

Meeting date: 14 February 2023

Report to: Cabinet Portfolio Holder for Children and Education

Report title: Dedicated schools grant and schools funding 2023-24

Report from: Pete Campbell, Director of Children's Services

Report author/lead contact officer: Steve Fenton

Wards affected: All Wards

Public/private report: Public

Exempt by virtue of paragraph:

1. Executive Summary

- 1.1 This report sets out for the Portfolio holder a number of matters relating to funding for Schools Early Years, High Needs and education central services for 2023-24.
- 1.2 On 16th December 2022 the government published the details and amounts of the dedicated schools grant (DSG) and the sub-blocks of schools, central services, early years and high needs block. The announcement also covered the specific arrangements for the additional funding for mainstream and special schools announced in the Autumn statement.
- 1.3 The application of the National Funding Formula (NFF) to Solihull mainstream schools for 2023-24.
 - 2.7% increase in the schools block, made up of NFF pupil-led and NFF school-led factors, with transitional protections at individual school level
 - An additional 3.4% announced in the Autumn statement under a new grant called Mainstream School Additional Grant (MSAG), providing an overall 6.1% increase in school funding.
 - The NFF has been fully emulated for all funding factors, except the per pupil element, with a minimum funding guarantee (MFG) at the maximum level permitted of 0.5%. This meets the requirements of the settlement.
- 1.4 The high needs block grant has increased by 9.3% overall, which includes £1.9m additional grant and £1.620m of additional funding announced in the Autumn budget

statement.

- 1.5 The early years funding is an 8.3% increase in funding, of which 4.6% relates to cash increases, and 3.7% relates to pupil growth. The hourly rates proposed, reflect the passporting of national rates into local rates, whilst the main 3-4 year-old hourly rate reflects the policy of seeking to maximise any increases in the national rate into the local rate.
- 1.6 To note the specific recommendations of School Forum:
- That the 2023-24 early years hourly rates for School settings to incorporate the teacher pension grant into the early years funding formula at £0.23 for Qualified Teacher Status.
 - Approve a requirement for schools to provide a contribution towards the costs of local authority funded alternative provision in 2023-24. The contribution to be based on the per pupil funding the mainstream school receives for the duration of pupil's stay in the local authority funded setting; and that the local authority be asked to contribute £1,000 towards places at Solihull Academy commissioned directly by schools.

2. Decision(s) Recommended

- 2.1 The Portfolio Holder is asked to:
- 2.2 Approve the application of the national funding formula at the local level is 100% NFF emulation for factors and unit rate values, with the per pupil unit rate adjusted to fit with the total grant available, and the minimum funding guarantee at 0.5%, resulting in the funding for each school as set out in Appendix 1.
- 2.3 Approve increase in per pupil top-up rates of 3% for all Solihull special and alternative provision and an increase of 8% for moderate learning difficulty (MLD) schools in order to meet the required MFG.
- 2.4 Approve increase in mainstream top-up rates for pupils with an EHCP of 6.1%, in line with the overall increase in school funding.
- 2.5 Approve the incorporation of teacher pension grant element, but not the teacher pay element into a funding supplement payable in relation to a qualified teacher present in a grant eligible early years session.
- 2.6 Approve the early years hourly rates as set out in paragraph 3.7.4.
- 2.7 Approve a subsidy to school commissioned places at Solihull Academy of £1,000 per place from April 2023.
- 2.8 Approve a requirement for schools to provide a contribution towards local authority commissioned and funded alternative provision from April 2023. The contribution to be based on the per pupil funding the mainstream school receives for the duration the pupil is in the local authority funded setting.
- 2.9 Thank Solihull School Forum for their continued positive and productive working with

the local authority

3. Matters for Consideration

3.1 The government has confirmed the grant conditions that determine how local authorities must fund schools, special schools and early years settings for 2023-24, and published dedicated schools grant block (DSG) table allocations:

DSG Grant Final Settlement 2023-24	2022-23	2023-24	Difference	% Change
Schools block (incl supplementary grant and MSA Grant)	191,141,120	202,877,552	11,736,432	6.1%
Central services schools block	2,487,812	2,460,961	-26,851	-1.1%
High needs block (before deductions, incl supplementary grant)	37,859,000	41,377,695	3,518,695	9.3%
Early years block, 3&4 and Admin	15,669,672	16,971,915	1,302,243	8.3%
Total	247,157,604	263,688,123	16,530,519	6.7%

3.2 **Schools Block** - the detailed breakdown is as follows:

