2022/23

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Annex 7 – Schools Budget 2022/23

1 Introduction

1.1 This annex sets out:

- a) The construction of Dedicated Schools Grant (DSG) totalling **£322.0m** for 2022/23;
- b) Material changes that have arisen since 2021/22 and
- c) The basis of its distribution to both educational settings and the Local Authority (LA) totalling **£324.5m**.

1.2 The distribution of funds is in accordance with Schools and Early Years Finance Regulations (England) 2021 within statutory timelines and any updates of new legislation.

1.3 The formulation of the budget is also aligned with government guidance and the necessary approvals required from Schools Forum (SF), these are documented in **section 7**.

1.4 Any links with the LA's budget are captured within the 2022/23 Medium Term Financial Plan.

2 Construction of the 2022/23 budget

2.1 Overview

Funding for Schools budgets comprises:

- a) Dedicated Schools Grant (DSG) - this is the main funding stream allocated to schools by the LA;
- b) Pupil Premium Grant – this is distributed by the Council to maintained schools only. The allocation is set out by the Education and Skills Funding Agency (ESFA) with academies receiving this funding direct.

In accordance with regulations approvals are required from SF for specific items. A summary of those approvals gained is set out in **Table 1** below:

Table 1: Analysis Of Approvals		
	Status	Date
De-delegated budgets		
Trade union representative cover	Approved	7 Dec 2021
Central budgets		
Schools	Approved	7 Dec 2021
SEN Transport	Approved	7 Dec 2021
Early Years	Approved	7 Dec 2021
Copyright Licensing Agreements / Music Publishing Association licences	Education Skills Funding Agency	
Pupil Growth Contingency Fund	Approved	7 Dec 2021

DSG allocation is updated throughout the year as pupil numbers are confirmed. During this process any unallocated balance it is put to the Statutory School Reserve (SSR). Any spend from this reserve is in accordance with the Schools and Early Years Finance Regulations (England) 2021.

Elements of the DSG contribute to LA services, any reduction in those values are captured within the LA's budget setting process.

2.2 Funding received

In conjunction with the National Funding Formula (NFF) the DSG funding is allocated over four blocks and the **indicative total is £322.0m**, this is an **increase of £11.7m** (3.8%) from 2021/22.

Table 2 sets out how the £322.0m is allocated and provides a comparison against 2021/22.

Table 2: Summary of DSG Funding received				
		2021/22 £m	2022/23 £m	%age Change
1	Schools Block – section 2.3	237.0	246.2	+3.9%
2	Central School Services Block – section 2.4	5.2	4.6	-11.5%
3	Early Years Block – section 2.5	23.1	21.2	-8.2%
4	High Needs Block – section 2.6	45.0	50.0	+11.1%
Total DSG		310.3	322.0	-
Growth		11.7 (7.8%)		

Appendix A provides further budget detail for each of the blocks.

The material movements that make up the growth of £11.7m are set out in **Table 3** below and are split between the Early Years (EY), Schools and High Needs (HN) blocks. Elements of the increase are due to changes in the budget allocation throughout 2021/22 (shown separately).

Table 3: Growth Analysis	
2021/22	£m
HN – Import/export adjustment	0.1
2022/23	
Schools – Increased pupil numbers and the impact of the changes to the NFF in 2021/22 (42,283 in 2021/22 to 42,841 in 2022/23)	8.9
Pupil growth contingency fund	0.3
Historic commitments allocation	(0.7)
Ongoing commitments allocation – effect of increase in rate and increase in pupil numbers	0.1
EY – Net impact of the EYNFF 17p/hour increase on 3 & 4 YO funding and reduction in pupil numbers in January 2021	(1.4)
EY – Net impact of the EYNFF 21p/hour increase on 2 YO funding and the reduction of pupil numbers in January 2021	(0.7)
EY – Increase in Early Years Pupil Premium	0.1
HN – Basic entitlement factor for special school pupils	0.1
HN – 8% Hospital education funding uplift	0.2
HN – NFF 11% per head funding increase per head of population	4.7
Total Increase	11.7

2.3 Schools Block

Funding of **£246.3m** includes £6.3m for in year pupil growth and premises costs.

