

LANCASHIRE SCHOOLS FORUM

Date of meeting 12 January 2023

Item No 10a

Title: Schools Budget 2023/24

Appendix A refers

Executive Summary

This report has been prepared following receipt of pupil data and Dedicated Schools Grant (DSG) allocation information from the Education and Skills Funding Agency (ESFA). The report sets out the budget proposals for 2023/24 across the four funding blocks.

A meeting of the Forum Chairs' Group was arranged on 10 January 2023. Recommendations arising from this meeting around finalising the Schools Budget 2023/24 will be presented to the Forum on 12 January 2023.

Following consideration of the final Schools Budget proposals by the Forum and the Lancashire County Council, the Authority is required to submit a final Schools Block budget proforma for 2023/24 to the ESFA by 20 January 2023. This report also provides information on the High Needs, Early Years and Central School Services Blocks for 2023/24, and seeks the formal approval for the budget lines requiring Forum agreement.

Recommendations

The Forum is asked to:

- a) Note the report, including the 2023/24 Dedicated Schools Grant (DSG) allocations and the budget proposals for each of the 4 funding block;
- b) Note the recommendations from the Forum Chairs' Group meeting on 10 January 2023 (to be presented at the Forum meeting on 12 January);
- c) Support the Schools Budget proposals for 2023/24 for the Schools Block, High Needs Block, Early Years and Central School Services Blocks;
- d) Support the proposals for the high needs funding supplementary grant for 2023/24;
- e) Support the Dedicated Schools Grant Reserve underwriting the uncertainties around the Schools Budget 2023/24;
- f) Formally approve the budget lines requiring Forum agreement (as set out at item 10c -Information will be presented at the forum).
- g) Express any views to be brought to the attention of the Cabinet when setting the 2023/24 Schools Budget.

Recent reports to the Forum and Working Groups have set out the Government's announcements about school funding for 2023/24.

The Dedicated Schools Grant is a ring-fenced specific grant and it must be used in support of the Schools Budget as defined in the Dedicated Schools Grant Conditions of Grant and the School and Early Years Finance (England) Regulations. The Dedicated Schools Grant is allocated to every Local Authority in four funding blocks, each calculated using national funding formulae. The four blocks are:

- Schools Block;
- High Needs Block;
- Early Years Block;
- Central School Services Block.

In July 2022, the Government made initial announcements about the 2023/24 school funding arrangements.

Further updates about school funding were provided on 17 November 2022, when the Chancellor delivered his Autumn Budget 2022. The additional £2.3bn funding arising from the Chancellor's announcements will be paid as a grant outside the Dedicated Schools Grant for 2023/24, and £2.3 billion in 2024/25. In 2024/25, the core schools budget will be £58.8 billion, £2 billion more than the budget published in Spending Review 2021, after adjusting the budgets to account for the removal of compensation for employer costs from the Health and Social Care Levy.

Further information on each of the funding blocks is provided below and details of the final 2023/24 Dedicated Schools Grant allocations, notified in December 2022, and the proposed Schools Budget expenditure are contained in Appendix 'A'.

Schools Block

The Schools Block funds mainstream primary and secondary schools and academies.

The Schools Block funding framework for 2023/24 will continue to operate under the 'soft' National Funding Formula arrangements first introduced in 2018/19. This is where the allocations for each local authority are calculated on the aggregated individual school National Funding Formula amounts calculated by the Government, but the local authority's local formula still applies in making actual allocations to schools.

Following a previous consultation with schools and academies in the County, and discussions with the Schools Forum, the Cabinet ratified the use of the National Funding Formula as the Lancashire formula methodology from April 2018. This will continue to apply in 2023/24.

Department for Education announcements indicate that the basic structure of the National Funding Formula remains unchanged for 2023/24, but the higher funding allocations have been used to increase factor values from April 2022.

