

## School funding arrangements 2023/24

### CONSULTATION

#### 1. Summary of key points

1.1. This consultation is on school funding arrangements for 2023/24.

The consultation covers:

- a) Transfer of up to 0.5% of funding from the schools block to the high needs block of the Dedicated Schools Grant (DSG), in order to provide funding to schools in relation to high needs pupils.
- b) The formula for allocating schools block funding to mainstream schools. The Education and Skills Funding Agency (ESFA) requires that the effect of the proposal above is modelled for schools to consider. Two options are provided for comment; one of these options would provide the 0.5% minimum funding increase per pupil included in the National Funding Formula.

For maintained mainstream schools only the following is included in the consultation:

- c) A contribution towards the severance costs of maintained school staff.

1.2. The consultation is open until the end of Monday 31st October 2022. Unfortunately, due to the need to meet ESFA deadlines we are unable to offer a longer period for comment.

1.3. Detailed school level figures for the formula options are attached as an appendix. These use the council's indicative funding allocation provided by the Education and Skills Funding Agency which is based on October 2021 data. Please note that these figures may differ from the provisional school level allocations published by the ESFA (see 2.6 for further details). The final funding for 2023/24 will be updated for October 2022 pupil data and confirmed by the ESFA in December 2022.

1.4. An online briefing session via MS Teams has been arranged for schools and governors on Tuesday 18<sup>th</sup> October 2022 between 10am and 11am. In this session we will talk through the proposals being made and there will be an opportunity to ask questions. The joining details for the session can be found in the email that accompanied this document. If you have any queries regarding the online briefing, please email [training.schools@leeds.gov.uk](mailto:training.schools@leeds.gov.uk).

1.5. If you have any queries during the consultation period, please email [training.schools@leeds.gov.uk](mailto:training.schools@leeds.gov.uk), or contact us by telephone on 0113 3788245.

1.6. Responses to the consultation should be made online via this link: <https://surveys.leeds.gov.uk/s/BIHGFU/>

1.7. We will report to Schools Forum on 17<sup>th</sup> November 2022 on the outcome of the consultation.

## 2. Background

2.1. 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) continues to use 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 and to transfer funding between blocks, within the constraints set out by the ESFA.

2.2. Local authorities are required to move their local formula factors 10% closer to the NFF values, compared to where they were in 2022/23, unless their local formulae are already so close to the NFF that they are classed as mirroring the NFF. Leeds is mirroring the NFF due to the strategy adopted from 2018/19 onwards to move as close as possible to the NFF.

2.3. In December 2021, supplementary schools block funding was announced for 2022/23 which totalled £18.13m. This has been added to the base allocation for 2022/23 to give a total of £639.05m (excluding the growth allocation).

2.4. The indicative schools block allocation for Leeds in 2023/24 is £652.02m (excluding growth funding, which is not confirmed until December). This represents a total increase of £12.97m, compared to the equivalent allocation received for 2022/23.

2.5. The indicative high needs block allocation for Leeds in 2023/24 is £121.82m and has increased by £7.9m. This block provides funding in relation to special educational needs and although funding has increased compared to 2022/23, it is still £1.9m less than would be due under the NFF as funding increases are currently capped. If the cap on gains had not been in place, Leeds would also have been allocated an additional £22.75m of high needs block funding between 2018/19 and 2022/23. Although the national cap on schools block funding was removed in 2020/21, in 2018/19 and 2019/20 Leeds was also subject to a cap on gains of £9.5m for this element of schools funding.

2.6. This consultation has been prepared using the ESFA's indicative allocation for Leeds, which uses the **October 2021** census. Please be aware that the school level figures that have been

circulated recently by the ESFA are not necessarily what schools will receive in 2023/24, as they have been prepared by the ESFA on a different basis to the local authority level allocations and local authorities still have the ability to set a different formula in response to local need.