DSG 2023-24 Allocation - Schools Budgets	DSG Schools Block 2022-23	DSG Schools Block 2023-24	Change in DSG Schools Block
	£	£	£
Final 2023-24 NFF funding through the NFF pupil-led and NFF school-led factors, with transitional protections applied at individual school level	180,128,172	190,879,902	10,751,730
DSG - premises (PFI/Rates/Split Site factors)	2,823,819	2,703,909	-119,910
DSG - Growth Fund	813,495	809,212	-4,283
Business rates	1,803,859	1,736,607	-67,252
Schools supplementary grant 2022-23	5,571,775	0	-5,571,775
Mainstream school additional grant (MSAG) 2023-24	0	6,747,922	6,747,922
Total Schools budget	191,141,120	202,877,552	11,736,432
% Change			6.1%

3.2.1 Excluding MSAG, the change in schools block would be +2.7%, with MSAG a further 3.4%.

3.2.2 **Grants:** Pupil premium grant is increased by 5.0%. The additional funding announced in the Autumn statement is to be paid by means of a new grant – mainstream school additional grant (MSAG), which is estimated to be £6.7m for Solihull schools. There are separate, but equivalent arrangements for special schools and alternative

provision schools. A MSAG calculator has been provided to schools.

3.2.3 The key features of the settlement are:

- a) The 2022-23 schools supplementary grant has been fully incorporated into the NFF.
- b) local authorities must bring their own formulae closer to the schools NFF from 2023-24, local formula factor values must be at least 10% closer to the NFF
- c) local authorities may only use NFF factors in their local formulae.
- d) local authorities must use all NFF factors.
- e) Local authorities should review their notional SEN budget methodology.
- f) Local authorities must submit their local school funding formula to the DfE by means of the authority proforma tool (APT) by 20 January 2023. This has been achieved, subject to ratification by the Portfolio Holder as detailed in this report.

3.2.4 **Application to School Budgets:** In the school budget calculations submitted to the ESFA for quality assurance checking, the NFF has been fully emulated for all funding factors, except the per pupil element, with a MFG at the maximum level permitted of 0.5%. The per pupil factor is reduced by 0.62% to balance school budgets to the total grant. The slight difference arises from differences in actual funding to that set out in the grant – premises factors and growth funding. The resulting school budgets are shown in Appendix 1.

3.3 **High needs block** – The government have announced revised high needs block grant levels as detailed above, which includes £1.9m additional grant and £1.620m of additional funding relating to the Autumn budget statement to reflect likely cost increases local authorities and schools will face in the provision for children and young people with high needs.

3.3.1 [Special schools: minimum funding guarantee](#) – for 2023-24 this will be 3% over 2 years, based on a like-for-like comparison with a special school's overall budget in 2021-22. For Solihull settings (special schools and AP settings) other than MLD schools, this approach means settings comfortably exceed the 3% over 2 years MFG, the increase is 4-5%. For moderate learning difficulty (MLD) schools the MFG will require an increase in top-up rates of 8%. This assumes a general increase in top-up rates of 3% which is in line with the general increase for maintained school budgets (excluding additional grants).

3.3.2 **Additional 3.4% Allocation:** In the financial year 2023-24 maintained special schools and pupil referral units, special and alternative provision (AP) academies (including free schools), and maintained and academy hospital schools, will **also** receive a separate allocation amounting to 3.4% of their total place and top-up funding income, similar to the mainstream schools additional grant. This will be paid directly by the local authority.

3.4 **Central services block** – At their meeting on 28 November, School Forum approved central budgets as detailed in Appendix 2. This provides continuity from 2022-23, but,

for the most part, means services will have to absorb their inflationary pressures.

3.5 Early years block

3.5.1 For Solihull the indicative level of grant is shown below:

Grant Levels - From DSG Schedules

2021-22		2022-23	2023-24	Change
9,480,010	EY Bloc, 3&4 and Admin	9,014,897	9,841,142	826,245
4,381,405	EY 30 hours	4,290,424	4,857,603	567,179
1,794,813	EY 2 YO	1,731,778	1,956,085	224,307
171,907	EY Pupil Premium	187,074	216,069	28,995
71,955	EY disability access fund	81,600	101,016	19,416
15,900,090	Total	15,305,773	16,971,915	1,666,142
90,000	Add local decision to add from HNB:	135,000	135,000	0
15,990,090	Total available to the EY Block	15,440,773	17,106,915	1,666,142

3.5.2 Of the £1.67m overall increase in national funding, £575,000 relates to an increase in estimated pupil numbers of 149 pupils, and £363,897 relates to teacher pay and pension grant (TPPG). Excluding the effect of TPPG, there has been an 8.3% increase in funding, of which 4.6% relates to cash increases, and 3.7% relates to pupil growth.

