

Annex 9

Schools Budget 2023/24

Contents	
Section	Page
1. Introduction	2
2. Construction of the budget	2
3. Allocation of the budget	8
4. Pupil Premium	11
5. Schools supplementary grant	12
6. Reserves	12
7. Published documents supporting this report	13

Tables		
Table number and title		Page
1	Schools Forum approvals obtained	2
2a	Summary of Dedicated Schools Grant (DSG) funding allocations	3
2b	Summary of DSG budget by Block	4
3	Budget Increase Analysis	5
4	Historic Commitment budgets	6
5	On-going Commitment budgets	7
6	Early Years Indicative budget	10
7	Pupil Premium comparison	11
8	Reserves	12

Appendices	
Appendix letter and title	
A	2023/24 budget allocation by funding block

Annex 9 – Schools Budget 2023/24

1 Introduction

- 1.1 This annex sets out:
- The construction of Dedicated Schools Grant (DSG) totalling **£344.8m** for 2023/24;
 - Material changes that have arisen since 2022/23 and
 - The basis of its distribution to both educational settings and the Local Authority (LA) totalling **£344.9m**.
- 1.2 The distribution of funds is in accordance with Schools and Early Years Finance Regulations (England) 2022 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 2023/24 Medium Term Financial Plan.

2 Construction of the 2023/24 budget

2.1 Overview

Funding for Schools budgets comprises:

- Dedicated Schools Grant (DSG) - this is the main funding stream allocated to schools by the LA;
- 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 obtained is set out in **Table 1** below:

TABLE 1: ANALYSIS OF APPROVALS		
	Status	Date
De-delegated budgets		
Trade union representative cover	Approved	6 Dec 2022
Schools health and safety tests and inspections	Approved	17 Jan 2023
Block Transfer proposals		
High Needs to CSSB block transfer	Approved	6 Dec 2022
High Needs to Schools block transfer	Approved	6 Dec 2022
Central budgets		

Schools	Approved	6 Dec 2022
SEN Transport	Approved	6 Dec 2022
Early Years	Approved	6 Dec 2022
Copyright licensing Agreement/Music Publishing Association licences	Education Skills Funding Agency – Top-sliced from the DSG	
Pupil Growth Contingency Fund (PGCF)	Approved	6 Dec 2022

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) 2022.

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 £344.8m**, this is an **increase of £22.8m** (7.1%) from 2022/23.

Table 2a sets out how the £344.8m is allocated and provides a comparison against 2022/23.

Table 2a: Summary of DSG Funding received			
		2022/23 £m	2023/24 £m
1	Schools Block – section 2.3	246.2	260.2
2	Central School Services Block – section 2.4	4.6	4.0
3	Early Years Block – section 2.5	21.2	22.3
4	High Needs Block – section 2.6	50.0	58.3
Total DSG		322.0	344.8
Growth		22.8 (7.1%)	

Table 2b summarises the DSG income received by DSG block and the total planned spend.

The standard approach followed by the LA in setting the Schools Budget is to set budgets by block which mirror the DSG income received. However, for 2023/24 the LA is responding to pressures both within the Schools Block (SB) and Central Schools Services blocks (CSSB) with a block transfer from the High Needs block (HNB) where there is a short-term surplus. DSG reserves are also being drawn upon to support the Schools and Early Years Block budgets. Further information to support this summary is provided in the subsequent sections of this report.

TABLE 2b: SUMMARY OF 2023/24 DSG BUDGET BY BLOCK £m						
	DSG Block	DSG income	Block transfer	DSG reserves	ESFA reimb.	2023/24 Budget
1	Schools	260.157	1.907	1.438	0.447	263.949
2	Central Schools	4.037	0.458	0.000	0.000	4.495
3	Early Years	22.286	0.000	0.223	0.000	22.509
4	High Needs	58.339	-2.365	-1.983	0.000	53.991
5	TOTAL	344.819	0.000	-0.322	0.447	344.944

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

The material movements that make up the growth of £22.8m 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 2022/23 (shown separately).