- 2.7. The actual schools block allocation for 2023/24 will not be provided to local authorities by the ESFA until December 2022. This will reflect any changes in pupil data from the October 2022 census for mainstream schools and academies.
- 2.8. We will report to Schools Forum on 17<sup>th</sup> November 2022 with the outcome of this consultation and draft proposals for funding arrangements in 2023/24. The final proposals for the funding arrangements will be taken to Schools Forum in January 2023, following the receipt of updated funding information from the ESFA in December 2022. Mainstream maintained schools will be advised of their final funding allocation by the council end of February 2023. Mainstream academies will be notified of their funding allocations directly by the ESFA.

### **3. Consultation**

#### **3.1. Transfers to the high needs block**

- 3.1.1. We are consulting on a 0.5% transfer from the schools block to the high needs block.

##### Background

- 3.1.2. The schools block is mainly ring-fenced, but local authorities are able to transfer up to 0.5% of it with the agreement of their Schools Forum, and after consultation with schools. There is also the ability to submit a request to the ESFA to transfer more than 0.5%. The final value of the 0.5% is dependent on the final grant allocation which will not be received until December 2022. For Leeds, it is estimated that 0.5% equates to approximately £3.26m.
- 3.1.3. The ESFA expects that most proposals by local authorities to move funding from their schools block will arise as a result of pressures on their high needs budgets. The high needs block in Leeds, in common with many around the country, is under considerable pressure due to increasing demographic growth and complexity of children's needs.
- 3.1.4. The most recent projection for the high needs block is an underspend of £1.3m in 2022/23; this represents 1.8% of the total high needs budget. It's important to note that if the transfer from the schools block had not been done in 2022/23, the projection would be an overspend of £1.82m. There are risks and uncertainties in this current projection, and it is very difficult at this stage to predict with any certainty how demand will move throughout the remainder of this financial year especially taking into consideration the current backlog within SENSAP. It would not be unprecedented for the projected underspend to be revised downwards significantly as the year progresses.
- 3.1.5. The medium-term forecasting indicates continued pressure on the high needs block going forward, reflecting increasing demand. Spending on the high needs block is currently

forecast to be £0.7m more than the funding available for 2023/24, increasing to a £5.4m deficit in 2024/25. More detail and context regarding the current and future demands on the high needs block, and therefore the need for the transfer, is contained in Appendix A.

- 3.1.6. Although funding on the high needs block has provisionally increased by £7.9m for Leeds in 2023/24, this is still subject to a cap on gains which equates to £1.86m. If the cap on gains had not been in place, Leeds would also have been allocated an additional £22.75m of high needs block funding between 2018/19 and 2022/23.

#### Proposal

- 3.1.7. As set out above we are proposing a transfer to the high needs block of 0.5% from the schools block. The ESFA allows us to transfer up to 0.5% (estimated to be approximately £3.26m) from the schools block with the agreement of Schools Forum.
- 3.1.8. As the increase in the provisional 2023/24 schools block allocation for Leeds is expected to be approximately £12.97m compared to 2022/23 (before any pupil growth which will be confirmed in December), the transfer of £3.26m out of the schools block in 2023/24 will still leave an increase in the schools formula. In addition, funding transferred to the high needs block is effectively redistributed to schools through the funding mechanisms associated with that block. For example, the Funding for Inclusion (FFI) payments made to all schools are funded from the high needs block.
- 3.1.9. The impact on individual schools in the funding formula of the proposed £3.26m transfer will vary, depending on the formula adopted. Further details of the formula options under consultation are provided in section 3.2 below, and the impact on each school is shown in Appendix B.
- 3.1.10. Following the consultation, we will take our proposal to Schools Forum on 17<sup>th</sup> November 2022 on any transfer from the schools block to the high needs block. Schools Forum will decide on whether to accept the council's proposal on the transfer from the schools block. In the event that Schools Forum does not agree, the DfE will adjudicate.
- 3.1.11. In future years a further request could also be made to transfer funds from the schools block to the high needs block. This would depend on the projections for the high needs block budget at the time. If a further transfer was required, it would form part of a separate consultation during the next financial year.

