

Wards Affected – All

Schools' Forum 25 January 2023

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## 2023/24 Dedicated Schools Grant

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### 1. Purpose

- 1.1 The purpose of this report is to:
- Inform Schools Forum of the DSG allocation and the Schools Block budget for 2023/24
  - Agree on whether trade union facility time should be de-delegated and at what rate
  - Obtain approvals for the use of the growth fund, the use of central school services block funding and early years block central expenditure.
  - Update Forum on the Early Years and High Needs Block funding announcements from the DfE and the budget implications.

### 2. Recommendations

- 2.1 Schools Forum is recommended to:
1. Note the 2023/24 DSG settlement.
  2. Note the continued use of the NFF for the local formula.
  3. Note the MFG (minimum funding guarantee) of +0.5% and capping of gains at +2.1% per pupil.
  4. Note the distribution of the year-on-year changes to total school budgets, numbers on roll, and per pupil funding rates.
  5. Note that the DfE have announced a separate mainstream schools' additional grant (MSAG) of £10m or 3.2% of the schools' block allocation. School level allocations along with any grant conditions will be published in May 2023 by the ESFA. The supplementary grant paid in 2022/23 has been rolled into the NFF allocation.
  6. Approve the recommended growth fund funding rates as per the DfE.
  7. Agree on whether schools want to de-delegate funding for trade union facility time and if so at what rate.
  8. Approve the expenditure to be funded from the central school services block (£2.14m).
  9. Approve central expenditure of £0.3m to be funded from the early years block.
  10. Note the increase in the DfE's hourly rates for the early years block.

11. Note the requirement to consult with forum on the distribution of former grants now included as part of the early years block.
12. Note the recommended proposal of including the funding associated with these grants as part of the 3/4 year old hourly base rate per pupil (option 2 in the report).
13. Agree the form of consultation, ie whether this meeting is sufficient; or whether a further 2 week period is desired to consider the proposals responses emailed back to the LA following which the LA will make a decision; or whether a further meeting is required to discuss the matter following which the LA will make a decision.
14. Note the initial high needs block allocation, additional funding and forecast deficit.
15. Note that the DfE's desire to restrain growth in high needs block expenditure and to bring this into line with the funding allocation, through the management recovery plan process. This will require a system wide, collective approach as the LA cannot achieve this aim alone.
16. Discuss the system wide issues with SEND and in particular, agree what collective changes, for example in terms of the inclusion agenda, could be made to address the unsustainable growth in demand for EHC plans.

### 3. Key points

1. Increase in schools block allocation of 3.3% to £312.5m compared to £302.4m in 2022/23. The supplementary school grant (SSG) of £8.2m paid separately in 2022/23 has been added to the funding allocation for the NFF.
2. An additional grant called the mainstream school additional grant (MSAG) with an indicative amount totalling £10.1m will be paid to mainstream schools in addition to the schools delegated budget. The school level allocations and grant conditions will be announced in May. This takes the total schools funding in 2023/24 to £322.6m, a 6.7% increase compared to 2022/23.
3. Year on year minimum funding guarantee (MFG) per pupil protection of +0.5%, all other schools gains capped at +2.1%
4. Excluding the MSAG, overall average total budget per pupil is £4,959 for primary schools and £6,706 for secondary schools, a year-on-year increase of 1.7% and 2.1% respectively. The MSAG could add up to a further 3.2% to these per pupil increases, in other words around a 5% overall increase per pupil.
5. Total pupil numbers have increased by 626 between October census dates in 2022 and 2021 with a 646 increase in secondary pupils and a reduction of 20 in primary pupils.
6. 45 (55%) primary schools see a reduction in numbers on roll; 9 (43%) secondary schools see a reduction.
7. 22 (27%) primary schools will see a reduction in their total budget; 5 out of 21 secondary schools have a reduction in their total budget.
8. Early years hourly allocation rates increased for 3 and 4-year-olds by 1% (to £5.03 per hour) and 1.1% for 2-year olds (to £5.63 per hour). This is an extremely disappointing increase. The new rates include £0.11p per hour which relates to DfE grants which have previously been paid separately to schools to cover the teachers' pension and pay

increases from 2018/19 – the grants were known under the acronyms of TPG and TPECG. Decisions need to be taken as to how this funding is allocated locally.

9. The high needs block allocation has increased by £7.5m (10.5%). The current underlying deficit for 2022/23 is £6.6m and this, together with further growth and inflationary increases, means that the forecast for 2023/24 remains a significant deficit.

## **4. Report**

### **DfE DSG Allocations 2023/24**

- 4.1 The DSG settlement for 2023/24 was released by the DfE on 16 December 2022 for the schools' block (SB), the central school services block (CSSB), the high needs block (HNB), together with an initial allocation for the early years block (EYB).
- 4.2 The allocation of the schools' block DSG is based on the number of pupils from the October 2022 census. The total number of pupils at the October 2022 census was 54,605, 626 more than the October 2021 census which compares to a 519 increase in the prior year.
- 4.3 Primary school numbers have reduced for the fourth successive year by 20 to 32,672. The reduction was 193 in the previous year. Secondary school numbers have increased by 646 to 21,933, compared to an increase of 712 in the previous year.
- 4.4 The DfE calculate primary and secondary pupil unit funding rates for the allocation using the 2021 pupil census data and the revised 2023/24 National Funding Formula (NFF) rates. The supplementary schools grant, paid separately in 2022/23 has been added to the relevant formula factors based on how the grant was calculated originally. AWPU and the lump sum have been increased by 5.5% and the other NFF factor rates have increased by varying amounts – a full list of the funding formula rates is included in Appendix B.
- 4.5 Minimum per pupil funding levels in 2022/23 have also increased by 3.3% to £4,405 for primary schools (previously £4,265) and to £5,715 for secondary pupils respectively (previously £5,525). These minimum per pupil levels are used for those schools where the NFF would otherwise have provided a lower funding level and is applied before any year-on-year minimum funding guarantee protection.
- 4.6 The final pupil unit funding rates calculated by the DfE for our allocation are £4,918 (£4,708 in 2022/23) per primary pupil, an increase of 4.5% and £6,566 (£6,242 in 2022/23) per secondary pupil, an increase of 5.2%. This gives a total weighted average increase of 5% in the pupil unit funding rates compared to 2.4% in the previous year, but this does include the schools supplementary grant (SSG).
- 4.7 The total schools block allocation is £312.5m compared to £302.4m in 2022/23 including the SSG. This is an increase of 3.3%. However, the DfE have also announced that they will pay separately another additional grant – the mainstream schools additional grant (MSAG) - with an indicative amount of £10.1m. Including this additional grant, the overall schools' allocation will increase by 6.7% or £20m compared to 2022/23, as outlined in table 1 below.
- 4.8 The central school services block (CSSB) is intended to fund services or expenditure which was previously classified as either historic commitments or those which were funded by the former Education Services Grant plus an allowance for historic teachers' pension and pay increases. The funding has been calculated by the DfE using a rate of £37.47 per pupil (£37.86 in 2022/23) plus an allowance for historic commitments, which in our case is for legacy premature retirement costs. The allowance for historic commitments has been

reduced by 20% as was the case in the previous year. However, the actual legacy premature retirement costs have not reduced and this means a funding cut for the LA. Moreover, the allocation does not take account the inflation on other services funded through this grant, including for example admissions. This is a further real terms cut for the LA.

- 4.9 The initial Early Years Block allocation of £24.55m includes funding for the universal 15-hour entitlement and the additional 15 hours for 3-and 4-year-old children of eligible working parents. It also includes funding for the 15-hour entitlement for disadvantaged 2-year-olds, the early years pupil premium and the disability access fund. The allocation is based on the previous years' outturn data and uses a new DfE funding model which was consulted upon in September 2022. The final allocation will be based on the January 2023 and January 2024 census dates. The hourly rate for 3 and 4-years olds used in the allocation has increased by 1% from £4.87 to £4.92 per hour (1%) and the 2-year-old rate has increased from £5.57 to £5.63 per hour (1.08%). An additional £0.11 per hour has been added to the 3-and 4-year-old rate to take account of grants which were previously paid directly to schools for increased teacher costs. This is discussed in more detail below.
- 4.10 The High Needs Block (HNB) funding allocation has increased by £7.5m or 10.5% for 2023/24 with a total allocation before recoupment of £78.9m. This is not a national funding formula change by the DfE but an increase in the overall cash allocation for the HNB.
- 4.11 The following table summarises the allocations.

