

Schools Forum - 6 December 2022

Title of paper:	Proposed approach to DSG Budget Setting by block 2023/24
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Summary

For 2023/24, the LA proposes to move away from the standard budget setting approach of balancing block budgets to the DSG income received for each specific block. This is in response to a short-term surplus in the High Needs budget and significant pressures in Schools and Central School Services blocks.

This paper outlines proposals to transfer DSG funding between blocks, which is permitted with Schools Forum approval. This coupled with distribution of the £1.438m from DSG reserves could allow the LA to fund schools up to an extra £85 per pupil for 2023/24 compared to what they would otherwise receive. Secretary of State approval will be required in order for schools receiving protection from the Minimum Funding Guarantee to benefit from this additional funding.

Recommendations:

1	To give a view on the proposal to fund schools by up to £85 per pupil higher than the NFF in 2023/24, funded through a combination of a HN to Schools block transfer and use of the £1.438m ring-fenced reserve balance.
2	To note that implementation of Recommendation 1 is subject to Secretary of State approval of a disapplication request to permit us to fund at a level higher than the minimum funding guarantee for those schools receiving protection.
3	To approve a block transfer for 2023/24 from the High Needs Block to the Schools Block of up to £2m.
4	To approve a block transfer for 2023/24 from the High Needs Block to the Central Schools Services Block of £0.458m.

1. Reasons for recommendations

- 1.1 It is projected that there will be a surplus of around £2.5m on high needs for 2023/24. High Needs revenue funding has been increased at an unprecedented levels over the last 5 years with Nottingham City receiving a cumulative 79% funding increase from 2018/19 to 2023/24, rising from £31.044m to £55.808m. However, ESFA are advising LA's in the safety valve programme to plan on 3% increases from 2024/25. The HN significant revenue increases have therefore been

provided in advance of the significant HN capital allocations, the majority of which were only announced in March 2022. It is essential for financial long term planning that we ensure there will be HN revenue funding available to support the HN capital projects once agreed and delivered - in other words that HN place and top-up funding can be afforded for the extra places in newly built specialist provision. To manage this it is anticipated that there will be a gradually reducing surplus on our HN budget from 2023/24 to 2028/29 whilst new provision is planned, built and filled.

- 1.2 As outlined at the last meeting, we are concerned that a significant proportion of schools will struggle to set a balanced budget for 2023/24. Further information will be provided as Appendix A once updated MTFPs submitted by maintained primaries have been analysed. The proposals outlined in this paper could result in the LA being able to provide one-off additional funding to schools for 2023/24 of around £3.6m. This paper is intended to respond to the request at the last Schools Forum meeting on 11 October 2022 for an agenda item to discuss schools MTFPs and DSG reserves and, given the tight timescales and deadlines involved, goes further to make the specific proposals outlined.
- 1.3 The LA also has major challenges to set a balanced budget for 2023/24 and over the MTFP. Cessation of DSG funding for historic commitments places further pressures on the LA. Added to this, funding coming in through the CSSB block for ongoing commitments does not fully cover the cost of delivering statutory retained duties. In the past, the CSSB has supported up to £0.156m of costs of the Education Welfare Team as specified on previous year's reports but this contribution has been constrained by the overall level of the funding received into the CSSB block. The full cost of the Education Welfare Team is £0.458m higher which has previously been funded from the LA budget. As the retained duties of this team can be met from DSG under the regulations, the LA now needs to request a block transfer and approval of the full team costs from DSG.
- 1.4 As the 2022/23 high needs budget is not fully allocated and is anticipated may be up to £4m under-spent, then coupled with the £3.661m additional funding for 2023/24 there will be £5m in high needs funding to prioritise for HN developments and pressures in 2023/24 even if the HN block transfers are approved and actioned. In the event that the HN developments and pressures are higher than expected in 2023/24 then the LA will draw from the DSG reserve balance to supplement the budget. This is to ensure that there will be no detriment to provision from the high needs block from these proposals.

2. Background (including outcomes of consultation)

- 2.1 The ESFA were contacted on 12 October in order for the LA to obtain clarification of legitimate options under the current regulations to allocate additional funding to schools including from DSG reserves. The response received was that a blanket approach would be via the annual delegated budget via the Authority Pro-forma Tool (APT) but this would be limited to the tightening rules. These are the rules that mean that LA's funding formulae are supposed to be moving at least 10% close to the NFF each year. As we mirrored the NFF in 2021/22, this means we can only go up to 2.5% above any of the NFF rates. As over half of schools are receiving protection from the Minimum Funding Guarantee (MFG) the response clarified that a disapplication request would be required to allow the funding to be passed on fully and that this would need to be a one-off. The only other option suggested by ESFA was to distribute additional targeted high needs funding pot to encourage schools to

be more inclusive or assist schools with high numbers of high needs pupils. As targeted high needs funding guidance states that this should only be received by a minority of an LA's schools, this option is limited as a mechanism for getting additional funding to all schools.