The allocation method for this block is based on a Pupil-led and School-led funding basis and is based on the October 2021 census pupil data.

The rates for each education sector are as follows:

- £4,979.82 per primary pupil and
- £6,605.92 per secondary pupil.

2.4 Central School Services Block (CSSB)

The CSSB is made up of two categories, historic and ongoing commitments with funding totalling **£4.6m** for 2022/23.

a) Historic commitments

The 2022/23 allocation is **£2.9m** and funds a mixture of historic schools' decisions and contributions to LA services that align to educational attainment. The National Funding Formula (NFF) reduces funding to this block by 20% on an annual basis until it funds only employment termination and prudential borrowing costs. Over the last three financial years this funding has reduced by £101.8m nationally. Cost previous met by this block will increasingly become a General Fund pressure.

In 2020/21 Nottingham's reduction was **£1.1m**, a further reduction of **£0.9m** in 2021/22 and a reduction of **£0.7m** in 2022/23. **The total funding reduction to date is £2.7m.** This and the forecast impact of future reductions has been captured in the LA's 2022/23+ MTFP.

Table 4 shows the categorisation of historic commitment budgets.

Table 4: Historic Commitments	
Commitment	2022/23 Allocation £m
CERA (Capital Expenditure charged to a Revenue Account)	0.2
Prudential borrowing	0.2
Termination of employment costs	1.6
Contribution to combined budgets	0.9
Total	2.9

b) On-going commitments

LA's are funded based on the National Funding Formula (NFF) distributed 90% on a per-pupil factor and 10% on a deprivation factor. The 2021/22 allocation of £1.6m funds ongoing central costs relating to schools' settings and are shown in Table 5.

For 2021/22 the funding allocation for Nottingham City is **£37.53** per pupil, which represents an increase of £2.39 (6.8%) over the 2020/21 level of £35.14. The Department for Education (DfE) undertakes annual reviews of these rates and any changes will reflect amendments to legal obligations.

This increase includes £2.28 per pupil for additional costs associated with LA employed teachers and associated TPG and TPECG and represents a real increase of 11p (0.31%) per pupil. This is the first increase since the introduction of the NFF.

Table 5 shows the categorisation of on-going commitment budgets.

Table 5: On Going Commitments	
Commitment	2022/23 Allocation £m
Admissions service	0.6
Copyright licences	0.2
Schools Forum servicing (£37k)	0.0
Retained duties – LA's legal obligations	0.7
TPG and TPECG for centrally employed teachers	0.1
Total	1.6

2.5 Early Years (EY) Block

The provisional 2022/23 EY block allocation, as announced on 16 December 2021, is **£21.2m**. The EY block allocation is based on the EY National Funding Formula (EYNFF) which was introduced in April 2017. This represents a **£1.9m (8.2%) reduction** over the latest published 2021/22 allocation of £23.1m.

This is a provisional allocation (based on January 2021 pupil numbers) includes funding for:

- a. 3 & 4 year old universal entitlement (£13.6m)
- b. 3 & 4 year old extended entitlement (£3.9m)
- c. 2 year old funding (£3.1m) and
- d. EY Pupil Premium (EYPP) (£0.4m)
- e. EY disability access fund (£0.1m).
- f. Maintained Nursery Supplementary (MNS) funding (£0.1m)

In 2022/23, the hourly rate that Nottingham receives for **3 & 4 year olds** will increase by £0.17p (3.4%) from £5.06 per hour to **£5.23 per hour**.

Separate funding is received for **2 year olds**. This will increase by £0.21p (3.9%) from £5.39 per hour to **£5.60 per hour**.

2.6 High Needs (HN) Block

The provisional HN block allocation is based on the HN National Funding Formula (HN NFF) introduced in April 2018. 2022/23 allocations were as announced on 16 December 2021.

For 2022/23 Nottingham will receive **£50.4m** which represents a **£5.0m (11.2%) increase** over the latest published 2021/22 allocation of £45.0m and incorporates the maximum 11% increase per head of 2-18 population.