**TABLE 1 – DEDICATED SCHOOLS GRANT ALLOCATIONS**

Block/Grant	2023/24	2022/23	Change	% change
	(As at 16 Dec 2022)			
Primary pupil numbers	32,672	32,692	-20	
Secondary pupil numbers	21,933	21,287	646	
Total pupil numbers (census)	54,605	53,979	626	1.2%
Schools DSG	£312,457,038	£294,216,380		
SSG	included in DSG	£8,208,456		
	£312,457,038	£302,424,836	£10,032,202	3.32%
MSAG (indicative)	£10,123,612	N/A		
Schools DSG + grants	£322,580,650	£302,424,836	£20,155,814	6.66%
Central school services	£2,142,850	£2,164,645	£-21,795	-1.01%
Early years	£24,549,847	£22,454,467	£2,095,380	9.33%
High Needs	£78,850,331	£71,367,069	£7,483,262	10.49%
Total DSG + grants	£428,123,678	£398,411,017	£29,712,661	7.46%

## **2023-24 Local Budgets**

### **Schools block local allocation**

#### **Methodology**

- 4.12 The city council executive approved the use of the NFF as our local formula from 2018/19 onwards to calculate individual school budgets. The main reason for adopting the NFF as our local formula was that government originally intended to remove local formulae by 2020/21 and move to a single 'hard' national funding formula to determine every school's budget. The implementation of this continues to be delayed but the DfE have indicated that it is still their intention to do so. Authorities who did not adopt the NFF are now being forced to make a transition towards the NFF rates at a rapid pace.
- 4.13 The increased NFF rates (see Appendix B) have been used in our local formula to calculate individual school budgets.
- 4.14 Funding for property rates is lagged and based on the previous year's budget. The same applies for the split site funding and the PFI funding has been increased by 11.2% from the previous year.

#### **Growth funding**

- 4.15 There are three free schools, Avanti, Castlemead and Brookmead that will continue to expand their year groups in September 2023. As a result, funding for 565 pupils that are expected to start in September 2023 have not been included in the DfE funding allocation which uses the October 2022 census data. The funding allocation is therefore short by £2.12m.
- 4.16 The DfE allocation for in year growth for existing schools is £2.56m and £0.58m of this is currently committed to the growth fund, leaving only £1.98m of headroom. This £1.98m will be used to part fund the £2.12m shortfall in the main allocation for the three free schools. The balance of £0.14m will be funded by capping the funding increases of those schools that see a gain in funding under the NFF (see para 4.24). The allocated primary and secondary growth fund per pupil rates have increased to £1,520 and £2,275, an increase of 2.4%. Schools forum are asked to agree to continue the same method of allocating growth funding to schools as in previous years and that that we adopt the revised per pupil funding rates.

#### **Minimum Funding Protection**

- 4.17 As in previous years the DfE ensure that schools receive a minimum per pupil funding amount (the minimum per pupil level or MPPL) or floor level of funding, regardless of the funding calculated by the NFF. This floor level of funding is applied prior to any further adjustments as a result of the separately calculated minimum funding guarantee protection.
- 4.18 There are 6 primary schools that require additional funding to bring their NFF calculated funding back up to the floor level compared to 11 in the previous year. No secondary schools require additional funding as last year.
- 4.19 As in previous years the DfE require LAs to set a year-on-year increase in the per pupil funding rate which this year is between 0% and +0.5% (previously +0.5% to +2.0%). This

is known as the minimum funding guarantee (MFG) and is applied to the total funding per pupil (after any floor funding protection) less rates, lump sum and any split site funding. This rate is also known as the MFG rate per pupil.

- 4.20 Ensuring that all schools receive a minimum per pupil year on year increase means that those schools that would otherwise see a lower funding level using the NFF will be protected, but this has to be funded by those schools that gain using the NFF. In other words, the re-distributional impact of the NFF is being negated to an extent and will continue to be so whilst the MFG protection remains in place.
- 4.21 The need to fund those schools that would otherwise lose funding year on year, together with the shortfall in the growth fund (paragraph 4.16) means that the gains that some schools receive under the NFF have to be capped.
- 4.22 As in previous years the MFG has been set at the maximum allowable which as indicated above is +0.5% this year. This means that gains have to be capped at 2.1%. Gains in 2022/23 were capped at 3.14%.

### Overall view of school budgets 2023/24

- 4.23 Individual school budgets will be released as soon as possible in February following validation by the DfE. As is normal practice we do not release draft individual school budgets to schools forum. The purpose of the following table and the charts in Appendix A is to give an overall view of the new budgets for primary and secondary schools.
- 4.24 The following table below summarises the changes year on year for primary and secondary schools.

**Table 2 – Budget changes by phase**

	PRIMARY (82)	SECONDARY (21)
No of schools with gains/losses in total budget*	22 Lose, 60 gain	5 lose, 16 gain
No of schools gains/losses in NOR	45 lower/same, 37 increase	9 lower/same, 12 increase
Schools with MPPL protection	6 schools	None
MFG protection to +0.5%	12 schools	7 schools
full gain	12 schools	3 schools
capped gains	58 schools	11 schools
Average total per pupil budget	£4,959	£6,706
Year on year increase in total per pupil budget	1.7%	2.10%
* 2022/23 comparison includes the SSG.		
2023/24 excludes the MAG		

## De-delegated services

- 4.25 All de-delegated budgets were agreed at the November meeting apart from TU facility time. A separate report is proposing a revised rate for both primary and secondary TU facility time of £4.00 per pupil which is included in the table below.
- 4.26 Table 3 below summarises the agreed de-delegation amounts and the proposed revised TU facility time rates. Primary and secondary representatives are asked to vote on the revised proposal for facility time.

**Table 3 – De-delegated budgets**

De-delegation service	Primary				Secondary				Total	Total
	NOR	Rate	Rate	Amount	NOR	Rate	Rate	Amount	Amount	Amount
		2022/23	2023/24			2022/23	2023/24		2023/24	2022/23
SEMH	18,946	£32.94	£34.06	£645,301					£645,301	£637,027
School improvement										
Primary	18,946	£9.27	£9.27	£175,629				£0	£175,629	£179,273
Assessment and moderation	18,946	£5.15	£6.00	£113,676				£0	£113,676	£99,596
Former LAMB grant covered by de-del	18,946	£3.63	£4.25	£80,521	6,912	£3.63	£3.00	£20,736	£101,257	£105,655
Closing the gap	18,946	£9.27	£9.27	£175,629				£0	£175,629	£179,273
Whatever it takes	18,946	£7.21	£7.21	£136,601				£0	£136,601	£139,434
TU facility time staff costs	18,946	£4.16	£4.00	£75,784	6,912	£6.30	£4.00	£27,648	£103,432	£141,982
Total				£1,403,141				£48,384	£1,451,525	£1,482,239

## Central school services block local allocation

4.27 Table 4 sets out central schools services block (CSSB) DSG allocation and application.

**Table 4 - CSSB 2023/24 funding**

CSSB Funding	
<b>Allocation</b>	
October 2022 Pupil numbers	54,605
CSSB Funding rate per pupil for ongoing responsibilities plus teachers pension and pay grants	£37.47
Ongoing responsibility funding	£2,046,049
Historic commitment funding	£96,800
<b>Total 2023/24 DSG CSSB Funding Allocation</b>	<b>£2,142,849</b>
<b>Expenditure</b>	
Ongoing responsibilities	
Teachers pay and pension for centrally employed teachers	£287,430
Admissions	£677,250
Copyright licensing	£295,732
Education Functions	£709,700
	£1,970,112
Historic commitments	
Premature retirement costs	£172,737
<b>Total CSSB Expenditure</b>	<b>£2,142,849</b>

- 4.28 As in 2022/23, the teachers' pay and pension grant for centrally employed teachers across the council has been included in the CSSB funding.
- 4.29 The DfE purchase a single national copyright licence managed by the department for all state funded schools in England, covering 10 individual licences including performing rights society, copyright licensing agency and newspaper licensing company.
- 4.30 Education functions cover the retained duties element of the old Education Services Grant which LAs used to part fund statutory services they provide to all schools including academies. These cover a wide range of services including educational welfare, management of the LA's capital programme, preparation of the revenue budget, formulation of the local school funding formula, standing advisory committees for religious education (SACRE) and elements of the director of children's services time.
- 4.31 The historic commitments funding has once again been reduced by 20% by the DfE for all local authorities. For Leicester this funding covers legacy premature retirement costs which now cost more than the funding provided. Schools forum is asked to approve the historic commitment element of CSSB expenditure of £172,737
- 4.32 Schools Forum is asked to approve the budget allocations for the ongoing responsibilities totaling £1,970,112 as set out in table 4 above.