National Funding Formula factor values for 2023/24 have increased, as follows:

- rolling the 2022 to 2023 schools supplementary grant into the NFF by:
 - adding an amount representing what schools receive through the grant into their baselines
 - adding the value of the lump sum, basic per pupil rates and free school meals Ever 6 (FSM6) parts of the grant onto the respective factors in the NFF
 - uplifting the minimum per pupil values by the supplementary grant's basic per-pupil values, and an additional amount which represents the average amount of funding schools receive from the FSM6 and lump sum parts of the grants
- increasing NFF factor values (on top of the amounts we have added for the schools supplementary grant) by:
 - 4.3% to free school meals at any time in the last 6 years (FSM6) and income deprivation affecting children index (IDACI). DfE say that this additional support directed to disadvantaged pupils, by increasing the FSM6 and IDACI factors in the schools NFF by a greater amount than other factors, means that a greater proportion of schools NFF will be targeted towards deprived pupils than ever before. 9.8% of the schools NFF will be allocated according to deprivation in 2023/24.
 - 2.4% to the basic entitlement, low prior attainment (LPA), FSM, English as an additional language (EAL), mobility, and sparsity factors, and the lump sum.
 - 0.5% to the floor and the minimum per pupil levels (MPPL)
 - 0% on the premises factors, except for Private Finance Initiative (PFI) which has increased by Retail Prices Index excluding mortgage interest payments (RPIX) which is 11.2% for the year to April 2022

The announcements also included the relevant minimum pupil funding levels for primary and secondary schools, which incorporate the 3.37% uplift for 2023/24:

- For primary schools, the minimum pupil funding level will be £4,405 per pupil in 2023/24 compared to £4,265 per pupil in 2022/23.
- For secondary schools, the minimum pupil funding level will be £5,715 per pupil from 2023/24 compared to £5,525 per pupil in 2022/23;

Government consultation in 2021 has also led to changes to the payment process of schools business rates, but were not implemented in 2022/23. From 2023/24, schools business rates will be paid by the Education and Skills Funding Agency to billing authorities directly on behalf of all state funded schools. As long as all billing authorities agree to implement the National Non Domestic Rates (NNDR) and if mutual consent is not reached it will not be possible for any billing authority to adopt the revised payment process.

Minimum Funding Guarantee

Local authorities will continue to set a Minimum Funding Guarantee in local formulae, which in 2023/24 must be between +0.0% and +0.5%.

The level to be applied in Lancashire is the subject of a consultation with schools and the Schools Forum will be asked to make a final recommendation on the level of Minimum Funding Guarantee to be applied from April 2023.

Schools Block Transfer

The Regulatory framework continues to allow local authorities to be able to transfer up to 0.5% of their schools block allocation to other blocks of the Dedicated Schools Grant, with schools forum approval.

In 2022/23, following consultation with schools and academies, the Schools Forum agreed to transfer Schools Block headroom to support pressures in the Early Years Block. This transfer equated to £1m in each year.

However, modelling indicates that all allocated funding will be required for the Schools Block formula in 2023/24, meaning that there will be no headroom available to support pressures in the early years sector.

High Needs Block

The High Needs Block funds:

- Special Schools budgets;
- Alternative Provision budgets (mainly Pupil Referral Units);
- Special Education Resource Facility and Special Educational Needs in mainstream schools;
- Individually Assigned Resources for High Needs pupils across all educational establishments;
- Certain Special Education Needs Central Schools Services.

The allocation to Lancashire is calculated using a national High Needs Block formula, but the Local Authority's local funding formulae still apply to distribute High Needs funding to Lancashire providers.

Department for Education announcements confirm that the basic structure of the High Needs National Funding Formula for 2023/24 is not changing. The High Needs National Funding Formula floor and gains cap have been set as follows for 2023/24:

- The funding floor – this ensures that all local authorities' allocations per head of population will increase by a minimum percentage compared to the baseline. For 2023-24 we are setting the funding floor at 5%, having adjusted the baseline to include the supplementary high needs funding that was allocated to local authorities in December 2021, following the 2021 spending review.
- The gains cap – the limit on gains per head of the population compared to the baseline. For 2023-24 we are setting the gains cap at 7% which means that

local authorities can see an increase of up to 7% before their gains are capped (again, compared to a baseline that takes account of the supplementary high needs funding allocated in December 2021).

- The hospital education factor will also be uplifted by 5%.

We have received additional High Needs Funding for 2023/24 following the Autumn 22 Statement. Nationally, this is a total of £ 400 million and Lancashire's additional High Needs Funding totals 8 million. This is applied as a 4.6% increase to the funding floor and a proxy factor in the high-needs NFF allocations. This has been included in our total baseline allocation.