### **3.2. Mainstream Schools funding formula**

#### Background

- 3.2.1. The local authority is responsible for proposing the schools funding formula and for consulting on this with Schools Forum. The local authority retains the final decision on the formula to be used which will apply to all mainstream maintained schools and academies.

- 3.2.2. The council is proposing to continue to move as close as possible to the national funding formula for 2023/24 as has been the approach taken since 2018/19, which was then supported by the majority of schools that responded to the consultation and also Schools Forum.
- 3.3. The national funding formula for schools comprises various factors that provide basic per-pupil funding, additional needs funding (such as deprivation funding) and school-led funding (such as a lump sum payment). A summary is provided below.

**Figure 1: Factors in the schools national funding formula**

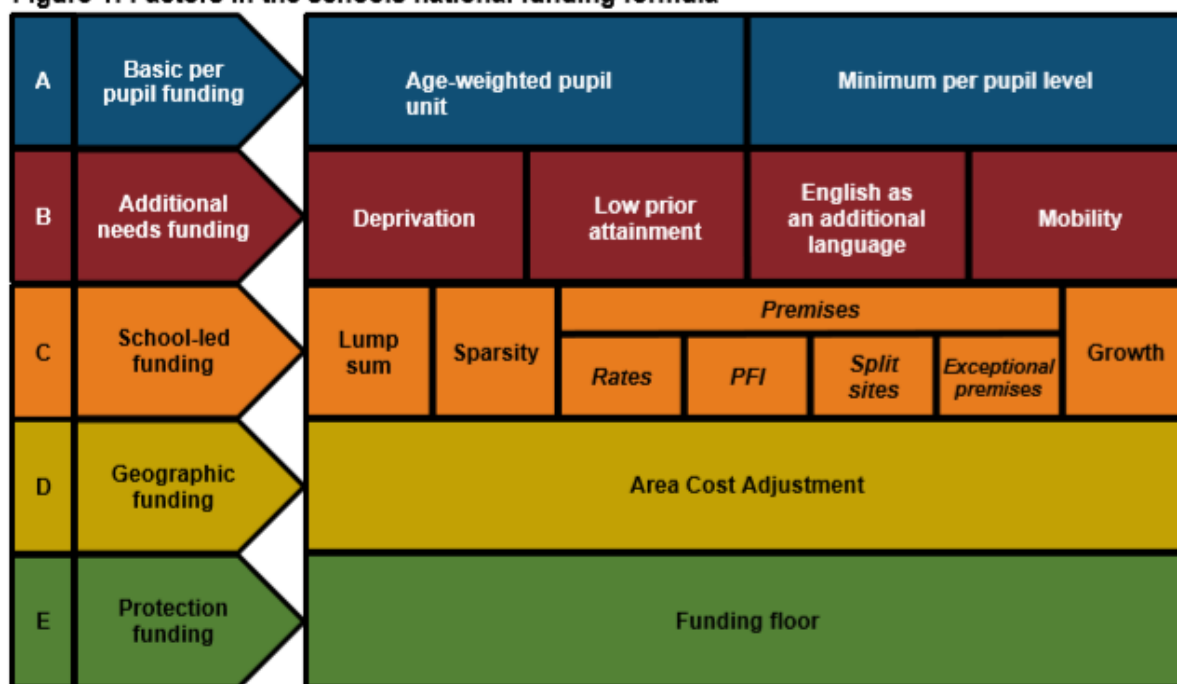


Figure 1: This illustrates the factors that will be taken into account when calculating schools block DSG funding allocations through the national funding formula. It is not to scale. Funding for factors in italics will be allocated to local authorities on the basis of historic spend.