## Early years block (EYB) local allocation

- 4.33 The increase in the overall level of early years funding is extremely disappointing. The national average increase in hourly rate allocations for 3-and 4-year-olds is 3.2% and 4.4% for 2-year-olds. Leicester, alongside a number of other LAs have not fared well under the new formula as a result of the DfE setting new minimum funding levels for all LAs which have to be paid for from a tight settlement. In a recent meeting of the DfE and LAs the issue of the settlement was raised by LAs indicating that this could have a very serious impact on the sustainability of providers. There is little the LA can do about this, other than to continue to lobby government.
- 4.34 There is a further issue for early years this year which, whilst not of the same magnitude as issue of the low settlement, will still need to be dealt with. For 3-and 4-year-olds there is an additional £0.11 per hour included in the DfE allocation which relates to DfE grants which were previously paid separately to schools to cover teachers' pension and pay increases from 2018/19 – the grants were known under the acronyms of TPG and TPECG. This takes the headline allocated hourly rate to £5.03. The idea of including these separate grants in the early years block was consulted upon at the same as the funding model. The DfE have indicated that whilst a majority of LAs were against this proposal they have gone ahead with the proposal. The outcome of the consultation was only announced in late December 2022.
- 4.35 The DfE are leaving to LAs, in consultation with forum how to allocate the funding associated with these grants as it is no longer ring-fenced. To set these grants in context the total amount received in 2022/23 was £440k allocated to 66 individual schools (an *average* of £6.6k each) based on a rate per pupil and census data. The grants have been paid to schools directly to compensate them for the increase in pay and pension costs incurred for their staff from 2018/19.
- 4.36 The DfE have proposed that this funding could either continue to be paid to schools as it is currently, or allocate to all providers as part of the base rate, or include as a supplement to the hourly rate to recognise the quality of provision.
- 4.37 The LA's current early years funding formula includes a base rate for all pupils, an additional rate per hour related to the level of deprivation and finally an additional rate per hour for those providers that employ qualified teaching staff. These supplements have been paid for many years, with all schools receiving the supplement and about a third of private, voluntary and independent providers (PVI's). In 2021/22 the total quality related supplement was £355k. Not all LAs currently pay a quality supplement.
- 4.38 Given the flexibility that the DfE have given us, the following options are available to deal with this funding. It is worth emphasising that unless the status quo is maintained indefinitely there will always be a re-distribution of funding and therefore winners and losers.
1. Maintain the status quo for 2023/24 and continue to pay schools on the same basis as in previous years. During 2023/24 gather more detailed information from schools and providers in terms of their mix of qualified and non-qualified staff to help determine a proposal for a fair and equitable allocation which recognises the additional costs incurred from employing qualified staff. This proposal would be consulted upon during 2023 for implementation in 2024/25.

The advantage of this option is that it allows greater time for consultation. The disadvantage is that we are delaying any change for a further year (and therefore PVI's would only see a 1% increase in 2023/24) and it is not clear to what extent the final proposal would be superior to options 2 and 3 outlined below.

2. From 2023/24 add the £0.11 to the base hourly rate and continue with the existing quality supplement rate and basis of allocation. The current 3-and 4-year old hourly rate of £4.27 paid to providers would therefore increase by the 1% from the DfE to £4.31 plus the £0.11, ie a total base rate of £4.42 per hour, an increase of 3.5%.

This option would mean that schools would lose approximately 60% of their TPECG and TPAY grant funding, around £268k in total (or £4k individually on *average*) which would shift to the PVI providers. For context, £268k is 3.9% of the total schools' early years funding for 2021/22.

The advantage of this option is that it is straightforward in terms of implementation as the increase will be a permanent addition to the base rate; it does give a bigger overall increase in the base rate, ie 3.5% rather than 1% which will benefit all providers and PVIs in particular who are facing national living wage increases of 9.7%. Schools are in receipt of additional funding in 2023/24, significantly more than the 1% on offer to PVI providers as outlined earlier in the report.

3. From 2023/24 add the £0.11 to the existing quality supplement rate of £0.16. If the £0.11 is allocated based on the current number of hours eligible for quality payments this would result in a quality supplement rate of £0.34.

This option would mean that schools would lose £158k of their TPECG and TPAY grant funding which would shift *only* to those PVI providers that employ qualified teachers, ie currently only a third, a proportion which is likely to reduce given the financial pressures facing PVI providers.

This option was suggested by the DfE to focus the additional money to those providers that have qualified staff, but we already recognise this in our existing supplement.

Adding the additional funding to the quality supplement is not as straightforward as adding it to the base rate - the rate at which we could pay providers for quality using this money would depend on the proportion of PVIs that employ qualified staff. This proportion is currently approximately one third, but if this changed then the additional quality supplement rate would also have to be adjusted.

- 4.39 Option 2 is the LA's preferred and recommended option as it provides a straightforward compromise solution which will provide much needed additional funding for *all* PVIs, given the paucity of the overall early years' settlement.

- 4.40 The DfE have given us very limited time between now and 28 February to consult with Forum regarding this issue. We recommend that forum members review the options above and the LA's recommendation, consider whether they are in a position to respond to the LA's consultation at this meeting, or whether further time is needed and agree to respond by email to the LA by 10 February. We also ask for forum to consider whether or not they wish a further meeting week commencing 13 February to discuss the responses collectively. The LA will confirm its decision by 17 February unless there is agreement by forum that the LA should make the decision at this meeting.

- 4.41 The following hourly rates will be paid to providers from 1 April 2023 for 2, 3-and 4-year olds dependent upon the options outlined above:

	2022/23	2023/24		
		Option 1	Option 2	Option 3
2021/22 3/4 year old funding				
Schools	£6,794k			
PVIs	£10,367k			
TPEG/TPAY Grant paid to schools	£440k	£440k	£0k	£0k
3&4 year old hourly rates paid to providers				
Base rate	£4.27	£4.31	£4.42	£4.31
Deprivation rates	£0.05	£0.05	£0.05	£0.05
	£0.10	£0.10	£0.10	£0.10
	£0.20	£0.20	£0.20	£0.20
Quality rate	£0.16	£0.16	£0.16	£0.34
2 year old rate	£5.24	£5.30	N/A	N/A

4.42 Centralised expenditure of up to 5% of the final 3-and 4-year-old allocation is allowable. Based on the initial allocation this amounts to £1m.

4.43 Financial administration, data management, audit and monitoring of the 2, 3-and 4-year old early years block is classified as central expenditure and Schools Forum are requested to approve a budget of £0.316m.

### High Needs Block (HNB)

#### Overall Position

4.44 The DfE initial allocation for 2023/24 before recoupment is £78.9m an increase of £7.5m.

4.45 The latest forecast for the current year 2022/23 is a deficit of £6.6m between HNB allocation and actual expenditure. The most recent data for which we have comparatives (2021/22) shows that the number of pupils with EHC plans as a percentage of all pupils for Leicester was 3.4% compared with an England average of 4.0%.

4.46 This percentage will increase based on the current trend of referrals for children to be assessed for EHC plans. In the calendar year 2022, 788 referrals were made to the LA compared with 549 in the same period for 2019, pre pandemic. This is a growth rate of 44% and shows no sign of abating with a record 100 referrals being received in December 2022 alone. This is not sustainable either in terms of the physical resources required to deal with such an increase, let alone with regards to funding which will not increase at the same rate.

4.47 The forecast cost for 2023/24 takes account of the demand projections carried out by the LA, current capacity constraints within schools and a requirement by the DfE to include a 3.4% inflationary increase.

4.48 Whilst the increase of £7.5m in funding is welcome, the current 2022/23 underlying deficit of £6.6m means that if nothing else changed there would be headroom of only £0.9m in the

allocation next year. However, taking into account the growth in numbers, the full year effect of inflationary increases in 2022/23 and the 3.4% inflationary increase for 2023/24, this headroom is eliminated and replaced with a forecast deficit of £4.6m.