The allocations are based on the latest mid-2022 ONS population estimate for Nottingham of 67,754. This is 0.9% higher than last year's estimate. The HN allocation for 2022/23 will be finalised in June 2022 taking into account the Spring 2022 pupil numbers.

Following the Autumn 2021 spending review, local authorities have also been allocated additional high needs funding for 2022 to 2023 on top of the DSG high needs block allocations calculated under the national HN funding formula. Nottingham will receive an additional **£2.0m** on top of the £50.4m. This includes funding for the Health and Social Care Levy and wider cost pressures in special schools and alternative provision. Those schools will not receive the separate schools supplementary grant. The additional funding also takes into account that colleges and other providers offering extra hours of study to students with high needs may require extra high needs top-up funding to support those students. The additional allocation has been calculated as a 4% uplift to the provisional 2022/23 high needs allocation for historic, proxy and funding floor factors.

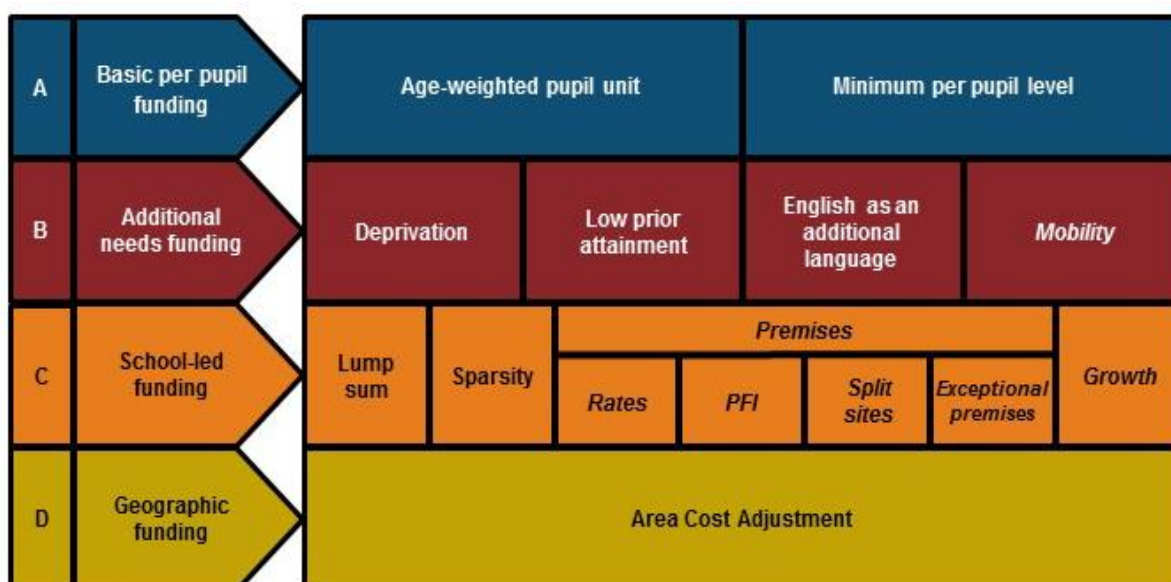
3 Allocation of the 2022/23 budget

This section details how the funding is allocated out to educational settings and central expenditure services for each block. **Appendix A** provides a summary of this section.

3.1 Distribution of Schools Block Funding

The schools block is £246.7m and is funded by DSG £246.3m (as per **Table 2**) and reimbursement of costs from academies of £0.4m.

The distribution of the £246.7m to each education setting is based on the following factors aligned to the NFF.



Key points are:

- The maximum minimum funding guarantee (MFG) is in place at +2% ensuring every school has a budget increase in 2022/23. 65 of the 94 schools budgets have this adjustment.

- The level of MFG protection has fallen to £5.4m in 2022/23 (from £7.6m in 2021/22) This is mainly due to the increase in the core factor rates and the increase in the minimum funding per pupil.
- The maximum amount of funding has been distributed to schools
- The unallocated balance of £0.5m has been aligned to the pupil growth budget as approved by the Schools Forum on 7 December 2021.
- Any further unallocated balances as a result of in year changes will be allocated to the SSR.
- The Age Weighted Pupil Unit has increased by 3% from 2021/22.
- The ESFA will pay business rates directly to billing authorities on behalf of all state funded schools from 2022 to 2023 onwards.