- 2.2 The most simple and transparent approach for getting additional funding out to all schools consistently is through the basic per pupil rate. The maximum uplift to the per pupil rates that will be permissible across all key stages is £85, which would take the primary basic per pupil rate 2.5% above the NFF rate of £3403. Based on October 2021 pupil numbers, funding all primary and secondary schools at an extra £85 would equate to an additional £3.662m. The actual distribution would be based on October 2022 census pupil numbers once confirmed and will depend on the exact funding available as outlined in the financial implications to this report.
- 2.3 A consultation with mainstream schools has been conducted between 15-29 November. This included a question of whether this was a fair approach to distributing additional funding. A summary of consultation responses will be provided as Appendix B to this report once available.
- 2.4 A disapplication request has been submitted to the ESFA by the 18 November deadline. This asks for permission to adjust the MFG for schools receiving protection as a one-off in 2023/24 to allow them to benefit from up to a maximum of £85 per pupil. We will need to update our disapplication request with results of the school consultation and a Schools Forum vote on Recommendation 1.
- 2.6 This report proposes the utilisation of £1.438m from the DSG reserve to partially fund the proposed one-off distribution to mainstream schools in 2023/24. This is the balance of £2m which was ring-fenced in the DSG reserve to be allocated in conjunction with the Schools Forum sub-group for initiatives to help reduce exclusions. Having funded some short-term project costs associated with Routes to Inclusion and costs of the Intensive Support Team in a trial phase, there are currently no concrete proposals for the balance of this funding despite ideas having been sought from schools/settings by sub-group members.
- 2.7 In the light of the financial pressures on budgets and heightened needs of pupils post-Covid, a general distribution of this balance to all schools now seems appropriate. However, given this proposal is funded through DSG reserves set aside to help promote inclusion along with funding from high needs, the LA will be asking that schools ensure that this additional funding is prioritised to protect expenditure from their delegated budget on support for SEN pupils and activity to help support the continued inclusion of vulnerable pupils.
- 2.8 Whilst the CSSB block transfer moves funding out of high needs for 2023/24, there is a high level of interdependency between the service delivery and outcomes of the Education Welfare service and the inclusion of vulnerable pupils and work of other DSG funded teams. Two clear examples of this are the relationship between AP oversight and responsibility for children EOTAS and the exclusion process and fair access admissions in year for children at risk of PEX. Similarly, children without a school place (WASP) have failed to acquire a school place through the admissions process and are case managed through Access & Inclusions yet to improve outcomes require more intensive welfare support the admission team are not resourced to provide, the intervention from Education Welfare services would improve outcomes in reducing barriers to access education, reduce vulnerability

and support with provision of a school place and follow through of school attendance orders and parenting orders where required.

- 2.9 The additional budget transfer only applies to mainstream schools and not to high needs settings. Whereas mainstream schools are subject to the NFF, funding for HN settings is at the discretion of the LA. This means that the LA is able to agree top-up funding at a level that adequately covers cost pressures. Special school funding is being reviewed in depth for 2023/24 as part of a 4 year cycle and will take account of cost pressures. The LA agrees top-up funding for other high needs settings at a level to cover actual costs of delivering provision when this information is made available.
- 2.10 In order to ensure that HN provision and pupils are not disadvantaged through the HN block transfer, in the event that the HN budget requirement for 2023/24 is higher than originally anticipated then funding can be drawn from the unallocated DSG reserve as outlined in paragraphs 5.8 and 5.9.

3. Other options considered in making recommendations

- 3.1 None.

4. Outcomes/deliverables

- 4.1 N/A

5. Consideration of Risk

- 5.1 None.

6. Finance colleague comments (including implications and value for money/VAT)

- 6.1 This report seeks approval for a £0.458m transfer from HN to the CSSB block and up to a further £2m HN to be transferred to the Schools Block for an additional distribution to schools.
- 6.2 The final figure for the HN to Schools Block transfer (up to the maximum £2m) will be confirmed as part of the January Schools Forum Schools Budget report and will depend on the updated assessment of the HN budget requirement at that point in time, as well as any funding available in the Schools Block to contribute. In previous years, surplus Schools Block funding after funding schools in line with the NFF has been allocated to pupil growth even where this took the pupil growth contingency above the level of forecast requirements. For 2023/24 any surplus Schools Block funding will be used to support the proposed additional distribution out to schools.
- 6.3 This report proposes that £1.438m ring-fenced in the DSG reserve is used to partially fund the proposed additional one-off funding distribution to schools.
- 6.4 Subject to the final total of funding available from the HN block transfer, Schools Block surplus and the £1.438m from reserves, up to £85 per pupil extra will be provided to mainstream schools for 2023/24 subject to approval by the Secretary of State for the disapplication request. The final amount per pupil will also be affected

by the October 2022 pupil numbers. Based on October 2021 pupil numbers this proposal would be worth an extra £3.662m for schools in 2023/24.