- 4.49 The DSG reserve balance is forecast to be in deficit at the end of March 2023 by £10.3m. This will be carried forward into the following financial year and not offset against DSG block allocations from the DfE. This deficit will rise by the forecast 2023/24 overspend from the HNB of £4.6m, resulting in a cumulative reserve deficit of £14.9m by the end of March 2024.
- 4.50 In 2020, government introduced a statutory override for a period of 3 years to the end of March 2023 which meant that LA's DSG deficits could not be funded from the LA's general reserves. The intention was to prevent council tax services being cut to fund these DSG deficits. Of course, whilst this means that the LA does not have to 'fund' these deficits on a permanent basis, it does have to find the cash to pay for the deficits, meaning the LA's cash position is lower than it would otherwise be. Fortunately, Leicester LA does have sufficient cash resources to pay for these deficits, otherwise it would need to seek a loan from the DfE. Total LA deficits are currently estimated at £2.3 billion.
- 4.51 Following a 'gathering of evidence' from LAs in the summer of 2022, government confirmed in the local government finance policy statement published in December, that the statutory override would be extended for a further 3 years to end in March 2026. The DfE have said that *'it is crucial during this extension, we all play our part. Alongside the soon to be published SEND improvement plan, the DfE will support all LAs look at what positive action can be taken now to bring high needs costs under control, to bring down DSG deficits and to prepare for wider SEND system reform... which would address the unintended consequences of the 2014 reforms.'*
- 4.52 As forum is aware the LA, in conjunction with schools has undertaken a number of actions to ensure that the per pupil placement costs are fair and sustainable. This includes the element 3 consultation and special school banding review. The LA has also expanded special school provision and DSPs in mainstream schools (and will continue to do so where possible), to prevent more placements in more expensive independent sector provision. The LA also provides extensive in-house support to try and keep pupils with SEND in the mainstream.
- 4.53 Whilst these actions will continue to prevent costs rising more than would otherwise be the case, the main issue remains the unsustainable growth in requests for EHCPs. No amount of control of per pupil placement costs will prevent escalating deficits in our high needs block whilst the actual number of referrals and subsequent placements continue to grow at current rates.
- 4.54 All LAs with cumulative DSG deficits have to prepare a deficit management recovery plan and we are currently in the process of preparing a draft to discuss with the DfE. We will consult with forum before we make a formal submission. The LA registered its first cumulative DSG deficit at the end of March 2022. A number of LAs reached this position considerably earlier than Leicester and their deficits are significantly larger. Depending on the size of the deficits and following the submission of management recovery plans, the government has intervened with these LAs using two programmes. For those LAs with the largest deficits, the DfE uses the 'safety valve' scheme which requires stringent reforms in return for bailout funding. Alongside this scheme, for those LAs with lower deficits the 'delivering better value in SEND' programme applies, which involves specialist advisors probing our financial data to try and cut the deficits. Either of these two schemes will have a significant impact on the system wide SEND system and not just on the LA.

4.55 It is recommended that forum take the opportunity at this meeting to discuss the system wide issues with SEND raised in this report and the extent to which an inclusion agenda could help to address the rapid and unsustainable growth in demand for EHCPs.

## **5. Financial, legal and other implications**

### **Financial Implications**

5.1 Financial implications are included in the main body of the report.

### **Legal Implications**

5.2 There are no legal implications

### **Report Author**

Martin Judson Head of Finance

## **Appendices**

Appendix A – Distributional impact of 2023/24 school budgets

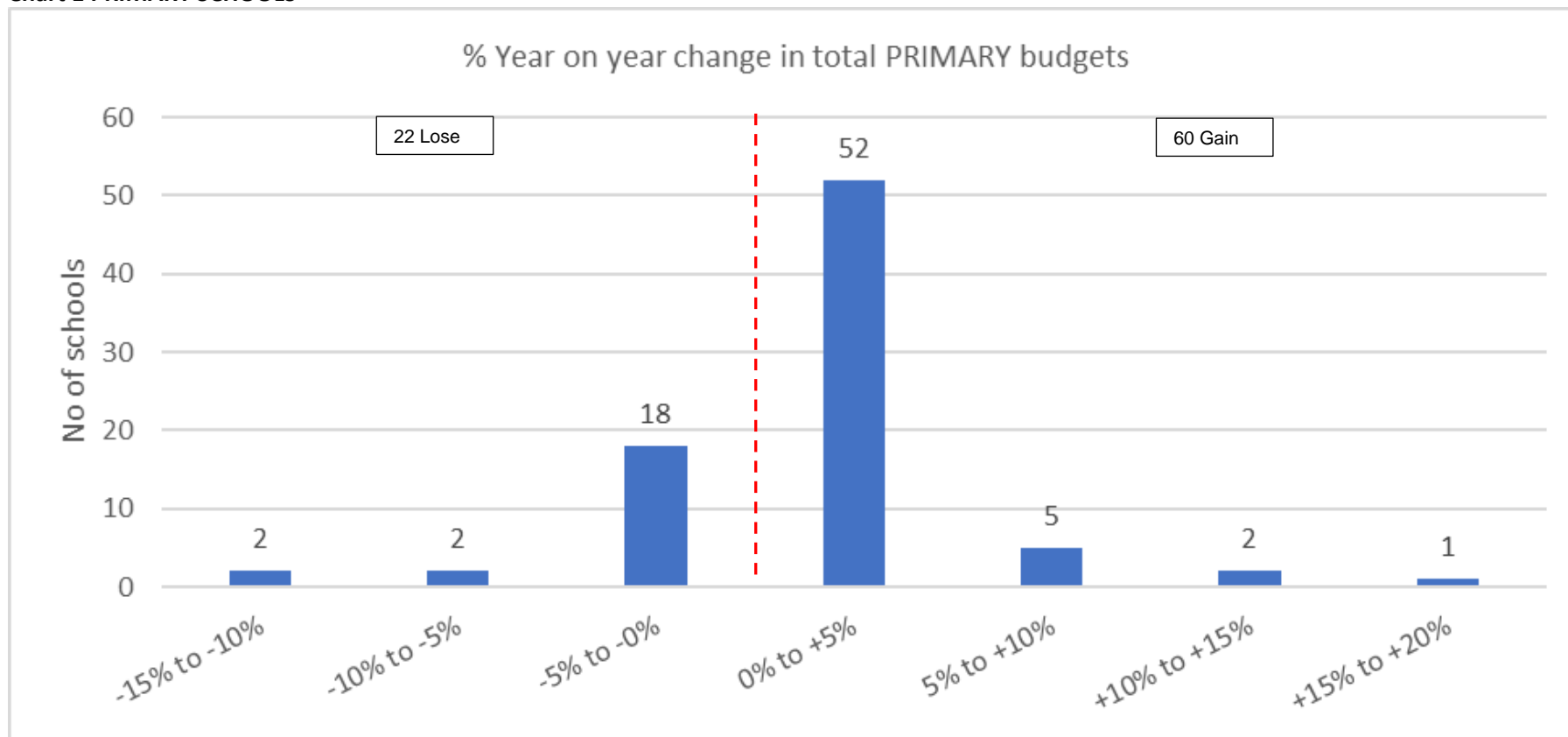
Appendix B – NFF rates for 2023/24

Appendix C – HNB budget

APPENDIX A

DISTRIBUTION OF THE % CHANGE IN THE TOTAL SCHOOL BUDGET BETWEEN 2023/24 AND 2022/23 (Including the SSG in 22/23 but excluding the MAG in 23/24)