Early Years Block

Early Years Block funding is utilised for:

- Funding for the universal 15 hours entitlement for three and four-year-olds;
- Funding for the additional 15 hours entitlement for three and four-year-old children of eligible working parents;
- Funding for the 15 hours entitlement for disadvantaged two-year-olds;
- Funding for the Early Years Pupil Premium;
- Funding for the Disability Access Fund;
- Supplementary funding for Maintained Nursery Schools.

The Government introduced an Early Years National Funding Formula in April 2017. This arrangement introduced a formulaic mechanism for distributing early years funding from the national Government to each local authority, and set a framework that must be used to distribute funding to all types of early education providers, including nursery schools; nursery classes in maintained primary schools; Private, Voluntary and Independent providers and Childminders. The Early Years National Funding Formula introduced a requirement to have a Universal Base Rate for all providers and sets out the type and level of supplements that are available.

Central School Services Block

This Block is to fund central functions that local authorities carry out on behalf of pupils in state-funded maintained schools and academies in England. The Central School Services Block was first introduced in 2018/19, and effectively replaced the previous Education Services Grant allocations, but the levels of funding had reduced considerably compared to previous years.

The Central School Services Block allocation for local authorities is split into funding for historic commitments and funding for ongoing responsibilities.

The ongoing responsibilities element of funding is calculated by the Department for Education on a formulaic methodology based on pupil numbers and deprivation, plus an area cost adjustment. The historic commitments element of the Block funds certain ongoing obligations funded from the Dedicated Schools Grant.

The Department for Education have stated that they will continue to unwind the historic commitments funding to zero in future years.

Final Dedicated Schools Grant Allocation 2023/24

Details of Lancashire's final Dedicated Schools Grant allocations for 2023/24 for each funding block, and the expenditure proposals for each block are provided at Appendix 'A'.

Financial Implications

The report forecasts a balanced Dedicated Schools Grant funding position in 2023/24, subject to the planned use of £1m in Schools Budget reserves to mitigate transitional pressures in the Early Years Block budget.

Any uncertainties contained in the Schools Budget proposals will be underwritten by the Dedicated Schools Grant reserves.

It should also be noted that the Department for Education have tightened the ring-fencing around the Dedicated Schools Grant from 2020/21 onwards, to ensure that local authorities do not make provisions in their general reserves to cover possible Dedicated Schools Grant deficits, and any deficits would be carried forward into future years and then repaid overtime. A number of other local authorities are already working with the Department for Education to agree recovery plans to repay deficits.

It should also be noted that the Department for Education have tightened the ring-fencing around the Dedicated Schools Grant from 2020/21 onwards, to ensure that local authorities do not make provisions in their general reserves to cover possible Dedicated Schools Grant deficits, and any deficits would be carried forward into future years and then repaid over time. A number of other local authorities are already working with the Department for Education to agree on recovery plans to repay deficits.

To date, Lancashire has always contained any school funding pressures within the Dedicated Schools Grant. The Dedicated Schools Grant reserve as at 31 March 2022 was £24 million.

There is still concern that there could be increased strain on the High Needs Block budget from 2023/24 or 24/25 onwards, dependent on the rise in demand. The initial announcements from the Government indicate circa 3% rises in funding per annum but forecast cost and demand-led pressures in the High Needs Block are estimated to remain at a level well above this, approx. 8%. This could create significant pressure on the High Needs Block Budget and the overall Dedicated Schools Grant in the longer term.

SEND Sufficiency work is currently being carried out to address this issue.

Appendix A

Final Dedicated Schools Grant allocations for 2023/24 were published by the Department for Education on 16 December 2022.

Lancashire's Gross 2023/24 Dedicated Schools Grant allocation is £1,243.45m.

The equivalent Gross Dedicated Schools Grant income figure for 2022/23 was £1,166.086m. The 2023/24 figure is over £70m higher than the previous year. This increase includes the Supplementary grant being mainstreamed into our Allocation for 2023/24 and the additional Mainstream Schools Annual Grant for 2023/24.