3.2 Distribution of Central School Services Block (CSSB)

The CSSB funding has been allocated in full as shown in section 2.4.

3.3 Distribution of Early Years (EY) Block Funding

All increases in funding are being fully distributed to schools and providers of early years services increasing the base rate to providers by 0.17p per hour from April 2022 for 3 & 4 year olds and £0.23p for 2 year olds.

Table 6 below shows the indicative distribution of this funding with 95% and 95.1% being allocated directly to 3 & 4 year old and 2 year old providers respectively.

Table 6: EY Indicative Budget £m					
ELEMENT	3 & 4 Year Old	2 Year Old	Disability Living Allowance cohort	EY Pupil Premium	TOTAL £m
<i>Base rate/hour</i>	<i>£4.76</i>	<i>£5.47</i>		<i>£0.60</i>	
Base rate total (£m)	15.4	2.9		0.4	18.7
<i>Supplements</i>					
<i>-Deprivation/hour</i>	<i>£1.00</i>				
<i>-Flexibility/hour</i>	<i>£0.10</i>		<i>£615</i>		
<i>DLA/annum</i>					
Supplements total (£m)	0.7		0.1		0.8
Maintained Nursery Supplement (£m)	0.3				0.3
Special Education Needs inclusion fund (£m)	0.1	0.0			0.1
Contingency (£m)	0.1	0.0			0.1
TOTAL PROVIDERS (£m)	16.7	3.0	0.1	0.4	20.2

Central Expenditure (£m)	0.9	0.1			1.0
GRAND TOTAL (£m)	17.6	3.1	0.1	0.4	21.2
Pass-through %	95.0%	95.1%			

3.4 Distribution of High Needs (HN) Block Funding

This indicative funding allocation of £52.1m is distributed £47.3m for HN provisions and £4.8m for central services.

These figures capture the increased costs associated with High Level Needs (HLN) and align to the 2018-23 SEND strategy.

The key strategic priority to be addressed for 2022/23 is extending the implementation of the revised HLN system for mainstream schools in the early years and secondary phases.

4 Pupil Premium

Pupil Premium (PP) is allocated to the LA to distribute directly to educational settings.

- 4.1 The PP allocated to schools is made up of 3 of elements, funding for free school meal pupils (Ever6), service children and post looked after children. Each element has a different pupil rate as set out in **Table 7** below. The annual value changes dependent on child numbers.

	FSM EVER6			
	Primary	Secondary	Service Child	Post Looked after Child*
	£	£	£	£
2022/23	1,385	985	320	2,410
2020/21 & 2021/22	1,345	955	310	2,345

. *Looked after Children and eligible pupils who have been adopted from care or leaving care under a special guardianship or a child arrangements order (previously known as a residence order).

5 Schools additional funding

- 5.1 Following the Autumn 2021 spending review, local authorities have also been allocated supplementary funding for 2022 to 2023 worth £1.2 billion on top of the schools NFF. **This equates to £7.0m for Nottingham City maintained schools and academies.** For early years and post-16 provision in schools, the grant is being provided in respect of the Health and Social Care Levy. For primary and secondary provision, the grant is being provided in respect of both the Health and Social Care Levy and other cost pressures. School-level allocations of the Schools Supplementary Grant (SSG) for the 2022 to 2023 financial year will be published in spring 2022.

The early years and post-16 elements of the SSG will be allocated on a simple per-pupil basis.

Funding for 5 to 16 mainstream schools makes up the bulk of the additional £1.2 billion and is to be allocated based on a basic amount per pupil (with different rates for primary, key stage 3 and key stage 4), a lump sum per school regardless of the pupil numbers and 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 (FMS6). **Table 8** shows the rates that will be used to calculate the early years' allocations and the allocations for 5 to 16 maintained schools.