- 3.4. A number of changes have been announced which provide increases in funding for local authorities in 2023/24. It should be noted that these form the basis on which the council is allocated the schools block funding for all Leeds mainstream schools and academies, however the council has the ability to set a different funding formula in response to local need.
- 3.4.1. If funding is transferred from the schools block to the high needs block, it will not be possible to fully move to the national funding formula as not enough funding will remain. However, there would still be £9.8m additional funding available for schools in 2023/24 compared to 2022/23, due to increases in the council’s provisional schools block allocation.
- 3.4.2. Formula factor increases
- a) Funding allocated to the council: The following factors in the funding formula will be increased by 2.4% - basic entitlement funding, low prior attainment, free school meals, English as an additional language (EAL), mobility, sparsity and the school lump sum.

- b) Two specific factors in the formula will be increased by 4.3% - free school meals at any time in the last 6 years (FSM6) and income deprivation affecting children index (IDACI).
- c) The minimum per pupil levels and the NFF funding floor are increasing by 0.5%.
- d) There will be 0% on all premises-based factor funding, except for Private Finance Initiative (PFI) which has increased by RPIX (11.2%) for the PFI factor only.
- e) Schools funding formula: The council can decide to allocate these increases out differently to schools if needed, subject to any ESFA restrictions or requirements for minimum funding increases.

#### 3.4.3. Minimum funding guarantee

- a) Funding allocated to the council: A minimum increase of 0.5% will be guaranteed per pupil compared to allocations under the 2022/23 NFF.
- b) Schools funding formula: As there is still some local discretion in the formula, local authorities will be able to set a minimum funding guarantee for schools between 0% and +0.5%. In 2022/23 Leeds set a minimum funding guarantee of +2%.

#### 3.4.4. Cap on gains

- a) Funding allocated to the council: The schools NFF will not include a gains cap under the 2022/23 formula.
- b) Funding allocated to schools: There is still local discretion to set a cap in the formula if needed. The cap on gains for Leeds schools was set by the council at 4.98% in 2022/23 to account for funding transferred from the Schools Block to the High Needs Block. To allow for the transfer to the High Needs Block a cap on gains would be necessary again in 2023/24. Any capping must not take schools below the minimum funding levels.

#### 3.4.5. Minimum Funding Level increases

- a) Funding allocated to the council: Increases have been announced in the minimum funding levels for 2023/24 to £5,715 per pupil for secondary schools and £4,405 per pupil for primary schools. Schools that benefit from the minimum funding level are those that receive less targeted funding through the other formula factors. This generally means that schools that have lower funding provided through the additional need factors are more likely to be below the minimum funding level and therefore receive an uplift to this amount.
- b) Funding allocated to schools: The government expects that the minimum funding levels will be provided to schools in 2023/24 and this a mandatory requirement.

#### Funding formula options

- 3.4.6. Although local authorities have some discretion to adjust the funding formula there are also many restrictions on what can be adjusted which limits the council's options for adjusting the formula.
- 3.4.7. We have provided details of two different funding formula options for consideration. As these proposals are based on the indicative funding allocations which use October 2021 pupil data, the affordability of these options may change once the October 2022 census details are available in December. These proposals are also only for 2023/24 only and we will consult again next year on the 2024/25 funding formula if this does not move to the NFF.
- 3.4.8. Using the principles established in previous years for the formula, we have modelled two options for 2023/24 which vary the minimum funding guarantee and cap on gains.
- 3.4.9. **Option 1:** A cap on gains of 2.18%. All other factors are in line with the national funding formula (see table below), including the minimum funding guarantee of 0.5%.
- 3.4.10. **Option 2:** A reduced minimum funding guarantee of 0% and a cap on gains of 2.22%. All other factors are in line with the national funding formula (see table below).