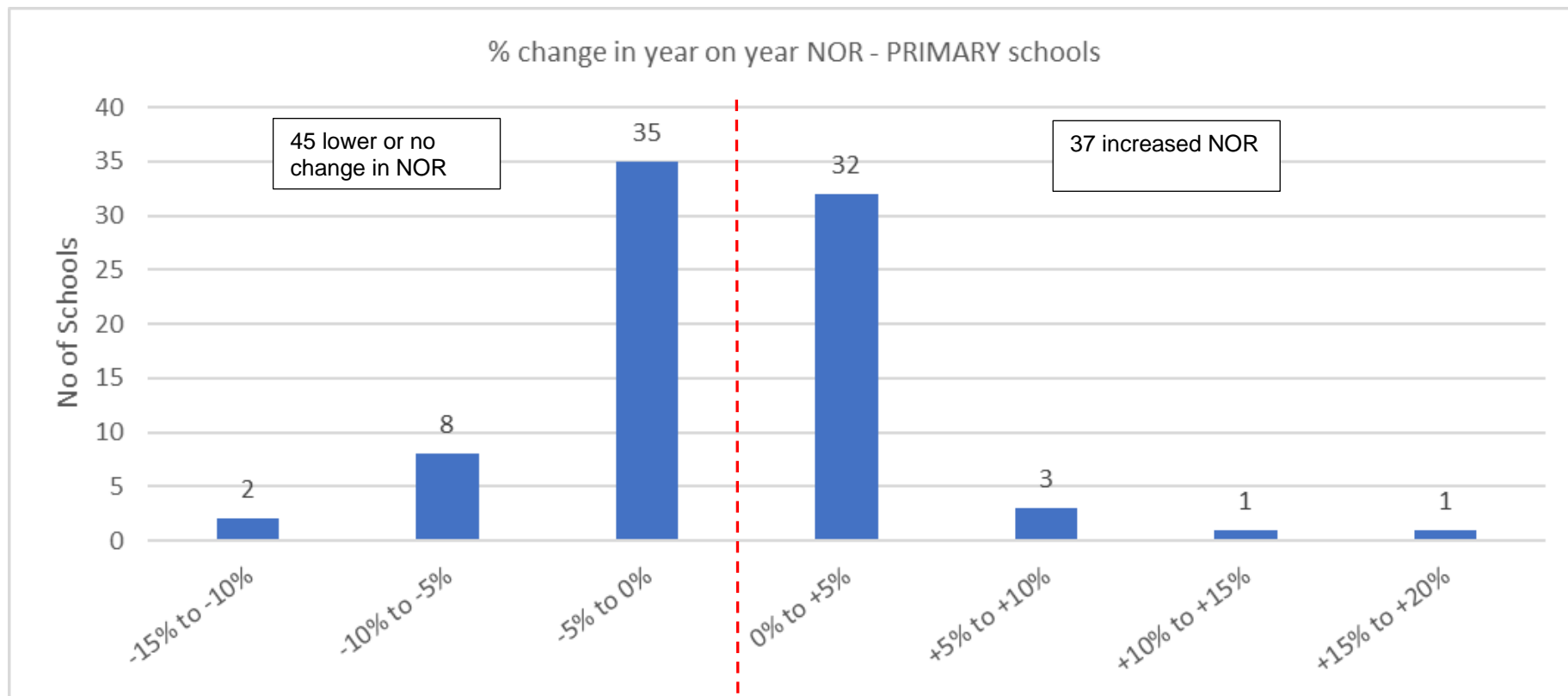
Chart 1 PRIMARY SCHOOLS



- The majority of primary schools see an increase in total budget.
- All of the 22 schools that see a reduced total budget do so as a result of a reduction in NOR, which is offset to a varying extent by the increased funding rates.
- Of the 60 schools that see an increase in total budget, 17 have reduced or zero change in NOR but the increase in rates more than compensates for this negative impact. The 3 schools with an increase in excess of 10% in budget relates to an equivalent increase in NOR.

**APPENDIX A**  
**DISTRIBUTION OF THE % CHANGE IN THE NOR BETWEEN 2023/24 AND 2022/23**

**Chart 2 PRIMARY SCHOOLS**

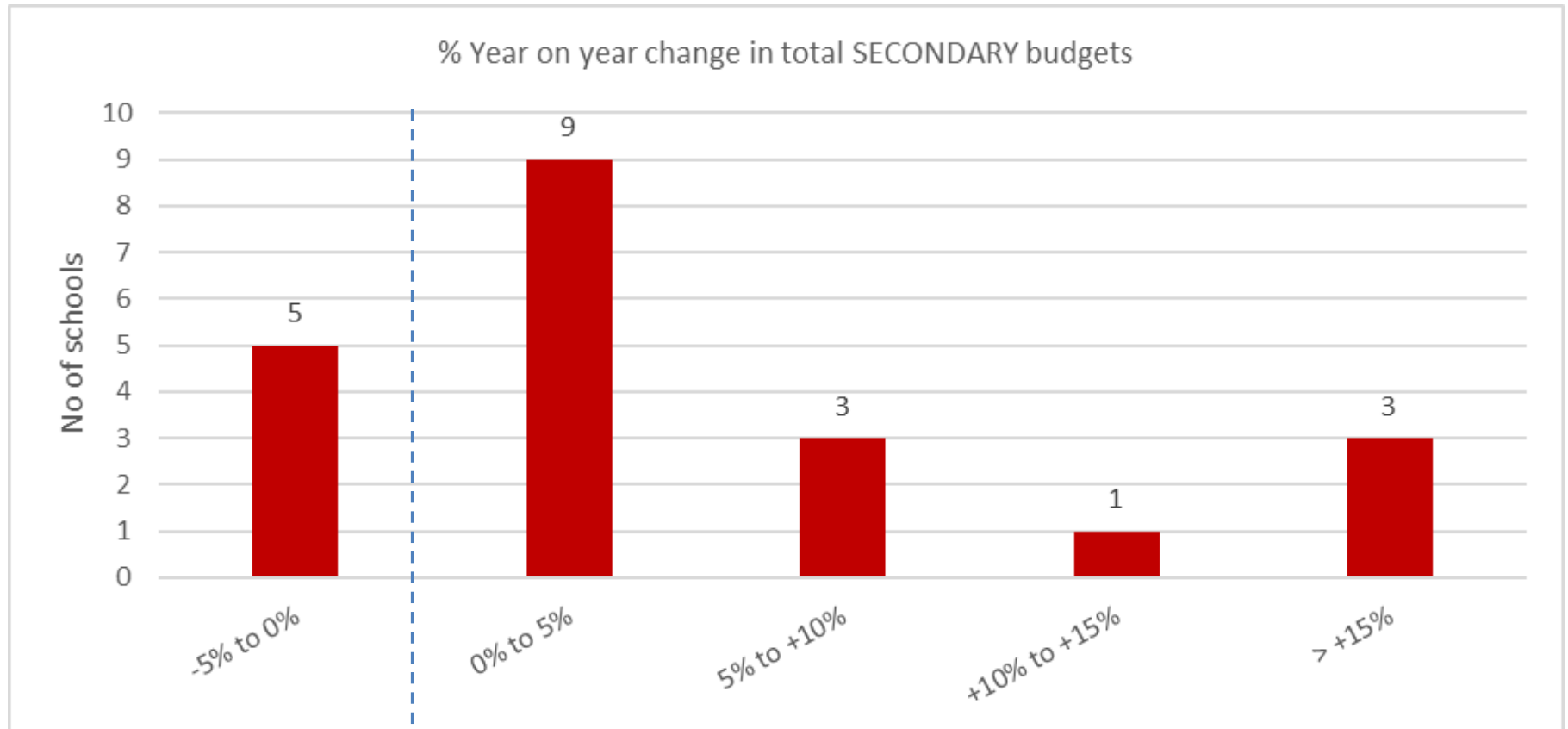


- The overall split of primary schools with higher and lower NOR compared to the previous year is similar to 2022/23 (with 51 lower and 31 higher).

