

**Report of the Director of Children and Families**

**Report to the Leeds Schools Forum**

**Date: 17th January 2023**

**Subject: 2023/24 School Funding Arrangements**

**Report Author: Lucie McAulay / Shirley Maidens**

**Contact telephone number: 0113 3788766**

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**Summary of main issues**

1. The Dedicated Schools Grant (DSG) is allocated in four blocks: schools, high needs, early years and central school services. Regulations set by the Education and Skills Funding Agency (ESFA) require that we consult with Schools Forum, and in some cases ask Schools Forum to make decisions, on proposals relating to the use of the DSG. This report provides an update on the 2023/24 arrangements relating to the schools, high needs and central school services blocks. An update on the early years block will be provided at the February 2023 meeting.
2. In relation to the Schools Block, the report covers the Growth Fund and the schools funding formula:
  - For the Growth Fund, the Council is proposing that
    - The existing criteria be retained for primary schools and secondary expansion.
    - The existing criteria for additional resources be increased to £150 per pupil for existing schools and to £250 per pupil for new presumption free schools.
    - The existing criteria be retained for new presumption free schools
  - The final proposal for the schools funding formula provides a per-pupil increase of 0.5% through the Minimum Funding Guarantee and a 5.39% cap on gains. The Minimum Funding Guarantee is higher than the 0% that was the preferred option from the funding consultation, and it follows the MFG within the National Funding Formula. The cap on gains has increased by 3.17% against the consultation following the final funding allocation and growth fund requirements.

The final proposal retains the Minimum Funding Levels of £4,405 for primaries and £5,715 for secondaries that were consulted on.

3. The report also includes the proposed expenditure for 2023/24 against the central school services block (CSSB), which funds local authorities for the statutory duties they hold for both maintained schools and academies. Approval is sought from Schools Forum on the proposed expenditure from this block.

## **Recommendations**

4. Schools Forum is asked to note the arrangements for the school funding formula for 2023/24.
  - The final decision on the formula will be taken by the Director of Children and Families in accordance with the council's decision-making framework.
5. In relation to the Growth Fund for 2023/24, Schools Forum is asked to approve that:
  - a) In relation to the funding criteria:
    - a. The existing criteria be retained for primary schools and secondary school growth.
    - b. The existing criteria for additional resources within existing schools be increased to £150 per pupil .
    - c. The existing criteria be retained for new presumption free schools with the exception of additional resources which will be increased to £250 per pupil.
  - b) The total Growth Fund of £980k which is fully funded from the Schools Block 2023/24. The Growth Fund would be split between £538k for primary growth and £442k for secondary growth.
    - This is a Schools Forum decision. In the event that Schools Forum does not agree, the DfE is able to adjudicate if the council requests this.
6. In relation to the Central School Services Block, Schools Forum is asked to approve the 2023/24 amounts detailed within the report.
  - This is a Schools Forum decision. In the event that Schools Forum does not agree, the DfE is able to adjudicate if the council requests this.

## **1 Main issues**

### **1.1 Schools block funding formula**

- 1.1.1 At the November 2022 meeting Schools Forum noted the results of the consultation for the 2023/24 schools funding formula which demonstrated a preference for option 2 among schools that voted. 65% were in favour of option 2 compared to 35% for option 1. Compared to 2022/23, option 2 proposed a Minimum Funding Guarantee decrease

of 2%, down to 0% per pupil and a 2.22% cap on gains per pupil. The figures provided in the consultation were provisional at that time and therefore subject to change pending confirmation of the final funding allocation in December 2022.