This increase in funding is due to:

- Lancashire's share of the increased £2.3bn funding nationally made available by the Government.
- Mainstreaming of the Supplementary Grant into our total DSG Allocation.
- Lancashire's share of the increased £180m nationally for the Early Years Block.
- An increase in the overall number of pupils in Lancashire compared to 2022/23.

The sections below provide further details of the Lancashire Dedicated Schools Grant allocations and present the estimated Schools Budget for 2023/24.

DEDICATED SCHOOLS GRANT ALLOCATIONS 2023/24

The Department for Education sub-divide the Dedicated Schools Grant allocations into 4 funding blocks:

- Schools Block
- High Needs Block
- Early Years Block
- Central Schools Services Block.

These Blocks are all calculated on a formulaic basis.

The Lancashire Dedicated Schools Grant allocations for 2023/24 across the 4 funding blocks are shown below:

<u>Forecast Dedicated Schools Grant Income</u> <u>23/24</u>	Allocation (£m)	Additional Funding (£m)	Total DSG Allocation 2023/24 (£m)
Schools Block	924.602	31.0	955.602
High Needs Block	193.394		193.394
Early Years Block	87.644		87.644
Central Schools Services Block	6.81		6.81
Gross Total forecast Dedicated Schools Grant Income	1,212.45	31.0	1,243.5

The total deduction for national schools' non-domestic rates	-0.888		-0.888
Total deductions for direct high-needs payments made by the ESFA	-9.314		-9.314
Net Total forecast Dedicated Schools Grant Income	1,202.25	31.0	1,233.25

Information on the allocations for each of the funding blocks is provided below;

Schools Block Allocation 2023/24 – (£956m)

The Schools Block allocations for 2023/24 are derived based on illustrative individual Schools National Funding Formula allocations calculated by the Government. These calculations translate into primary and secondary units of funding for 2023/24. These units of funding are multiplied by the number of primary and secondary pupils from the October 2022 census. A breakdown of the units of funding and pupil numbers for 2023/24 are listed in the table below;

Primary school's unit of funding (£)	4,931
Number of pupils in primary schools	97,061
Total Primary Funding 2023/24	478,579,643
Secondary school's unit of funding (£)	6,214
Number of pupils in secondary schools	68,954
Total Secondary Funding 2023/24	428,488,430

At the Local Authority level allocation for premises factors and growth funding are added to provide the final Schools Block allocation:

Premises factor, including national non-domestic rates (NNDR) (£s)	13,617,198
Growth funding (£s)	3,916,920

Please note the figures quoted above are gross and do not include deductions to be made to our allocation for Academy Recoupments who will receive their funding direct from the ESFA.

The 2022 Autumn Statement announced that the core school's budget will increase by £2.3 billion in 2023 to 2024 financial year, over and above totals announced at the Spending Review 2021.

In 2023 to 2024 financial year, mainstream schools will be allocated additional funding through the mainstream school's additional grant (MSAG). This is in addition to schools' allocations noted above calculated through the schools national funding formula

Lancashire's MSAG allocation for 2023/24 is £ 31 million. The additional grant funding for 2023 to 2024 is indicative allocations. School-level allocations will be confirmed in Spring 2023.

This provides a total Lancashire Schools Block allocation for 2022/23 of £956 million, including the Mainstream Schools Additional Grant.

The 2023/24 Schools Block allocation is over £52m higher than the equivalent figure in 2022/23. A breakdown of the increase in funding on the Schools Block is summarised in the tables below:

Total Schools Block Increase:

	23/24	22/23
Schools DSG block (£m)	925	878
Additional Grant Funding (£)	31	25
Schools DSG block Including Additional Grant Funding (£)	956	903
<i>Increase in schools funding from 2022-23 to 2023-24 (£m)</i>	52	
<i>Increase in schools funding from 2022-23 to 2023-24 (%)</i>	5.8%	
<i>Increase in schools funding from 2022-23 to 2023-24 (% , per pupil)</i>	5.6%	

Rates Process Update

From 2022/23, schools' business rates were meant to be paid by the Education and Skills Funding Agency to billing authorities directly on behalf of all state funded schools. Business rates revised arrangements were introduced in some LAs in 2022/23. However, the historic arrangements continued to apply in Lancashire, and at this point, we expect the existing rates arrangements to continue for schools' business rates in 2023/24.