**APPENDIX A**

**DISTRIBUTION OF THE % CHANGE IN THE TOTAL SCHOOL BUDGET BETWEEN 2023/24 AND 2022/23 (Including the SSG in 22/23 but excluding the MSAG in 23/24)**

**Chart 3 SECONDARY SCHOOLS**



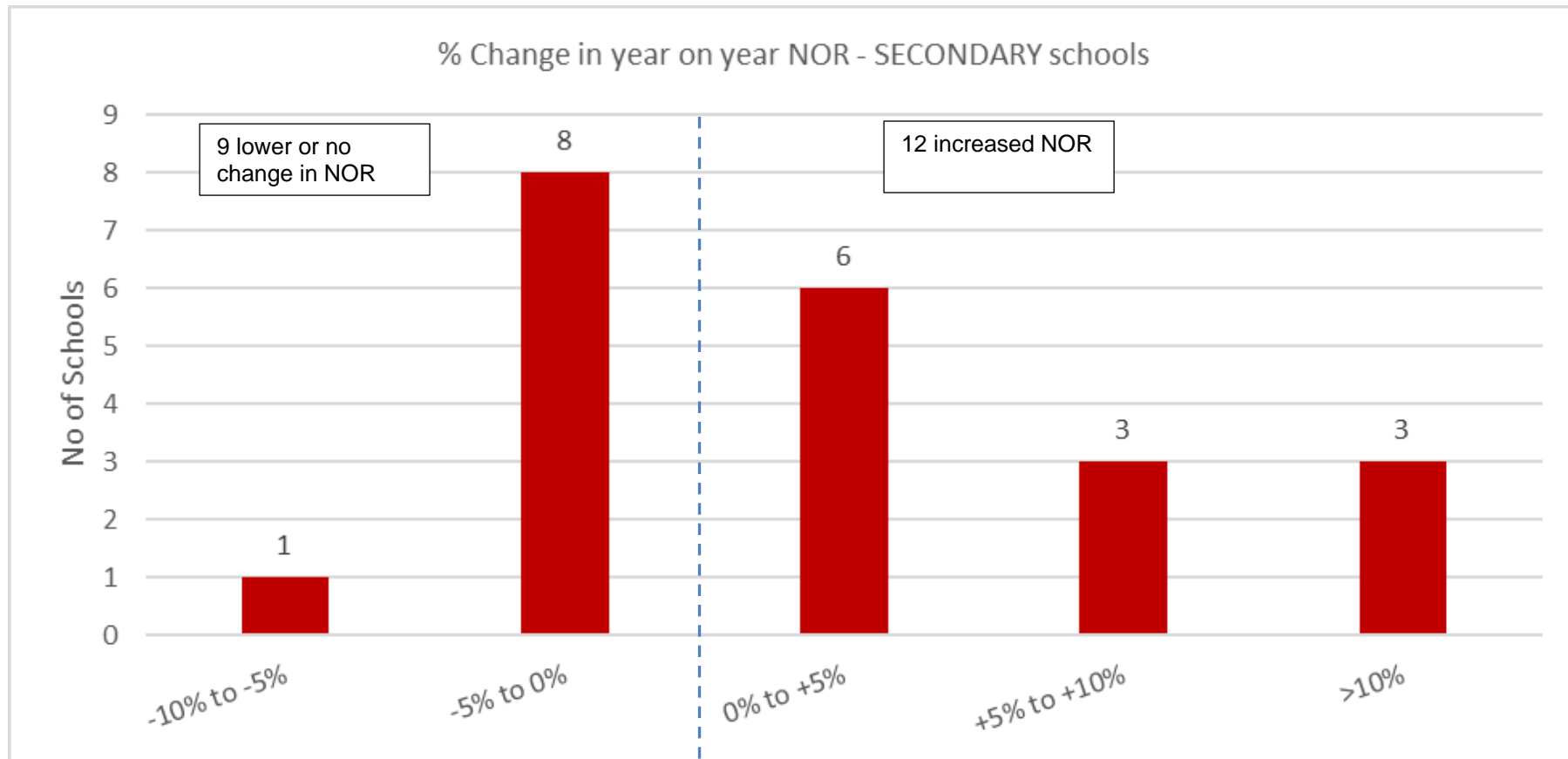
**Notes**

- The majority of schools see an increase in total budget. Of the 5 that see a reduction this is due to a reduction in NOR.
- Of the 16 schools which have an increased budget, 3 have small reductions in NOR but the negative impact is offset by the increase in pupil rate
- The three growing free schools are the outliers with total budget increases in excess of 25%.



**APPENDIX A**  
**DISTRIBUTION OF THE % CHANGE IN THE NOR BETWEEN 2022/23 AND 2021/22**

**Chart 4 SECONDARY SCHOOLS**

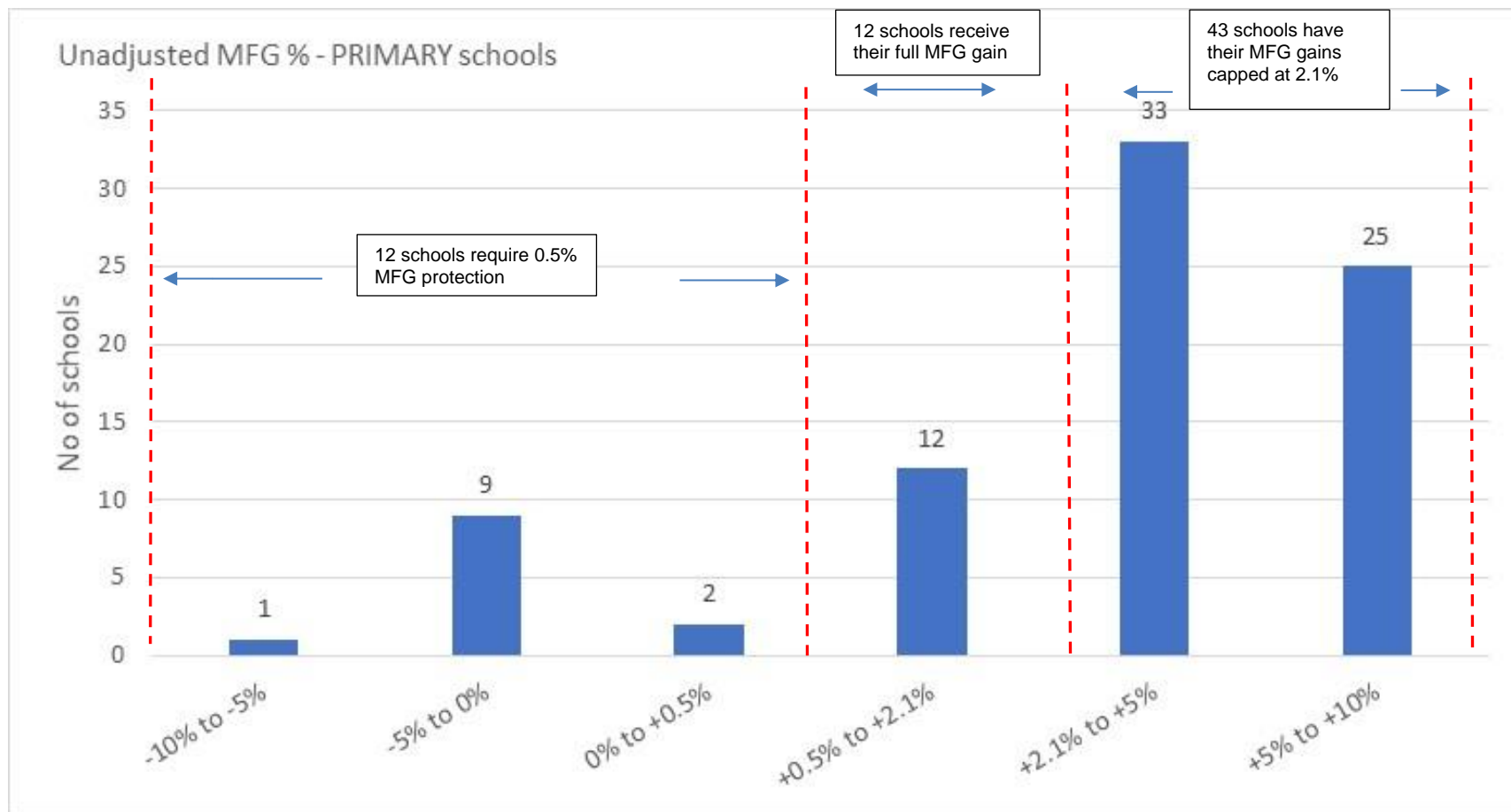


**Notes**

- Majority of secondary schools see a variation in NOR of between -5% to +5%. Total number of schools with higher and lower NOR is similar to 2022/23.
- The 3 growing free schools make up the outlier schools.