Table 3: 2023/24 Budget Increase Analysis	
2022/23	£m
High needs supplementary funding for 2022/23	2.0
2023/24	
Schools – Increased pupil numbers and the impact of the changes to the NFF in 2021/22 (42,841 in 2022/23 to 43,238 in 2023/24)	13.7
Premises funding	0.3
National non-domestic rates	0.0
Pupil growth contingency fund	0.0
Historic commitments allocation	(0.6)
Ongoing commitments allocation – effect of increase in rate and increase in pupil numbers	0.0
EY – impact of merging the previously separate Teachers’ Pay and Pension grants into DSG 3 & 4 year old allocations	0.5
EY – Impact of the EYNFF 5p/hour increase on 3 & 4 YO funding	0.3
EY – Net impact of the EYNFF 6p/hour increase on 2 YO funding and the 3.5% increase in pupil numbers in January 2022	0.3
EY – Increase in Disability Access Fund	0.0
EY – Increase in Early Years Pupil Premium	0.0
EY – Increase in supplementary funding allocation for maintained nursery school	0.0
HN – NFF 7% per head funding increase per head of population	3.6
HN – Additional high needs allocation	2.5
HN – Basic entitlement factor for special school pupils	0.0
HN – Import/Export adjustment change	0.1
HN – 5% Hospital education funding uplift	0.1
TOTAL ALLOCATION INCREASE	22.8

2.3 Schools Block

Funding of **£263.9m** includes £6.6m 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 2022 census pupil data.

The rates for each education sector are as follows:

- £5,188.99 per primary pupil and
- £6,907.41 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 **£4.5m** for 2023/24.

a) Historic commitments

The 2023/24 allocation is £2.3m and funds a mixture of historic schools' decisions and contributions to LA services that align to educational attainment. The 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 four financial years this funding has reduced by £125.0m nationally.

In 2020/21 Nottingham's reduction was **£1.1m**, a further reduction of **£0.9m** in 2021/22, a reduction of **£0.7m** in 2022/23 and a further reduction of £0.6m in 2023/24. **The total funding reduction to date is £3.3m.** This and the forecast impact of future reductions has been captured in the LA's 2023/24+ MTFP.

Table 4 shows the categorisation of historic commitment budgets.

Table 4: Historic Commitments	
Commitment	2023/24 Allocation £m
CERA	0.2
Prudential borrowing	0.1
Termination of employment costs	1.6
Contribution to combined budgets	0.4
Total	2.3

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 2023/24 allocation of £2.2m funds ongoing central costs relating to schools' settings and are shown in Table 5.

For 2023/24 the funding allocation for Nottingham City is **£39.62** per pupil, which represents an increase of £0.77 (2.0%) over the 2022/23 level of £38.85. The Department for Education (DfE) undertakes annual reviews of these rates and any changes will reflect amendments to legal obligations.

Retained duties have increased by £0.5m in 2023/24 reflecting additional funding approved by School Forum for Education Welfare services.

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

Table 5: On Going Commitments	
Commitment	2023/24 Allocation £m
Admissions service	0.6
Copyright licences	0.3
Schools Forum servicing (£38k)	0.0
Retained duties – LA’s legal obligations	1.2
TPG and TPECG for centrally employed teachers	0.1
Total	2.2

2.5 Early Years (EY) Block

The provisional EY block allocation, as announced on 16 December 2022, is **£22.3m**. The EY block allocation is based on the EY National Funding Formula (EYNFF) which was introduced in April 2017.

This is a provisional allocation (based on January 2022 pupil numbers) includes funding for:

- a. 3 & 4 year old universal entitlement (**£14.1m**)
- b. 3 & 4 year old extended entitlement (**£4.2m**)
- c. 2 year old funding (**£3.4m**)
- d. EY Pupil Premium (EYPP) (**£0.4m**)
- e. EY disability access fund (**£0.1m**)
- f. Maintained Nursery Supplementary (MNS) funding (**£0.1m**).

Alongside the DSG settlement on 16 December, the government confirmed their response to the Early Years Funding Consultation which implements most of their proposed changes. As a result of these, Nottingham City moves to the funding floor and has only received a minimal 1% increase in funding rates for 2,3 and 4 year olds for 2023/24. This represents a £0.05 per hour increase for 3 & 4 year olds and a £0.06 per hour increase for 2 year olds.