DfE has indicated that they have asked local authorities to confirm by January 2023 the payment process they will be implementing for April 2023. In 2 tier local authority areas (like Lancashire), all billing authorities need to agree to implement the National Non-Domestic Rates (NNDR) changes before they are introduced and if mutual consent is not reached it will not be possible for any billing authority to adopt the revised payment process.

High Needs Block allocation – (£193million)

The 2023/24 High Needs Block allocation is calculated under the Government's national High Needs funding formula. Key features of the formula include:

- A high-needs funding floor and gains calculation.
- Basic entitlement factor (with area cost adjusted) for the number of pupils in special schools and academies.
- Import/export adjustment.
- Additional Funding for Special Free Schools.

- Hospital education, Alternative Provision teachers' pay/pension and supplementary funding factor.

We have received additional High Needs Funding for 2023/24 following the Autumn 22 Statement. Nationally, this is a total of £400m and Lancashire's additional High Needs Funding totals £8m. This is applied as a 4.6% increase to the funding floor and a proxy factor in the high-needs NFF allocations. This has been included in our total baseline allocation.

The formula breakdown above and the additional High Needs funding provide a 2023/24 High Needs Block allocation for Lancashire of £193m.

This figure is over £20m higher than the equivalent 2022/23 allocation, due to increased funding for the High Needs Block made available by the Government.

A breakdown of the increase compared to 2022/23 is shown in the table below:

	23/24	22/23
High needs DSG block (£m)	185	173
High needs additional DSG funding (£m)	8	0
Total High Needs DSG funding (£m)	193	173
<i>Increase in high needs DSG funding from 2022-23 to 2023-24 (£m)</i>	20	
<i>Increase in high needs funding from 2022-23 to 2023-24 (%)</i>	10.4%	

It should be noted that the High Needs Block allocation is provisional, and the gross total above includes allocations attributable to funded places that will be deducted and made directly by the Education and Skills Funding Agency. These are estimated by Education & Skills Funding Agency to total circa £9.3 million.

Early Years Block Allocation – (£87.64m)

Allocations for the Early Years Block include:

- funding for the universal 15 hours entitlement for three- and four-year-olds.
- funding for the additional 15 hours entitlement for three- and four-year-old children of eligible working parents.
- funding for the 15 hours entitlement for disadvantaged two-year-olds.
- funding for the Early Years Pupil Premium.
- funding for the Disability Access Fund.
- supplementary funding for Maintained Nursery Schools.

The allocations are calculated on a formulaic basis.

As part of the Autumn Statement and the Early Years consultation earlier in the year, the Department for Education is investing additional funding for the early year entitlements worth £180 million in 2023/24. This is for local authorities to increase

hourly rates paid to childcare providers for the government's childcare entitlement offers and reflects the costs of inflation and national living wage increases.

This additional funding translates into increased allocations to Lancashire as follows:

Funding	Uplift Basis	22/23 Rate	23/24 Rate	Increase (£)
3 and 4-year-old entitlements	Per Hour	4.64	4.87	0.23
2-year-old entitlement	Per Hour	5.57	5.63	0.06
Supplementary funding for maintained nursery schools	Per Hour	3.67	4.31	0.64
Early Years Pupil Premium	Per Hour	0.6	0.62	0.02
Disability Access Fund	Per Child Per Year	800	828	28.0

The significant increase in the Supplementary Funding is due to the Teachers Pension and Pag Grant now being incorporated into the base rate.

These uplifts provide a total Early Years Block allocation for Lancashire for 2023/24 of £87,644,156.

Funding	22/23 (£mil)	23/24 (£mil)	Increase (£mil)
3 and 4 Year Old Universal	44.43	46.94	2.51
3 and 4 Year Old Extended Entitlement	23.60	24.93	1.33
2 Year Olds	10.34	10.45	0.11
Early Years Pupil Premium	0.94	0.97	0.03
Supplementary Funding for MNS	3.34	3.92	0.58
Early Years DAF	0.36	0.44	0.07
Total Early Years Funding	83.01	87.64	4.64

Lancashire's Early Years funding is £4.6m higher than the equivalent 2022/23 allocation, this is due to the increases in hourly rates listed above.

It should be noted that the 2023/24 early years block allocations are initial, and based on Schools, Early Years and Alternative Provision census data from January 2022. These allocations will be updated based on January 2023 census data and will be received in July 2023.