**APPENDIX A CONTINUED**  
**DISTRIBUTION OF UNPROTECTED/UNCAPPED MFG PER PUPIL FUNDING RATES**

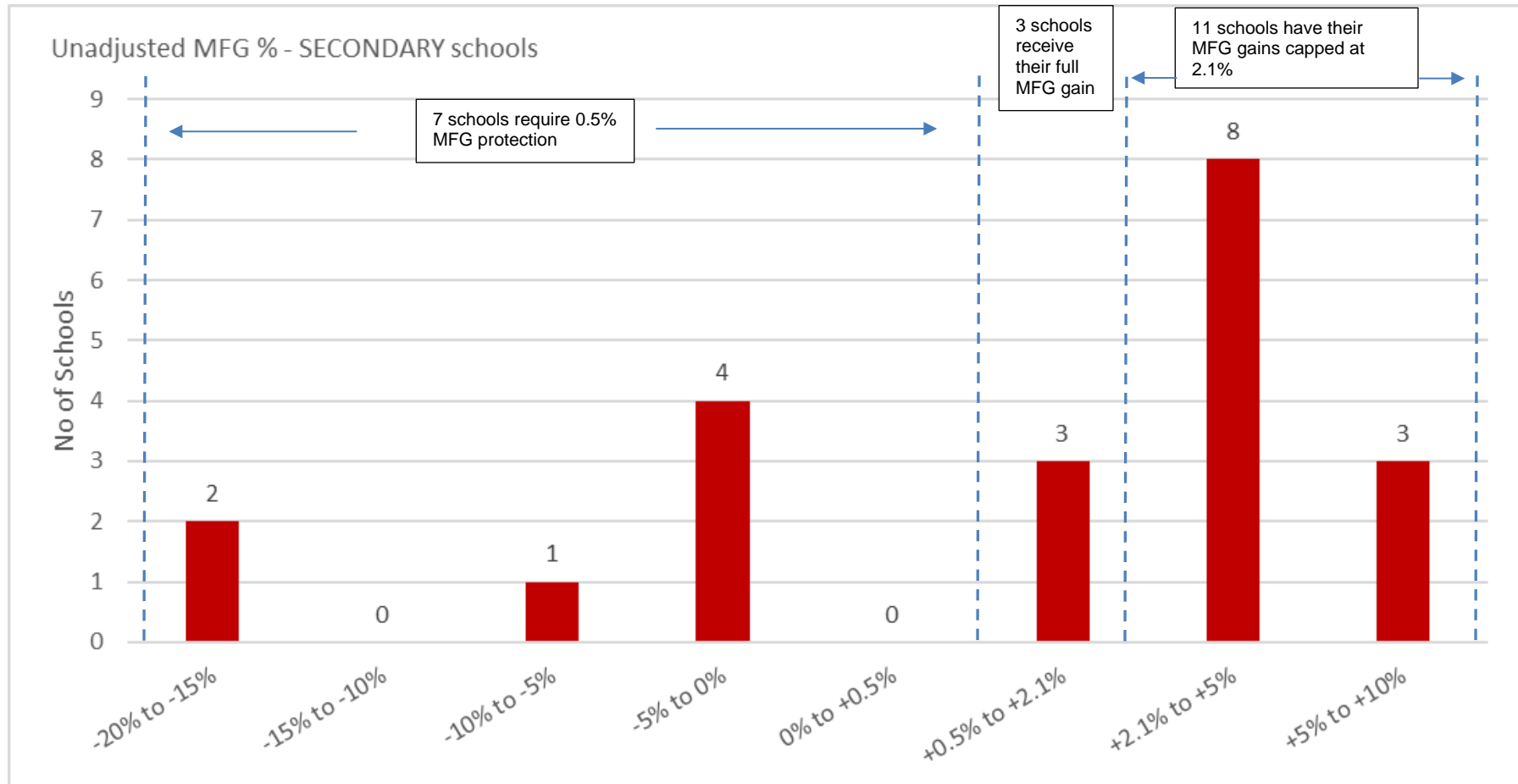
**Chart 5 PRIMARY SCHOOLS**



- The unprotected application of the NFF results in 12 schools requiring protection to bring their year on year MFG per pupil budget to +0.5%.
- There are a further 58 schools which under the NFF would see an increase in their per pupil funding in excess of the cap.
- 12 schools receive their full gains under the NFF
- 6 schools are below the minimum per pupil level floor set by the DfE, prior to the application of the MFG protection.
- This level of floor funding and the +0.5% MFG protection together with the inadequate growth fund means that the gains those 58 schools would otherwise have seen following the application of the NFF are not affordable.

**APPENDIX A CONTINUED**  
**DISTRIBUTION OF UNPROTECTED/UNCAPPED MFG PER PUPIL FUNDING RATES**

**Chart 6 SECONDARY SCHOOLS**

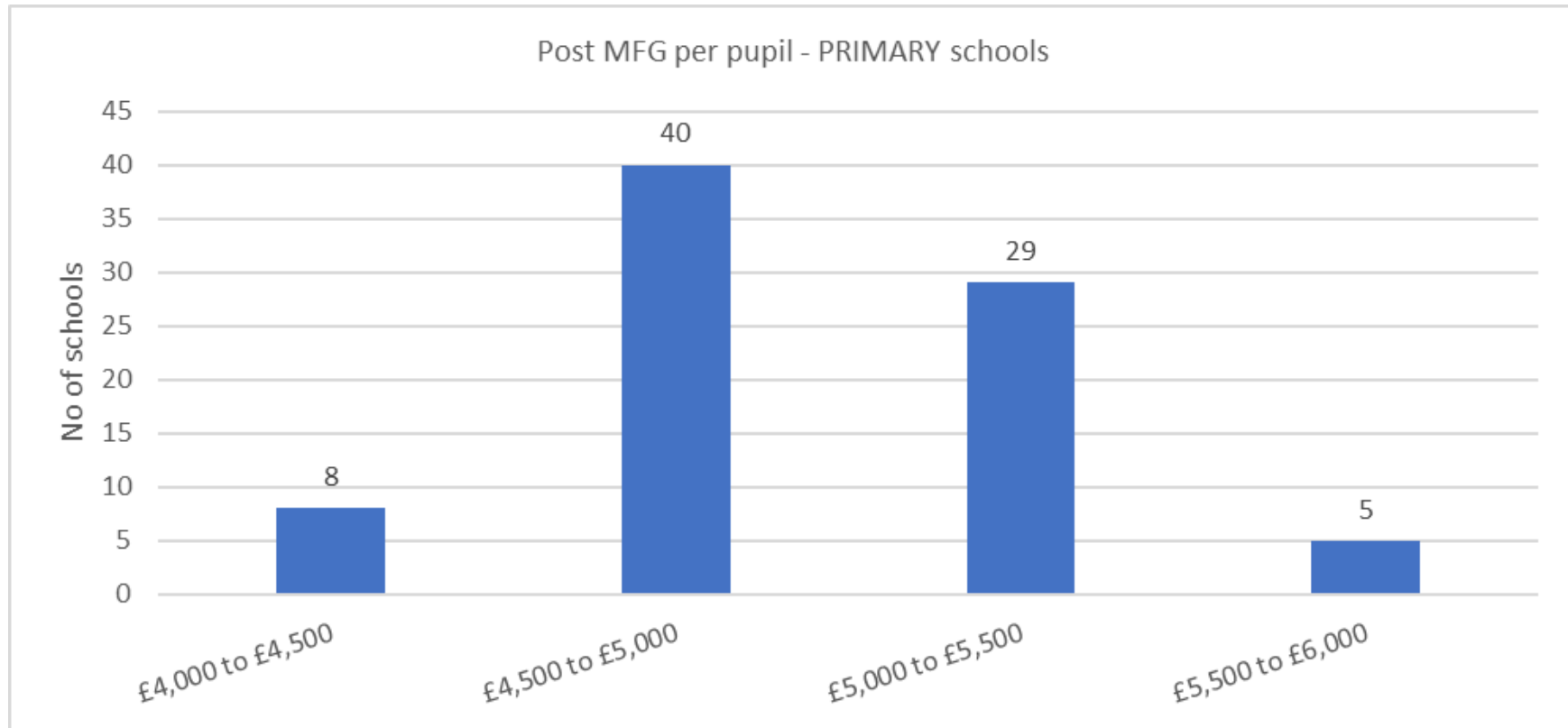


**Notes**

- Applying the NFF without protection would mean that 2 secondary schools would each lose in excess of 15% per pupil.
- Conversely, there are three schools that would see an increase per pupil of over 5% using the NFF alone.
- No secondary schools are below the minimum per pupil funding level prior to MFG protection.
- 7 secondary schools require MFG protection, 11 see their gains capped and 3 school receives their gain in full.