In addition, from 2023 to 2024 the separate teachers’ pay grant and teachers’ pensions employer contribution grants are no longer being paid directly to school-based nurseries, and instead this funding has been rolled into the overall quantum of 3- and 4-year-old entitlement funding. The exception to this is the element relating to allocations for maintained nursery schools which has instead been merged into the maintained nursery supplement. This has added £0.15/hour to the LA’s hourly rate for 3 & 4 year olds.

The LA is being funded for 3 & 4 year olds in 2023/24 at **£5.43 per hour** and **£5.66 per hour** for 2 year olds.

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. 2023/24 allocations were as announced on 16 December 2022.

The additional funding announced in the Autumn 2022 statement included £400m nationally for high needs. Each LA has received an additional allocation calculated as 4.59% of the previously published indicative allocation. Nottingham City's share of this is an extra **£2.5m**. This takes the LA's overall high needs block % increase for 2023/24 from 7% to 12.4% per head of 2-18 population.

For 2023/24 Nottingham will receive **£58.3m** which represents a **£6.2m (11.9%) increase** over the latest published 2022/23 allocation of £52.1m.

The allocations are based on the latest mid-2023 ONS population estimate for Nottingham of 68,159. This is 0.6% higher than last year's estimate. The HN allocation for 2023/24 will be finalised in June 2023 taking into account the Spring 2023 pupil numbers.

3 Allocation of the 2023/24 budget

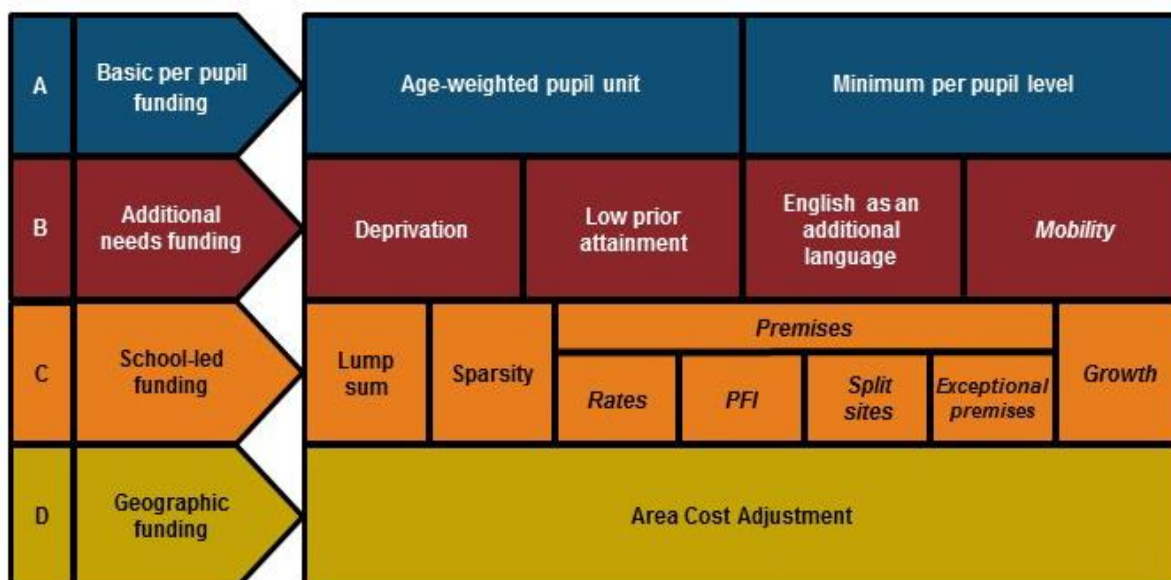
This section details how the funding is allocated out to educational settings and central expenditure services for each block. **Appendix A** provides a summary of this section.