- 1.1.2 The final schools block funding for 2023/24 has been confirmed by the ESFA as £668m, an increase of £43m compared to 2022/23 when the allocation was £625m. Schools Forum in November agreed to transfer 0.5% to the high needs block and this value has now been confirmed as £3.38m. Subject to the proposed Growth Fund of £0.980m set out in section 1.2 below, £664.15m would remain to be allocated to mainstream schools through the funding formula.
- 1.1.3 The funding formula has been updated to take into account the views of Schools Forum and the final funding allocation from the ESFA. The revised formula provides for the same Minimum Funding Levels of £4,405 for primaries and £5,715 for secondaries, which are the amounts used in the National Funding Formula. It has been possible to retain the Minimum Funding Guarantee at 0.5% which is the level used in the National Funding Formula, and the cap on gains has been set at 5.39%.
- 1.1.4 The revised school level allocations proposed for 2023/24 are attached to this report as appendix 1. These are subject to finalisation, including quality checks by the ESFA and approval by the Director of Children and Families.
- 1.1.5 The approach taken in the local formula replicates the National Funding Formula as closely as possible, including the use of the same unit values. In line with the National Funding Formula, our calculation of the MFG and cap on gains for PFI schools excludes the PFI funding they receive. This will ensure that both PFI and non-PFI schools are treated equally in the funding formula and receive equivalent levels of funding protection.
- 1.1.6 The decision on the final formula will be made by the Director of Children and Families, in line with the council's decision-making framework.
- 1.1.7 The final funding formula proposals will be submitted to the ESFA for them to quality check by the deadline of 20<sup>th</sup> January 2023. Once the ESFA has confirmed they are satisfied with the formula and the decision on the formula has been taken by the Director of Children and Families, the council will send out funding statements to maintained mainstream schools by the end of February. The ESFA will issue funding statements to mainstream academies in line with their usual timescales.

## **1.2 Mainstream Schools Additional Grant (MSAG) Funding**

- 1.2.1 On 16<sup>th</sup> December 2022, it was announced that an additional grant is to be made to mainstream schools; this is following the announcements in the Autumn Statement regarding school funding. It is expected that the MSAG funding is for 2023/24 only and will then be incorporated onto core budget allocations from 2024/25 onwards.
- 1.2.2 For maintained schools and academies this amount is £1.45bn nationally and the indicative allocation for Leeds is £22m. School level allocations of this grant will be published by the DfE in spring 2023. Therefore, the total indicative settlement for

mainstream schools is £690m. This is an increase of £47m (7.2%) when compared to the total Schools Block and Supplementary Grant funding received in 2022/23.

- 1.2.3 As the increased amount also takes account of growth in pupil numbers compared to 22/23, the actual per pupil increase for Leeds is 5.7%. This is very close to the national average of 5.6% and just below the Yorkshire and Humber average of 5.8%.

2022-23 Schools DSG block (£m)	£625m
2022-23 School supplementary grant (£m)	£18m
<b>2022-23 Schools DSG block and supplementary grant funding together (£m)</b>	<b>£643m</b>
2023-24 Schools DSG block (£m)	£668m
2023-24 Mainstream Schools Additional Grant: indicative allocations (£m)	£22m
<b>2023-24 Schools DSG block &amp; MSAG funding together: indicative allocations (£m)</b>	<b>£690m</b>
<b>Increase in schools funding from 2022-23 to 2023-24 (£m)</b>	<b>£47m</b>
Increase in schools funding from 2022-23 to 2023-24 (%)	7.2%
Increase in schools funding from 2022-23 to 2023-24 (% , per pupil)	5.7%

- 1.2.4 In addition to the MSAG, local authorities have also been allocated additional high needs funding. The additional allocation to Leeds is £5.16m. However, there is a grant condition that all special schools, alternative provision, and hospital schools must receive a 3.4% increase compared to the average per pupil funding in 2022/23. This is on top of the 3% MFG increase compared to 2021/22 already included in the operational guide. The data needed to calculate the impact of this requirement is not yet available but is estimated to cost between £2.5m - £3.0m, leaving approximately £2m for other costs

### 1.3 Growth Fund 2022/23

- 1.3.1 Funding for growth is allocated to local authorities by the ESFA as part of the Schools Block of the DSG. This allocation funds pupil number variations within the funding formula for new schools that are still growing, as well as being used to establish a separate Growth Fund, which supports costs incurred by schools that are being established or extended to meet basic need and where admission numbers are increased. The Growth Fund recognises that these pupils are not recorded on the October census, and so will not attract funding through the usual schools funding formula.
- 1.3.2 The funding allocated to local authorities is calculated by the ESFA on the basis of pupil growth between the previous two October censuses, so it will not always match the actual growth in the coming year. For 2023/24, the Leeds total allocation for

growth from the ESFA has increased slightly and is £4,990k for 2023/24, compared to £4,431k in 2022/23.