Central Schools Services Block Allocation – (£6.8m)

The Central Schools Services Block is to fund central functions that Local Authority's carry out on behalf of pupils in state-funded maintained schools and academies in England.

The Central Schools Services Block is split into funding for historic commitments and funding for ongoing responsibilities. The ongoing responsibilities element is based on a formula, with unit values being increased by circa 2% for 2023/24.

The Historic Commitments element of the allocation has been reduced by 20% compared to 2022/23, as the Department for Education indicate that they will continue to 'unwind' historic commitments over time.

The total Lancashire's Central Schools Services Block allocation for 2023/24 is £6,810,265. This is a reduction of £ 0.02 million compared to 2022/23. This is due to the increase in Ongoing Responsibilities allocation less the Historic Commitment reduction

In Year Adjustments

The Dedicated Schools Grant allocation notified is before in year adjustments for:

- Academies recouplement from the school's block.
- Deductions for high-needs places in academies and non-maintained special schools.
- Post 16 places.
- Deduction for national copyright licences.
- Deduction for schools' business rates.
- Updates to the funding for three- and four-year-olds.
- Updates to the funding two-year-olds.
- Updates to the early years supplementary funding for maintained nursery school.
- Updates to the early year's pupil premium.
- Updates to early years Disability Access Fund.

Mainstream Schools Annual Grant 2023/24

The 2022 Autumn Statement announced that the core schools' budget will increase by over £2bn in 2023 to 2024 financial year, over and above totals announced at the Spending Review 2021.

In the 2023 to 2024 financial year, mainstream schools will be allocated additional funding through the mainstream school's additional grant (MSAG). This is in addition to schools' allocations through the schools national funding formula.

The MSAG will allocate funding to state-funded mainstream schools only. In addition to the MSAG, local authorities have been allocated £400 m in additional high-needs funding for 2023/24, which will be included in the high-needs national funding formula allocations.

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
- city technology colleges

School-level allocations of the MSAG for the full 2023 to 2024 financial year will be published in May 2023.

The funding rates for the MSAG 2023/24 consist of the following 3 elements, which are based on factors already in the schools national funding formula:

- a basic per-pupil rate (with different rates for primary, key stage 3 and key stage 4);
- 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.

The additional High Needs Allocation for 2023/24 has been applied as a 4.6% increase to the funding floor and proxy factor in the High Needs NFF Allocations

Lancashire Additional funding allocations for 2023/24 are:

Mainstream Schools Additional Grant Allocation	£31m
High Needs Additional Funding allocation	£8m
Total Additional Funding 23/24	£39m

SCHOOLS BUDGET 2023/24

The latest Individual School Budgets across all phases have been constructed using the final datasets made available from the Department for Education and our latest local Early Years and High Needs data.

This Schools Budget estimate has been calculated following discussions with the Schools Forum and where necessary, consultation with Lancashire schools.

Budget Summary

Further details about each block budget set by Lancashire are provided below;

Schools Block (£956m)

Following consultation with schools and the Schools Forum as part of the 2018/19 Schools Budget setting cycle, it was agreed to use the Government's National Funding Formula methodology as the local Lancashire funding model.

As supported by responses from schools in a consultation held in the autumn term of 2022, the Minimum Funding Guarantee has been included in the formula at +0.5%.

It should also be noted that a transfer of Schools Block headroom has been agreed in recent years to support pressures in other funding blocks. For 2023/24, no headroom is available, largely due to the increased pressures on Schools Budgets including staffing inflation and utility costs.

The Schools Block funding is sufficient for all the National Funding Formula factors and rates to be applied in full, including updated Minimum Pupil Funding rates, and the agreed Minimum Funding Guarantee.

The Schools Block expenditure for 2023/24 is therefore estimated in the table below:

Forecast Schools Block Expenditure	£m's
Primary	486.21
Secondary	437.70
All-Through	1.37
Growth	3.9
Total	929.2

The overall calculation reveals a 2023/24 Schools Block expenditure requirement of £929m. The school will then receive an additional allocation as per the Mainstream Schools Annual Grant on top of the formula budget calculated above, which is a total of £31m to be distributed over Lancashire Mainstream Schools.