3.1 Distribution of Schools Block Funding

The schools block is £263.9m and is funded by:

- DSG £260.2m
- Reimbursement of costs from academies of £0.4m
- Reserve drawdown of £1.4m which is the balance earmarked for distribution in conjunction with the SF sub-group
- HN Block transfer of £1.907m approved at SF on 6th December 2022

The distribution of the £263.9m 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 +0.5% ensuring every school has a budget increase in 2023/24. 40 of the 94 schools budgets have this adjustment.
- The level of MFG protection has fallen to £2.3m in 2023/24 (from £5.4m in 2022/23) 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 2022/23 schools supplementary grant has been rolled into the NFF.
- In addition to the amounts that have been added for the supplementary grant the NFF factor values have been increased 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 the lump sum.
 - 0% on premises factors except for Private Finance Initiative (PFI) which has increased by 11.2% for the year to April 2022.
- The Education and Skills funding Agency (ESFA) will continue to pay business rates directly to billing authorities on behalf of all state funded schools in 2023 to 2024.
- Minimum per pupil funding levels (MPPL's) have been increased by 0.5% in the FY 2023/24 and increased to take account of the supplementary grant funding which has been rolled into the NFF in 2023/24.

When setting schools and academies budgets for the financial year 2023/24 the LA has included an additional £85 per pupil to the Primary, Key Stage 3 and Key Stage 4 AWP rates. However, it must be noted that this is one off funding in the financial year 2023/24 only. This funding will be removed from schools 2023/24 baseline funding in the financial year 2024/25. The LA received confirmation from the Secretary of State on the 10 January 2023 that the MFG disapplication to ensure all schools received the £85 per pupil in the financial year 2023/24 was approved.

3.2 Distribution of Central School Services Block (CSSB)

The CSSB funding of **£4.5m** for 2023/24 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.

Table 6 below shows the indicative distribution of this funding.

Table 6: EY Indicative Budget (£m)					
Element	3 & 4 YO	2 YO	DLA	EYPP	TOTAL £m
<i>Base rate/hour</i>	<i>£4.96</i>	<i>£5.66</i>		<i>£0.62</i>	
Base rate total	15.863	3.383			
<i>Supplements</i>					
<i>-Deprivation/hour</i>	<i>£1.00</i>		<i>£828</i>		
<i>-Flexibility/hour</i>	<i>£0.10</i>				
<i>DLA/annum</i>					
Supplements total	0.766				
MNS lump sum & business rates	0.303				
SEN inclusion fund	0.283	0.010			
Contingency	0.352				
Total Providers	17.567	3.393	0.134	0.390	21.484
Central Expenditure	0.960	0.065			1.025
Grand Total	18.527	3.458	0.134	0.390	22.509

LA's had two options in response to the merging of the former separate teachers' pay and pension grant for school based nurseries; introduce a quality supplement to target it at settings with higher costs in this regard, or allow it to roll into the base hourly rate attracted by all providers. The proposed budget is based on the latter approach. This allows an increase to the 3 & 4 year old base rate of £0.20 per hour (3.4%) rather than £0.05 per hour (1.1%). This is intended to help support the financial viability of Private, Voluntary and Independent settings which are not benefiting from other additional funding such as the Mainstream Schools Additional Grant.

In response to concerns about the impact of only providing a 1.1% (£0.06/hour) increase to schools and providers for 2 year olds, the LA is proposing to use DSG reserves to supplement the hourly rate enabling this to be increased by a further £0.13 per hour. This takes the proposed funding rate for 2 years from £5.47 per hour in 2022/23 to £5.66 per hour, an increase of £0.19 per hour (3.5%). This will require an estimated £0.075m from the early years contingency earmarked in the DSG reserve.

The proposed budget also includes a further £0.148m from the DSG reserve to support the SEN Inclusion Fund. Under the revised High Level Needs (HLN) funding system rolled out in the early years phase in January 2022 there are significantly more nursery aged children attracting HLN funding than previously. This has impacted on numbers qualifying for setting level support under the SEN Inclusion Fund eligibility criteria, driving the additional budget requirement.

3.4 Distribution of High Needs (HN) Block Funding

The £53.991m High Needs budget is distributed £47.8m for HN provisions and £4.8m for central services with a further contingency of £1.350m budgeted for developments during 2023/24 aligning to the 2018-23 SEND strategy.

These figures capture the anticipated increased costs associated with High Needs for 2023/24 and the requirement to pass on additional funding from the Autumn 2022 spending review to high needs settings. There is a balance of £1.983m of the high needs funding allocation which is not projected to be required in 2023/24 and this will fall to the DSG reserve. It is anticipated that this additional funding, which will be available on an ongoing annual basis, could be required in future years to meet the implications of the outcome of a forthcoming local AP commissioning review and the AP aspects of the SEND green paper.

