

Report of the Director of Children and Families

Report to the Leeds Schools Forum

Date: 6th October 2022

Subject: School funding update 2023/24

Report Author: Lucie McAulay

Contact telephone number: 0113 3788766

Summary of main issues

1. The Dedicated Schools Grant (DSG) is allocated in four blocks: schools, high needs, early years and central schools services. The Education and Skills Funding Agency (ESFA) uses the national funding formula to calculate the blocks within the DSG that are allocated to local authorities. Local authorities currently have some flexibility in how this funding is allocated to schools, within the constraints set out by the ESFA.
2. The ESFA has published some of the indicative DSG funding allocations for 2023/24. These show an increase for Leeds of £12.9m for the Schools Block and £7.9m for the High Needs Block. The final allocations for 2023/24 will be confirmed later in the year using the latest pupil data. There has also been a decrease of £96k to the Central Schools Services Block. Funding for the Early Years Block has not yet been confirmed.
3. Local authorities are required to consult with schools on proposals for funding arrangements and report back to their Schools Forum. Schools Forums are then responsible for either making decisions or providing views on the various proposals, in line with the powers set out by the DfE.
4. Financial modelling will be carried out for 2023/24 to establish options for consultation with schools. The consultation with schools on the 2023/24 funding arrangements will provisionally commence on the 10th October 2022 and end on the 28th October 2022. Online briefing sessions will be provided for schools during this period.

Recommendations

5. Schools Forum is asked to note the latest position on the 2023/24 school funding arrangements and the work planned to develop and consult on the allocation of this funding.

1 Background information

- 1.1 The Dedicated Schools Grant (DSG) is allocated in four blocks: schools, high needs, early years and central schools services. The ESFA uses the national funding formula (NFF) to calculate the blocks within the DSG that are allocated to local authorities. Local authorities currently have some flexibility in how this funding is allocated to schools, within the constraints set out by the ESFA.
- 1.2 The ESFA has published illustrative local authority level allocations for 2023/24 for schools, central school services, and high needs blocks, based on October 2021 pupil data. Details are provided in the relevant sections below and these figures will be used for consultation with schools in October 2022. The final local authority allocations will be confirmed in December 2022 and will take into account October 2022 pupil data.
- 1.3 For 2023/24 the basic structure of the schools NFF is not changing however the ESFA is changing some existing features of the formula, key details of which are included within the relevant sections of the report below.

2 Main issues

2.1 Dedicated Schools Grant balance

- 2.1.1 The ESFA require that any authority with a DSG deficit of any size, or that is likely to fall into a DSG deficit in the near future should have a plan for managing its DSG account going forward and must keep its schools forum regularly updated about its plan including high needs pressures and potential savings. It must also respond to enquiries from the DFE about the plan.
- 2.2 In 2023 to 2024, as in previous years, each local authority will continue to set a local schools funding formula, in consultation with local schools. Following on from the 2021 consultation on completing the reforms to the national funding formula the ESFA has confirmed that it will move forward with its plan to implement a direct national funding formula (NFF), whereby funding will be directly allocated to schools based on a single national formula

2.3 Schools Block

Funding allocation

- 2.3.1 In 2023/24, the national funding formula will continue to set notional allocations for each school, which will be aggregated and used to calculate the total Schools Block funding received by each local authority.
- 2.3.2 In December 2021, supplementary schools block funding was announced for 2022/23 which totalled £18,131k. This has been added to the base allocation for 2022/23 to give a total of £639,050k (excluding the growth allocation).
- 2.3.3 The Schools Block indicative allocation (excluding growth) for Leeds in 2023/24 is £652,023k which is an increase of £12,973k compared to 2022/23 (based on October 2021 pupil data). The final Schools Block allocation for 2023/24 will be received in

December 2022 and will reflect the October 2022 pupil numbers in mainstream schools and academies.

2.3.4 Key changes to the Schools NFF for 2023-24 include:

- Funding for disadvantaged pupils will see greater increases – with funding for two deprivation factors in the NFF increasing by a greater amount than other factors. These two factors (the FSM6 factor and the IDACI factor) will increase by 4.3% compared with their 2022 to 2023 values.
- The 2022/23 Supplementary grant has been rolled into the NFF
- In 2023 to 2024 local authorities will only be allowed to use NFF factors in their local formulae, and must use all NFF factors, except the locally determined premises factors.
- Local authorities will also be required to move their local formula factors 10% closer to the NFF values, compared to where they were in 2022 to 2023, unless their local formulae are already so close to the NFF that they are classed as mirroring the NFF.

School Business Rates

2.3.5 It was intended from 2022 to 2023 onwards, NNDR would be paid by the ESFA directly to billing authorities on behalf of all maintained schools and academies. However, primary legislation was not changed to allow this and due to a technical complication, this did not take place in 2022/23. At this stage for 2023/24 it is anticipated that maintained schools and academies will continue to be directly billed for NNDR, but this will be confirmed in due course.

Transfers out of the schools block

2.3.6 Local authorities will continue to be able to transfer up to 0.5% of their Schools Block to other blocks of the DSG, with Schools Forum approval. Based on the indicative 2023/24 funding this would be approximately £3,260m for Leeds.

2.3.7 If the council wishes to transfer more than 0.5%, or transfer any amount without Schools Forum approval, a request would need to be made to the DFE to disapply the regulations in this area.

2.3.8 As High Needs Block funding in future years may not be sufficient to cover costs in this area, we will be consulting with schools in October 2022 on an option to transfer funding in 2023/24 from the Schools Block to the High Needs Block. The amount to be consulted on will be decided following further consideration of the pressures on the High Needs Block.