The Authority Proforma Tool (APT) is a dataset to be returned to DFE by 20th January 2023, which will feed the final Schools Block settlement and individual schools' budgets. A couple of minor queries are still being investigated which could change the above incidences before final submission, but will not change the bottom line of £929m.

High Needs Block (£193m)

The High Needs Block expenditure for 2023/24 is estimated in the table below:

	Place funding £m	Top-up funding £m
Delegated to Schools	45.9	77.8
FE Colleges		12.8
High Needs Block costs on a commissioned basis		44.2
Total deductions based on 21/22 for direct high needs payments made by the Education and Skills Funding Agency		9.3
Total	45.9	144.1

Total Expenditure £m	190.0
Total Income £m	193.0
Underspend £m	3.0

In 2023/24, a total of £190m is expected to be spent on the High Needs Block, compared to a budget of £193m. There will be a contingency fund for this underspend until we have more information regarding the increase in demand as we move into the financial year of 2023/24.

Assumptions included in the figures are listed below:

- This forecast expenditure includes an estimate of the considerable cost and demand-led pressures facing the block in 2023/24. Based on historical trend data we have included a forecasted increase of 8% over the 2023/24 financial year, the expenditure figures above include this increase.
- 3% has been included as a forecasted inflationary increase on Commissioned services, this is largely to account for staffing increases on services we commission.
- In addition, the Weighted Pupil Number values supporting all high-needs pupils are proposed to increase by 3% in 2023/24.
- The Additional High Needs funding has been earmarked in the above figures; further discussions are to be held at a Schools Forum to confirm how they want the funding distributed. All Special Schools and PRUS will receive a 3.4% increase as per the guidance published, but this will leave an unallocated amount to be distributed to the remaining sectors based on the Schools Forum recommendation.
- The circa £9.3m of deductions in the Dedicated Schools Grant notifications have been budgeted here, as this relates to direct high-needs payments made by the Education and Skills Funding Agency and will be deducted from our allocation.
- An increase in PRU places of 39 from September 2023 as per discussions with the Head of Inclusion and PRU heads.

There is still concern that there could be increased strain on the High Needs Block budget from 2023/24 or 2024/25 onwards, dependent on the rise in demand. The initial announcements from the Government indicate circa 3% rises in funding per annum but forecast cost and demand-led pressures in the High Needs Block are estimated to remain at a level well above this, approximately 8%. This could create significant pressure on the High Needs Block Budget and the overall Dedicated Schools Grant in the longer term.

SEND Sufficiency work is currently being carried out to address this issue.

Early Years Block – (£87.644m)

Government announcements of additional Early Years funding translate into increased hourly rates for each category of Early Years Entitlement Funding, and this will enable Lancashire to increase the hourly rate we pay over to Early Years Providers.

3 and 4-year-old entitlements

In 2022/23, the Schools Forum agreed that the Early Years Block allocation will be supplemented by a transfer of £1m per year from the Dedicated Schools Grant Reserves to assist with the cost pressures in the early years sector. This transfer allowed the 2022/23 hourly rate for the 3 and 4-year-old entitlements to be increased by £0.04 per hour.

Initial modelling on the early years block suggests the full £0.23 pence hourly increase can be funded from within Early Years Block Budget. School Forum understands that

Early Years are facing considerable pressures within the sector. Therefore, for 2023/24 it is being proposed that £1 million to be transferred from DSG Reserves again to allow an additional £0.04 pence for the 3 and 4-year-old entitlements over and above the DfE confirmed increase. This would provide of a new rate of £4.75 per hour if School Forum agrees on 12th January 2023. This would give an increase of £0.27 pence per hour.

The 2023/24 funding rate may therefore be calculated as follows:

<i>2022/23 base rate, which included £0.04 contribution from Lancashire Schools Block</i>	<i>£4.48 per hour</i>
<i>2023/24 base rate as per 2023/24 Indicative Early Years Allocation</i>	<i>£4.87 per hour</i>
<i>2023/24 Base rate paid by LCC to providers (including £0.04 pence funding from DSG Reserve)</i>	<i>£4.75 per hour</i>

Currently, Lancashire County Council adopt a Supplementary Payment process, this means we pay a lower rate to providers than we are funded but pay Supplementary hours. The funding mechanism for Government Early Years Allocations is based on January census data, so all funding is based on this date and does not account for intake or fluctuation throughout the terms

The methodology behind the January census point is that the Autumn term is the highest and Summer Term is usually the lowest for fte/hours of children therefore the Spring Term should be the mid-point/average.