Should there be any unforeseen HN budget requirements for 2023/24 that cannot be met from the high needs contingency budget, then appropriate approvals will be sought in-year to fund these from the DSG reserve.

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.

TABLE 7: Pupil Premium Comparison				
	FSM EVER6			
	Primary	Secondary	Service Child	Post Looked after Child *
	£	£	£	£
2023/24	1,455	1,035	335	2,530
2022/23	1,385	985	320	2,410

. *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 2022 spending review, local authorities have also been allocated additional funding for 2023 to 2024 worth £2 billion on top of the schools NFF, through the Mainstream Schools Additional Grant (MSAG). This equates to **£8.725m** for Nottingham City maintained schools and academies.

The MSAG will fund the following providers, for the 5 to 16-year-old age range:

- primary and secondary maintained schools
- primary and secondary academies and free schools
- all-through maintained schools
- all-through academies

6 Reserves

SSR can only be allocated in accordance with the Schools and Early Years Finance Regulations (England) 2022.

6.1 The statutory schools reserve (ring fenced for schools) has an **unearmarked balance of £9.6m** after all formally approved commitments. This is set out in **Table 8** however at this point it is based on a forecast full spend.

TABLE 8: Reserve summary	
	Actual £m
Opening balance as at 1 April 2022	14.5
Less: Approved commitments	(4.9)
Uncommitted Balance as at a 31 March 2023	9.6

The £1.6m DSG reserves that support the 2023/24 schools budget will be drawn from the amounts previously committed. The reserve balance will increase by £2.0m due to unallocated high needs funding in 2023/24 being put straight to the reserve.

6.2 The uncommitted element of the SSR is 2.9% of the DSG budget; this was 1.2% as at 31 March 2022. 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.

Throughout 2023/24 this risk will be regularly reviewed to ensure that the uncommitted balance remains adequate considering appropriate risks.

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.

- 1.1 DfE – The Schools and Early Years Finance (England) Regulations 2022
- 1.2 DfE Policy document - The national funding formulae for schools and high needs 2023-24
- 1.3 SF - Disapplication request to the Education & Skills Funding Agency to include Building Schools for the Future Funding in the premises: exceptional circumstances factor in the financial year 2023/24 – 11 October 2022
- 1.4 SF – Proposed approach to DSG Budget Setting 2023/24 by block – 6 December 2022
- 1.5 SF – Proposed approach to DSG Budget Setting 2023/24 by block – 6 December 2022
- 1.6 SF – Central Expenditure Budget 2023/24 – Historic Commitments – 6 December 2022
- 1.7 SF – Central Expenditure Budget 2023/24 – Ongoing Commitments – 6 December 2022
- 1.8 SF - De-delegation of funding for trade union time off for senior representatives – 6 December 2022
- 1.9 SF - School improvement, monitoring and brokerage grant – request for approval for de-delegation for 2023/24 – 6 December 2022
- 1.10 SF - Early Years Central Expenditure 2023/24 – 6 December 2022
- 1.11 SF – Pupil Growth Contingency Fund 2023/24 – 6 December 2022
- 1.12 SF – De-delegation of 2023/24 Health and Safety Building Inspection Funding

Elements	Schools Block £m	Central Schools Services Block £m	Early Years Block £m	High Needs Block £m	Total DSG £m
Educational settings	262.753	-	21.484	47.841	332.078
Pupil Growth	0.935	-	-	-	0.935
Central Expenditure	-	4.495	1.025	4.800	10.320
De-delegated	0.261	-	-	-	0.261
High Needs Contingency	-	-	-	1.350	1.350
BLOCK TOTAL	263.949	4.495	22.509	53.991	344.944
2023/24 DSG Settlement	-260.157	-4.037	-22.286	-58.339	-344.819
DSG Reserve Funding	-1.438	-	-0.223	1.983	0.322
Reimbursement from ESFA 2023/24	-0.447	-	-	-	-0.447
TOTAL FUNDING	-262.042	-4.037	-22.509	-56.356	-344.944
VARIANCE	1.907	0.458	0	-2.365	0