3.5.3 For Solihull, the TPPG incorporated into the early years block grant is £352,000, consisting of £260,000 pension grant and £92,000 pay grant. In 2022-23 this TPPG was paid only to schools settings, a government not local authority decision.

3.5.4 The table below shows the national funding unit rates and how they translate to recommended local rates in the local early years funding formula:

2021-22 funding rate		2022-23 funding rate	2023-24 funding rate	% Change
----------------------	--	----------------------	----------------------	----------

National Unit Rates Awarded to Solihull

£5.40	2 YO Hourly Rate	£5.61	£5.85	4.3%
£4.50	3/4 YO Hourly Rate	£4.67	£5.01	7.3%
£0.53	Pupil Premium Hourly Rate	£0.60	£0.62	3.3%
£615.00	Disability Access Fund - per eligible child	£800.00	£828.00	3.5%

SMBC Unit Rates to pay to providers - Recommended

£5.40	2 YO Hourly Rate	£5.61	£5.85	4.3%
£4.04	3/4 YO Hourly Rate	£4.21	£4.45	5.7%
£0.00	Supplement - Teacher Pension Cost (option 2)	£0.00	£0.23	n/a
£1.18	Deprivation Factor - per eligible child	£1.32	£1.37	3.8%
£0.65	Deprivation Factor - local formula	£0.72	£0.75	4.2%
£0.53	Pupil Premium Rate - per eligible child	£0.60	£0.62	3.3%
£615.00	Disability Access Fund - per eligible child	£800.00	£828.00	3.5%
£1.17	Inclusion Fund 1 (for 3–4-year-olds)	£1.21	£1.27	5.0%
£5.40	Inclusion Fund 2 (for 2-year-olds)	£5.61	£5.85	4.3%
£4.04	Inclusion Fund 2 (for 3–4-year-olds)	£4.21	£4.45	5.7%

4. What options have been considered and what is the evidence telling us about them?

- 4.1 **Early years funding formula:** as part of the funding settlement, the local authority must consider incorporating the teacher pay and pension grants into the local funding formula which was paid only to schools with nursery units (51 of 249 funded settings in Solihull). Officers developed 3 options:
- a) do not incorporate and allocate the additional funding to the general 3- and 4-year-old rate for all settings.
 - b) Allocate only the teacher pension element to settings using a qualified teacher for each session.
 - c) Allocate both the teacher pay and pension element to settings using a qualified teacher for each session.
- 4.2 The local authority consulted with all early years settings over the Christmas and new year period, and the issue was considered by School Forum at their 26 January meeting.

5. Reasons for recommending preferred options

- 5.1 **School budgets:** The local approach, agreed with School Forum for many years is to emulate the NFF as far as possible, as quickly as possible. This is to prevent funding disputes between schools that would benefit more from the NFF than schools that might benefit from any local variation, disputes that probably have no resolution.
- 5.2 **Special schools** – Forum recommends that special schools receive an increase to top-ups commensurate with the increase in mainstream budgets on the basis they face similar budget pressures.
- 5.3 **Early years funding rates** (paragraph 3.7.4) – these reflect the passporting of national rates into local rates, whilst the main 3-4 year-old hourly rate reflects the policy of seeking to maximise any increases in the national rate into the local rate. For 2023-24 the rates reflect the recommended approach to incorporating teacher pay and pension grant into the early years funding formula.
- 5.4 School Forum recommends that the 2023-24 Early Years hourly rates for School settings to incorporate the teacher pension grant into the early years funding formula at £0.23 for Qualified Teacher Status.
- 5.5 **Alternative provision – school contribution** – this responds directly to the key action identified in the Alternative Provision Commissioning Strategy: “Work with schools through School’s Forum to clarify relative responsibilities in funding AP placements and review systems to eliminate double funding”, that was approved by the Cabinet Member at his 23 January 2023 decision making session.
- 5.5.1 School Forum recommends a school contribution towards the costs of short-stay alternative provision by a contribution, based on 39 weeks at the equivalent to the per

pupil funding received by the school. School Forum also requests the local authority consider a £1,000 contribution to the cost of a place at Solihull Academy for places that schools directly commission.