- 6.5 Allocations will vary by school size, but as an example a primary school with 400 pupils would receive up to an extra £34,000 and a secondary school with 900 pupils would receive up to an extra £76,500. One-off additional funding to this scale will be of some immediate benefit but will not fundamentally change the longer term outlook for school budgets which is dependent on the national funding settlements.
- 6.6 Our maintained schools could collectively decide to de-delegate back a portion of this extra funding to create a contingency budget for Schools in Financial Difficulty and agree a criteria for targeting this more specifically at schools with the most significant budget challenges. If there appears to be support for this amongst maintained primary heads as part of the schools consultation, a paper will be tabled at the January meeting which would be subject to approval by maintained primary representatives.
- 6.7 In 2022/23 the LA's high needs block allocation was increased by £7.146m (16%). Due to the time required to roll out HN developments, it is estimated that £4m will not be required until 2023/24 generating a forecast underspend in 2022/23. With a further indicative HN block increase of £3.661m for 2023/24 then this means there is £7.661m in HN funding available to prioritise for new pressures/developments for next financial year. This report suggests that up to £2.438m is transferred to other blocks which still leaves in excess of £5m for priorities within the HN budget.
- 6.8 In the event that HN pressures during 2023/24 unexpectedly exceeded this level (e.g. if the secondary HLN review indicates a higher funding requirement than anticipated), then any additional requirements would be considered from the unallocated DSG reserve balance. This is to ensure that HN settings, children and provision are not disadvantaged as a result of the HN block transfer proposal.
- 6.9 The current projection for the DSG unallocated reserve as at 31 March 2023 is £13.550m, taking into account a forecast £4m high needs underspend in 2022/23. This balance is adequate to cover the latest assessment of DSG risks which total £11.233m over a 3 year timeframe.

7. Legal colleague comments

- 7.1 The current law in force in this area is the School and Early Years Finance (England) Regulations 2022. These Regulations make provision for local authorities' financial arrangements in relation to the funding of maintained schools and providers of funded early years provision in England, for the financial year 2022-2023.
- 7.2 These Regulations define the non-schools education budget (regulation 4 and Schedule 1), the schools budget (regulation 6 and Schedule 2), central expenditure and the individual schools budget (regulation 8 and Schedule 2). They require local authorities to determine budget shares for schools maintained by them and amounts to be allocated in respect of early years provision in their areas, in accordance with the appropriate formulae (regulations 10 and 11). They impose a minimum per pupil amount (regulation 22) and a minimum funding guarantee for schools (regulation 23 and Schedule 4). There is a requirement to pass 95 per cent of funding to early years providers (regulation 24) and a ten per cent limit on the amount of funding that may

be attributable to the discretionary (supplementary) part of the early years formulae (regulation 25).

- 7.3 The LA must ensure that it complies with its obligations in accordance with these regulations. It should also take account of the Schools operational guide for 2023 to 2024, which places additional obligations on the LA to give further consideration as to moving funding between blocks. Any LA considering a transfer of funding out of the high needs block should have ensured adequate consultation, both with the relevant representatives on the schools forum (including any relevant sub-groups), and with any providers likely to be affected by the transfer.

Majid Iqbal, Team Leader and Solicitor for Litigation - 21 November 2022.

8. **Other relevant comments**

Human Resources

There are no direct Human Resources implications as part of this report.

However, if recommendations are not approved and there is an impact or shortfall in schools balancing budgets, there could be workforce implications as a direct result of this. If workforce reductions are required in schools, a genuine and meaningful consultation process should commence with Education Trade Unions and affected staff, with the correct policies and procedures being adhered to, with HR support provided.

Equality, Diversity and Inclusion implications should be considered as part of this report and it is recommended an EIA is developed, demonstrating best value for the consideration to fund schools by up to £85 per pupil higher than the NFF in 2023/24.

Rachael Morris, HR Business Lead, People – 17 November 2022

9. **Crime and Disorder Implications (If Applicable)**

9.1 N/A

10. **Social value considerations (If Applicable)**

10.1 N/A

11. **Equality Impact Assessment (EIA)**

An EIA has been drafted and will be finalised once the consultation responses have been analysed.

12. **Data Protection Impact Assessment (DPIA)**

12.1 A DPIA is not required because there are no Data Protection implications.

13. **Carbon Impact Assessment (CIA)**

13.1 A CIA is not required because there are no carbon impact implications.

14. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

14.1 None.

15. Published documents referred to in this report

15.1 None.