TABLE 8: Schools supplementary grant			
	Primary £	Secondary £	Early Years £
Rate per early years pupil			24
Basic rate per pupil primary pupil	97		
Basic rate per pupil KS3 pupil		137	
Basic rate per pupil KS4 pupil		155	
FSM6 rate per pupil	85	124	
Lump sum per school	3,680		

The rates shown in **Table 8** will be uplifted by an area cost adjustments (ACA) for each LA. This will be 1.00277 for Nottingham.

6 Reserves

SSR can only be allocated in accordance with the Schools and Early Years Finance Regulations (England) 2021.

- 6.1 The statutory schools reserve (ring fenced for schools) has an **unearmarked balance of £3.7m** after all formally approved commitments. This is set out in **Table 9** however at this point it is based on a forecast full spend.

TABLE 9: Reserve summary	
	Actual £m
Opening balance as at 1 April 2021	9.5
Less: Approved commitments	(5.8)
Uncommitted Balance as at a 31 March 2022	3.7

- 6.2 The uncommitted element of the SSR is 1.2% of the DSG budget; this was 0.7% as at 31 March 2021. There is no statutory requirement for the levels of this reserve however its adequacy should align to any in year risks.

HN's and exclusions form the main historic risk but funding increases in this block and the inclusion strategy respectively have materially mitigated the risk. In September 2021 the level of the SSR was reviewed by the Schools Forum Sub-group in detail.

Within the approved commitments is £1.4m for initiatives to reduce exclusions. Spend to save initiatives are to be considered but must align to the SEND strategy and be

supported by a business a case to demonstrate the investment will lead to lower overall costs and risks to the high needs budget over time.

Throughout 2022/23 this risk will be regularly reviewed to ensure that the uncommitted balance remains adequate considering risks such as COVID.

7 Published documents supporting this report

The development of the schools budget is predicated on specific guidance and statutory requirements, the list below shows all documents required to ensure a robust, compliant and accurate budget.

- 7.1 Schools Forum – Central Expenditure Budget 2022/23 – Historic Commitments – 7 December 2021
- 7.2 Schools Forum – Central Expenditure Budget 2022/23 – Ongoing Commitments – 7 December 2021
- 7.3 Schools Forum - De-delegation of funding for trade union time off for senior representatives – 7 December 2021
- 7.4 Schools Forum - Early Years Central Expenditure 2022/23 – 7 December 2021
- 7.5 Schools Forum – Pupil Growth Contingency Fund 2022/23 – 7 December 2021
- 7.6 DfE – The Schools and Early Years Finance (England) Regulations 2021
- 7.7 DfE – The national funding formulae for schools and high needs – 2022 – 2023 - Policy document – July 2021
- 7.8 DfE – Schools block national funding formula: technical note – July 2021
- 7.9 DfE –Central school services block national funding formula: technical note – July 2021
- 7.10 DfE – High needs block national funding formula: technical note – July 2021
- 7.11 ESFA – Schools revenue funding 2022 to 2023 – Operational guide – December 2021
- 7.12 ESFA – High needs funding 2021 to 2022 – Operational guide 16 December 2021
- 7.13 DfE – Dedicated schools grant – Conditions of grant 2022 to 2023 – 16 December 2021
- 7.14 DfE – Dedicated schools grant – Technical note 2022 to 2023 – 16 December 2021
- 7.15 DfE – Schools Forum - Operational and good practice guide – March 2021
- 7.16 Schools Forum – Schools Budget 2022/23 – 25 January 2022

Elements	Schools Block £m	Central Schools Services Block £m	Early Years Block £m	High Needs Block £m	Total DSG £m
Educational settings	245.001	-	20.156	47.285	312.443
Pupil Growth	1.635	-	-	-	1.635
Central Expenditure	-	4.570	1.025	4.800	10.395
De-delegated	0.063	-	-	-	0.063
BLOCK TOTAL	246.699	4.570	21.181	52.085	324.535
2022/23 DSG Settlement	246.254	4.570	21.181	50.037	322.042
Additional High Needs Funding	-	-	-	2.048	2.048
Reimbursement from ESFA 2022/23	0.445	-	-	-	0.445
TOTAL FUNDING	246.699	4.570	21.181	52.085	324.535
VARIANCE	0	0	0	0	0