- 5.6 Early years teacher pay and pension grant** – concerns have been raised by settings that would not qualify for the supplement that the use of a supplement leads to inequitable funding between settings, where the local and national approach has been to have common funding across all providers. However, it is clear that the pension grant does cover a significant cost that only settings with a qualified teacher would experience. This is less compelling for the teacher pay element of the grant.
- 5.6.1 A response to the consultation from the Forum representatives for the private, voluntary and independent sector made argued that the government early years guidance makes clear that there are a number of equivalent “Level 6” qualifications, not just QTS. Therefore, if a supplement is introduced for teacher pay, it should apply to all settings with a Level 6 qualified employee. This would apply to 51% of settings.
- 5.6.2 Solihull has not wished to introduce a supplement for differential staffing qualifications to date, and the officer view would be that whilst this can always be revisited, if providers request we review that position, we should not introduce such a supplement on the back of a historic grant being mainstreamed into the core formula; but the teacher pension element does seem justified as it is firstly significant, and secondly, does only apply to teachers.
- 5.6.3 At School Forum, these issues were extensively discussed, and Forum concluded incorporating teacher pension element only, and only for QTS struck the best balance between government requirements and local context.

6. Implications and Considerations

- 6.1 State how the proposals in this report contribute to the priorities in the [Council Plan](#):

Priority:	Contribution:
<p>People and Communities:</p> <ol style="list-style-type: none"> 1. Improving outcomes for children and young people in Solihull. 2. Good quality, responsive, and dignified care and support for Adults in Solihull when they need it. 3. Take action to improve life chances and health outcomes in our most disadvantaged communities. 4. Enable communities to thrive. 	<p>The funding of schools, early years settings, and school and pupil support services is fundamental to improving outcomes for children and young people.</p>
<p>Economy:</p> <ol style="list-style-type: none"> 5. Develop and promote the borough’s economy, with a focus on revitalising our town and local centres. 	<p>No direct contribution</p>

Priority:	Contribution:
6. Maximising the opportunities of UK Central and HS2. 7. Increase the supply of affordable and social housing that is environmentally sustainable.	
Environment: 8. Enhance our natural environment, improve air quality and reduce net carbon emissions.	No direct contribution
9. Promote employee wellbeing	No direct contribution

6.2 Consultation and Scrutiny:

6.2.1 School Forum has been fully consulted on all areas of this report.

6.2.2 There has been a specific consultation with all early years settings regarding the incorporation of teacher pay and pension grant into the early years funding formula.

6.3 Financial implications:

6.3.1 As outlined in this report for each dedicated schools grant block. The proposal to seek a contribution from schools for pupils on their roll attending local authority alternative provision is estimated to provide an annual total contribution to the High Needs Block of £320,000 (66 places at average of £4,850 per place). The cost of a £1,000 contribution to school commissioned places would be a maximum of £55,000 (55 places). No contribution would be paid for places not filled by schools.

6.4 Legal implications:

6.4.1 The calculation of individual school budgets is currently being quality assured by the ESFA. All the proposals in this report are to meet statutory grant conditions regarding the dedicated schools grant, and meet government guidance in exercising local decisions, for example with the early years teacher pension supplement.

6.5 Risk implications, including Risk Appetite:

6.5.1 No formal risk assessment has been undertaken. There are risks relating to High Needs Block overspending and accumulated deficit recorded on the corporate risk register.

6.6 Equality implications:

6.6.1 No formal equality impact assessment undertaken. The DfE publishes a national equality impact assessment for the national funding formula.

6.7 Linkages to our work with the West Midlands Combined Authority (WMCA), Local

Enterprise Partnership or the Birmingham & Solihull Integrated Care System (ICS):

6.7.1 None identified.

7. List of appendices referred to

7.1 Appendix 1 – School funding 2023-24

7.2 Appendix 2 – Central Services approved by School Forum

7.3 Appendix 3 – Report to School Forum – Alternative Provision – school contribution

8. Background papers used to compile this report

8.1 Reports to Solihull School Forum for their meetings on 11 October 2022, 28 November 2022, and 26 January 2023.

8.2 [Schools operational guide: 2023 to 2024 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/schools-operational-guide-2023-to-2024)

8.3 [Early years funding: 2023 to 2024 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/early-years-funding-2023-to-2024)

8.4 [Dedicated schools grant \(DSG\): 2023 to 2024 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2023-to-2024)

8.5 [High needs funding arrangements: 2023 to 2024 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/high-needs-funding-arrangements-2023-to-2024)

9. List of Other Relevant Documents

9.1 None