Schools block funding formula

2.3.9 The minimum funding guarantee (MFG) for schools will continue, and local authorities continue to have the flexibility to set a local MFG between 0.0% and plus 0.5% per

pupil. The MFG we seek to set will be determined by the modelling of the formula options, so that all schools will see an increase in per pupil funding.

- 2.3.10 The indicative allocations for Leeds have increased in 2023/24 due to changes to the key areas of the national funding formula as detailed below.
- The minimum per pupil funding levels will increase to £5,715 for secondary schools (compared to £5,525 in 2022/23) and £4,405 for primary schools (compared to £4,265 in 2022/23).
 - The supplementary funding announced for 2022/23 has been added to the schools block baseline.
- 2.3.11 As in previous years, we will be consulting with schools on the local funding formula to be used for 2023/24. We will be proposing to continue to move as close as possible to the national funding formula, as this was the approach taken for 2022/23. As we may propose to transfer some funding out of the Schools Block it will not be possible to move fully to the national funding formula and we are currently modelling options for adjusting the national funding formula to take account of this. Details of the proposed formula allocations will be provided to schools during the consultation in October 2022.

Formula factor increases

- 2.3.12 The majority of funding provided through the formula factors is related to pupil numbers and characteristics, plus some additional premises-based funding. The premises funding consists mainly of a flat rate lump sum for all schools plus additional funding for PFI schools to recognize increased costs. Pupil-led funding comprises basic entitlement rates for all pupils, plus targeted funding across areas such as deprivation (measured based on Free School Meal entitlement and a deprivation index), prior attainment and English as an additional language.
- 2.3.13 Factors in the NFF allocations to local authorities will be increased by 2.4% apart from the deprivation factors (the FSM6 factor and the IDACI factor) which will be increased by 4.3% compared to the 2022/23 values.

Minimum funding increases

- 2.3.14 A minimum increase of 0.5%, broadly in line with current inflation forecasts, will be guaranteed per pupil in local authority allocations compared to the 2022/23 NFF. As there is still some local discretion in the formula, local authorities will be able to set a minimum funding guarantee for schools of between 0.0% and +0.5% per pupil.

Growth fund

- 2.3.15 Growth funding will be allocated to local authorities as part of the Schools Block, based on growth in pupil numbers between the October 2021 and October 2022 censuses. Growth funding allocations for 2023/24 will not be confirmed by the ESFA until December 2022.

2.3.16 As in previous years, Schools Forum are responsible for agreeing the amount of growth funding to be top-sliced from the Schools Block (which does not have to be the same as the amount of growth funding allocated by the ESFA). Details will be brought to a future Schools Forum of the proposed amount and criteria for allocation to schools of the 2022/23 growth fund.

2.4 **High Needs Block**

2.4.1 The High Needs Block (HNB) indicative allocation for 2023/2024 is £121,822k. This is an increase of £7,944k compared to 2022/23 after taking into account the supplementary high needs funding received in 2022/23.

2.4.2 The high needs national funding formula ensures that every local authority receives an increase of at least 5% per head of population, with some authorities receiving up to 7% more than this year. For Leeds the increase is the maximum 7%, with a cap on gains of £1,860k. Without this cap, the indicative allocation would have been £123,682k.

2.4.3 The High Needs Operational Guide has recently been published. The largest change from previous years is that for special schools the guide has set a minimum funding guarantee (MFG) for special schools of 3% compared to 2021/22 baseline funding.

2.5 **Central School Services Block**

2.5.1 The indicative allocation for the Central School Services Block (CSSB) in 2023/24 is £5,042k which is a decrease of £96k compared to 2022/23.

2.5.2 Funding for this block is split between historic commitments and ongoing services. Local authorities will continue to be protected so that the maximum per-pupil year on-year reduction in funding for ongoing responsibilities is -2.5%, while the year-on-year gains cap will be set at the highest affordable rate of 5.86%. This element of the CSSB is calculated using a simple per pupil formula which remains unchanged.

2.5.3 In line with reforms to move to a fairer funding system and avoid maintaining significant differences in funding between local authorities which reflect historic decision, the historic element of the CSSB funding began to be reduced from 2020/21. In 2023/24 the historic commitments funding will continue to reduce by 20% (£174k) of 2022/23 allocations.

2.5.4 The ESFA will provide further details in due course as to how they will continue to reduce this funding in future years however in 2023/24 they are not changing the requirement in regulations that authorities spend no more on these commitments than they did in the previous year.

2.6 **Early Years Block**

2.6.1 As in previous years, the Early Years Block allocation is based on pupil numbers in the January census and therefore allocations for 2023/24 have not yet been released.

2.7 **De-delegation of services**

2.7.1 Schools Forum can agree that some funding for maintained primary and secondary schools is retained centrally each year, so that the council can provide certain services to schools that they would otherwise have to pay directly from their budget (such as reimbursing schools for the cost of staff on maternity leave). This arrangement is known as de-delegation and we will be consulting with maintained mainstream schools later in the autumn on the proposals for their de-delegated contributions in 2023/24.

2.8 **Consultation with schools**

2.8.1 The 2023/24 consultation with schools will provisionally run from 10th October to 28th October 2022 and will cover:

- The local schools funding formula
- Any proposals to transfer funding between the blocks of the Dedicated Schools Grant
- Maintained school contributions to severance costs

2.8.2 At the start of the consultation period, we will send out detailed information including indicative school level figures, in addition to providing specific briefing sessions for schools.

2.8.3 We will report the outcome of the consultation to Schools Forum on 17th November 2022. A further update will also be provided at the meeting on 17th January 2023 once the final funding allocations have been confirmed by the ESFA.

3 **Recommendations**

3.1 Schools Forum is asked to note the latest position on the 2023/24 school funding arrangements and the ongoing work to develop and consult on the allocation of this funding.