**APPENDIX A CONTINUED**  
**DISTRIBUTION OF TOTAL POST MFG PER PUPIL FUNDING RATES**

**Chart 7 PRIMARY SCHOOLS**

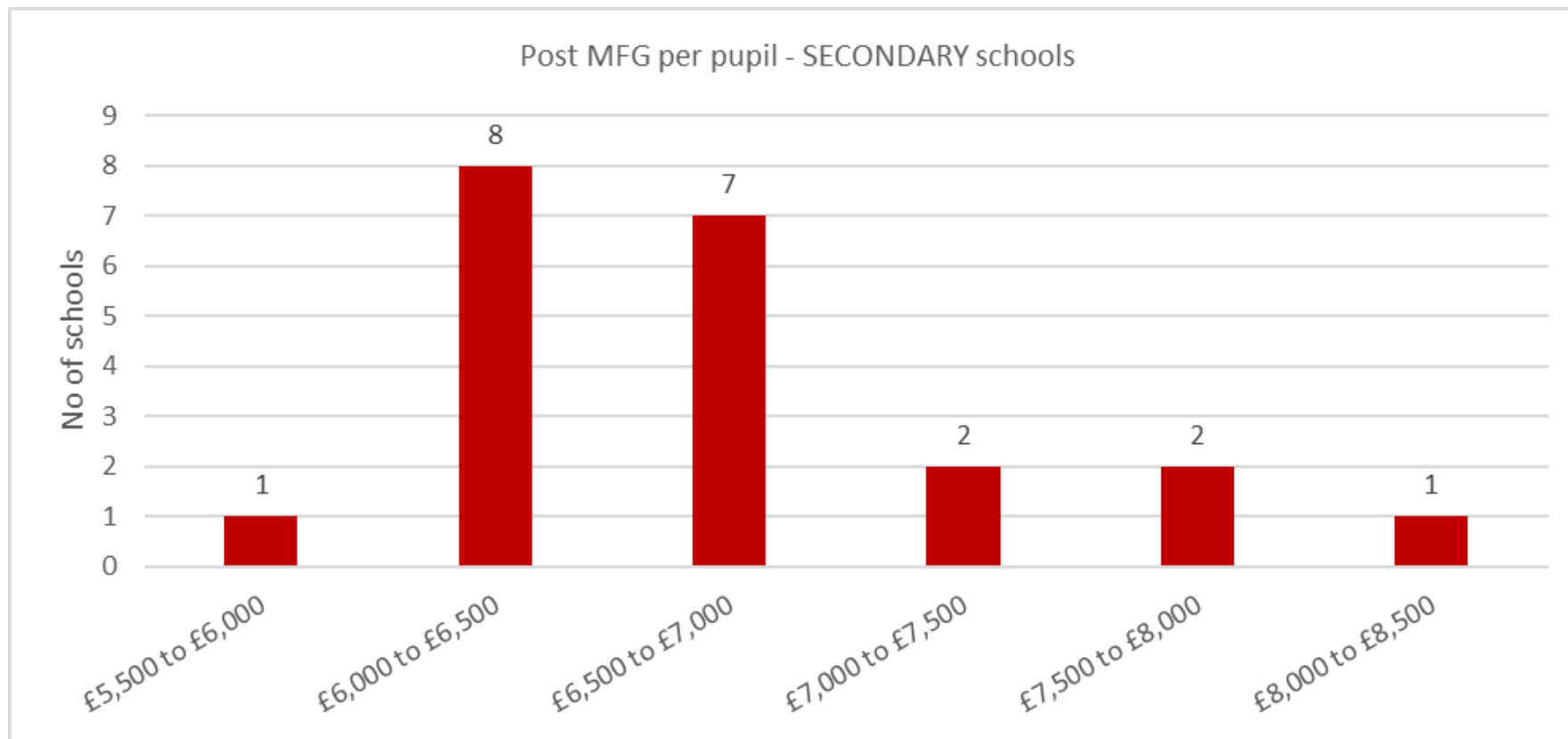


**Notes:**

- The average total budget per pupil for primary schools is £4,959 compared to £4,878 (including the SSG) in 2022/23, a 1.7% increase.
- The minimum to maximum spread is £4,415 to £5,612 which is accounted for by the variation in deprivation funding across the schools.

**APPENDIX A CONTINUED**  
**DISTRIBUTION OF TOTAL POST MFG PER PUPIL FUNDING RATES**

**Chart 8 SECONDARY SCHOOLS**



**Notes:**

- The average total budget per pupil is £6,706 compared to £6,571 (including the SSG) in 2022/23, an increase of £2.1%.
- The minimum to maximum range is £5,995 to £8,231 or £1,894. Deprivation funding variation is £1,101. However, the maximum funding level would reduce from £8,231 to £7,602 without the very significant MFG protection for 2 schools.

## APPENDIX B

### NFF FACTORS

	2023/24	2022/23	% change
<b><u>Basic per pupil funding</u></b>			
AWPU			
Primary	£3,394	£3,217	5.5%
KS3	£4,785	£4,536	5.5%
KS4	£5,393	£5,112	5.5%
Primary min per pupil funding	£4,405	£4,265	3.3%
Secondary min per pupil funding	£5,715	£5,525	3.4%
<b><u>Additional needs funding</u></b>			
Deprivation			
Primary FSM	£480	£470	2.1%
Secondary FSM	£480	£470	2.1%
Primary FSM6	£705	£590	19.5%
Secondary FSM6	£1,030	£865	19.1%
Primary IDACI A	£670	£640	4.7%
Primary IDACI B	£510	£490	4.1%
Primary IDACI C	£480	£460	4.3%
Primary IDACI D	£440	£420	4.8%
Primary IDACI E	£280	£270	3.7%
Primary IDACI F	£230	£220	4.5%
Secondary IDACI A	£930	£890	4.5%
Secondary IDACI B	£730	£700	4.3%
Secondary IDACI C	£680	£650	4.6%
Secondary IDACI D	£620	£595	4.2%
Secondary IDACI E	£445	£425	4.7%
Secondary IDACI F	£335	£320	4.7%
<b><u>Low Prior Attainment</u></b>			
Primary LPA	£1,155	£1,130	2.2%
Secondary LPA	£1,750	£1,710	2.3%
<b><u>English as another language</u></b>			
Primary EAL	£580	£565	2.7%
Secondary EAL	£1,565	£1,530	2.3%
<b><u>Mobility</u></b>			
Primary mobility	£945	£925	2.2%
Secondary mobility	£1,360	£1,330	2.3%
<b><u>Lump sum</u></b>			
Primary	£128,000	£121,300	5.5%
Secondary	£128,000	£121,300	5.5%
Primary schools unit of funding	£4,918	£4,708	4.5%
Secondary schools unit of funding	£6,566	£6,242	5.2%
Weighted average	£5,580	£5,313	5.0%
Average primary total per pupil post MFG*	£4,959	£4,878	1.7%
Average secondary total per pupil post MFG*	£6,706	£6,571	2.1%
* 2022/23 figures including supplementary grant			

**APPENDIX C  
HIGH NEEDS BLOCK BUDGET**

<b>HIGH NEEDS BLOCK</b>	Forecast	Forecast
	2023/24	2022/23
	£'000	£'000
Special School Places & Top Ups	40,436	38,512
Mainstream top ups	17,309	14,952
DSP Places & Top ups	2,960	2,771
Primary PRU	1,263	1,222
Secondary PRU	3,086	2,985
Independent / Non-Maintained placements	9,038	8,200
FE Colleges	944	878
Independent specialist provision post 16	1584	1440
SEN Transport (allowable charge to DSG only)	360	360
Direct/External Costs	76,980	71,320
<i>Year on Year increase</i>	7.9%	
SEND service	4,230	4,178
Virtual School	460	444
Non statutory Psychology Service	528	528
Anti-Bullying service	30	30
Parent partnership advice service	115	115
Specialist equipment	100	94
Support for young carers	0	0
Children Missing Education	25	25
Other	0	0
Council overheads	498	498
Indirect/Council provided support costs	5,986	5,912
Total direct and indirect costs	82,966	77,232
	7.4%	
Allocation before recoupment	78,850	71,367
Recoupment	(540)	(750)
Net Allocation	78,310	70,617
Overspend	(4,656)	(6,615)