Funding formula factor	2022/23 (for comparison)		2023/24		
	National Funding Formula	Leeds Funding Formula	National Funding Formula	Leeds Option 1	Leeds Option 2
Minimum funding guarantee <sup>1</sup>	2% per pupil	2% per pupil	0.5% per pupil	0.5% per pupil	0% per pupil
Cap on gains <sup>1, 2</sup>	No cap	4.98% per pupil	No cap	2.18%	2.22%
Minimum per pupil funding level <sup>1, 2</sup>	Secondary £5,525	Secondary £5,525	Secondary £5,715	Secondary £5,715	Secondary £5,715
	Primary £4,265	Primary £4,265	Primary £4,405	Primary £4,405	Primary £4,405

<sup>1</sup> Excluding premises-based funding

<sup>2</sup> The minimum per pupil funding level cannot be subject to the cap on gains

3.4.11. We have provided an appendix listing the details for schools by phase and in alphabetical order. When comparing the figures on the appendix please note that:

- a) The ESFA's final funding allocations in December 2022 may result in changes to the final school formula. Specifically, we have not yet been advised how much funding to expect

for growth in the formula. If the amount allocated for growth is insufficient this will affect the affordability of the options proposed in this consultation.

- b) Changes in premises-led funding may affect the comparison between 2022/23 and 2023/24 total funding. Specifically:
- We have reflected any changes in business rates costs in the 2023/24 funding figures.
  - For PFI schools, the required amount of PFI affordability gap funding will be distributed through the formula in 2023/24. PFI schools should not expect to receive any additional PFI funding outside of the formula in 2023/24.
- c) All figures are based on financial years and the 2022/23 funding figures are those submitted by the council to the ESFA. However, for free schools and academies, the ESFA provides funding based on academic years. The 2022/23 formula allocation may therefore not agree to academy and free school General Annual Grant statements. However, the increases between the 2022/23 and 2023/24 figures are a correct reflection of the indicative gains resulting from the funding formula options.
- d) The figures are before contributions for de-delegation or severance cost contributions (which would only apply to maintained schools).

### **3.5. Contribution towards severance costs - maintained mainstream schools only**

- 3.5.1. We are also consulting on a proposal for maintained schools to make contribution of £2.50 per maintained school pupil, based on forecast pupil numbers towards the severance costs of maintained school staff, which are charged to the council. This would equate to an estimated total of £150k.
- 3.5.2. This is in line with 2022/23 when Schools Forum agreed that maintained schools would contribute £2.50 per maintained school pupil based on forecast numbers at the time.
- 3.5.3. The £2.50 per pupil contribution is being proposed for 2023/24 as the council continues to face a significant budget pressure from the reduction in the Education Services Grant (ESG) over a number of years. ESG has been used to fund a wide range of services for schools such as school improvement, asset management, education welfare services and other statutory and regulatory services as well as the severance costs of maintained school staff. As the grant has been reduced the council has sought to protect these services.
- 3.5.4. Current legislation states that premature retirement costs are chargeable to the school's delegated budget while redundancy costs are charged to the local authority's budget.
- 3.5.5. For 2023/24 we are proposing that maintained schools make a contribution towards severance costs as they are driven by school decisions, although we appreciate that this may be as a result of financial pressures. However, this approach is equitable with the treatment of academies, who no longer receive funding for severance costs and are responsible for meeting this cost themselves.



- 3.5.6. Following the consultation, we will take a proposal to Schools Forum on 17<sup>th</sup> November 2022 in relation to a contribution from maintained schools for severance costs for maintained schools staff. Maintained school members of Schools Forum will decide on whether to accept this proposal. In the event that the local authority proposes a contribution, but Schools Forum does not agree, the DfE is able to adjudicate if the local authority still wishes to seek a contribution.

#### **4. Consultation responses**

- 4.1. Responses to the consultation should be made via the online survey <https://surveys.leeds.gov.uk/s/BIHGFU/> by the end of Monday 31st October 2022.
- 4.2. We will report to Schools Forum on 17<sup>th</sup> November 2022 with the outcome of the consultation.
- 4.3. The final proposals for the funding formula will be taken to Schools Forum in January 2023, following receipt of updated funding information from the ESFA in December 2022. Mainstream maintained schools can expect to be advised of their final funding allocation by the council end of February 2023. Mainstream academies will be notified of their funding allocations directly by the ESFA.