Lancashire adopts a policy where we fund all intake throughout each term, which we do not receive in our allocation. This means providers hourly rates are lower, but they get funded for every child and every hour through each term, which is financially more beneficial for providers.

The Lancashire base rate for 3 and 4-year-old entitlements of £4.71 per hour in 2023/24, would be an increase of 23p per hour.

2-year-old entitlement

Lancashire is to receive an additional £0.06 per hour for the 2-year-old entitlement for 2023/24, which will be passed to providers in full. This would give a forecast Lancashire funding rate for 2-year-olds of £5.63 per hour from April 2023.

Supplementary funding hourly rate for maintained nursery schools

Lancashire will receive a £0.64 increase in the supplementary funding hourly rate for maintained nursery schools in 2023/24, which will be passed to the maintained nursery schools, providing a revised hourly supplement rate of £4.31 per hour.

The significant increase in the Supplementary Funding is due to the Teachers' Pension and Pay Grant now being incorporated into the base rate.

Early Years Pupil Premium

Lancashire will receive an increase on our early years pupil premium rate by 2p, increasing the hourly rate to 62p, equivalent to up to £353 per eligible child per year, for 2023/24, in line with national announcements

Disability Access Fund

Lancashire will increase the disability access fund by £28 to £828 per eligible child per year for 2023/24, in line with national announcements.

Special Educational Needs Inclusion Fund

Local authorities must have a Special Educational Needs Inclusion Fund for all eligible 3 and 4-year-olds taking up the free entitlements, regardless of the number of hours taken. For 2023/24 it is proposed to keep the Lancashire fund at the 2022/23 level of £500k in total. This recommendation will need to be approved by Schools Forum.

The Early Years Block expenditure for 2023/24 is therefore estimated in the table below:

Forecast EYB Expenditure	£m's
Early Years Block 2-year-olds	10.446
Early Years Block 3/4-year-olds	71.364
Early Years Pupil Premium expenditure	0.975
Early Years Disability Access Fund expenditure	0.437
Nursery School Maintained Nursery School	3.921
Special Educational Needs Inclusion	0.500
Total	87.64

Central Schools Services Block (CSSB) (£6.81m)

The estimated Central Schools Services Block expenditure in 2023/24 is £ 6.81m.

The budget takes account of the Department for Education's decision to reduce the Historic Commitments element of the budget by a further 20% from April 2023, as part of their intention to cease all 'historic' funding over time.

Careful consideration will be needed around the Central Schools Services Block in future years, as Department for Education implements further reductions in the Historic Commitments budget.

A proportion of the Central Schools Block funds services within Lancashire County Council and a recharge is made into revenue budgets. We are currently awaiting further details on the 2023/24 recharge requirements, which may increase due to inflation, but modelling will take place to ensure the Central Schools Block balances overall.

Calculation of the final 2023/24 funding position

	£m's
Total forecast Dedicated Schools Grant Budget 2023/24	1,243.45

Total Forecast Dedicated Schools Grant Allocations 2023/24	1,243.45
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The schools Budget proposals forecast a balanced Dedicated Schools Grant funding position in 2023/24.

The High Needs Block is currently showing an underspend based on initial forecasting, adjustments still need to be made to this block funding by ESFA and demand could increase even further before 2023/24 or throughout the 2023/24 financial year, so this underspend will be earmarked in Contingency.

Mainstream Schools Annual Grant 2023/24

In 2023 to 2024 financial year, mainstream schools will be allocated additional funding through the mainstream school's additional grant (MSAG) 2023 to 2024. This is in addition to schools' allocations through the schools national funding formula.

The MSAG will allocate funding to state-funded mainstream schools only.

The county council will receive the individual school allocations for maintained schools and be expected to passport the funding to the relevant schools in full. The Education and Skills Funding Agency will pay Lancashire academies directly.

School-level allocations of the MSAG for the full 2023 to 2024 financial year will be published in May 2023.