- 1.3.3 In addition to the slight increase in funding, the estimated requirement for 2023/24 has reduced compared to 2022/23, though the increased need for pupil places remains in the secondary sector. The total 2023/24 allocation is expected to be sufficient to fund both the cost of new and growing schools within the standard funding formula and the anticipated growth fund requirements.
- 1.3.4 The total growth fund fully funded from the Schools Block 2023/24 is £980k this would be split between £538k for primary growth and £442k for secondary growth.

#### Growth Fund Criteria

- 1.3.5 Schools Forum is asked to approve the criteria for allocating funding from the Growth Fund.
- 1.3.6 We are proposing to retain the existing criteria for Leeds primary schools that have been in place for 2022/23. It is proposed that primary schools in Leeds would be eligible for growth funding where a permanent expansion has occurred following an increase in the Published Admission Number (PAN), to meet basic need. Growth funding will be paid until the permanent change in PAN is accommodated in every year group.
- 1.3.7 We are also proposing to retain the existing criteria for Leeds secondary schools that have been in place for 2022/23. It is proposed that Secondary schools in Leeds will be eligible for growth funding where a permanent expansion has occurred following an increase in the Published Admission Number (PAN), to meet basic need. Growth funding will be paid in the first year only that the permanent change in PAN is established. This is being proposed as cost pressures in relation to an increase in pupils falls differently in secondary schools and are more likely to be able to manage these costs within economies of scale.
- 1.3.8 Schools would be eligible for Growth Funding where a temporary bulge has been created to meet basic need. Funding will be allocated for the bulge year only.
- 1.3.9 For existing schools, an increased allocation from £100 to £150 per pupil will be made to fund immediate additional resources, equipment or furniture costs to reflect increased costs.
- 1.3.10 For new presumption free schools, we are proposing to increase the provision from £200 to £250 per pupil for additional resources.
- 1.3.11 No funding would be allocated to schools where their PAN prior to expansion is not exceeded, or where a school itself decides to admit over PAN not linked to basic need.
- 1.3.12 Additional funding would be available for existing schools that incur additional rental costs or for new schools with pre-opening costs.

1.3.13 In line with ESFA requirements to support pre and post start-up costs for academies where they are created to meet basic need, we are proposing to retain the criteria for leadership costs introduced in 2021/22 for any new schools opening through a free school presumption route over a 4-year period on a reduced sliding scale.

Growth funding available	Basis for allocation	Rate
<b>Funding for all schools eligible for Growth Funding:</b>		
Pupil funding	<p>Age Weighted Pupil Unit rate for each pupil (pro rata if part year).</p> <p>This is the basic entitlement all pupils receive through the schools funding formula.</p>	<p>The 2023/24 AWPU rates per year are shown below and are the same as used in the funding formula:</p> <ul style="list-style-type: none"> <li>• Primary - £3,394.00</li> <li>• KS3 - £4,785.00</li> </ul> <p>As noted in the report, the funding formula rates are subject to approval by the Director of Children and Families in line with the council's decision-making framework.</p>
<b>Funding for existing schools:</b>		
Immediate additional resources, equipment or furniture	Standard per pupil rate. In the case of a single 'bulge' year group this is only paid in the year of expansion.	£150 per pupil is proposed for 2023/24
<b>Funding available for new presumption free schools:</b>		
Leadership costs for a new presumption free school	Amount allocated will be equivalent to that which would be received from the ESFA in the first 4 years of opening.	<p>The funding proposal for 2023/24 is:</p> <p>Year 1 £125k            Year 2 £93.5k            Year 3 £62.5k            Year 4 £31k</p>
Presumption free schools: additional resources	Standard per pupil rate: In the first year of each new cohort	£250 per pupil is proposed for 2023/24.
<b>Funding available where applicable to schools:</b>		
Additional rental costs	For temporary accommodation needed to meet agreed growth.	Funded at cost through the growth fund until the financial year following the increase in numbers, at which point we would seek to fund the rental costs through the funding formula (assuming the criteria for this are met).

## 1.4 Central School Services Block

1.4.1 The Central School Services Block (CSSB) was introduced by the ESFA in 2018/19 to fund local authorities for the statutory duties they hold for both maintained schools and academies. The CSSB brings together:

- funding previously allocated through the retained duties element of the Education Services Grant (ESG)
- funding for ongoing central functions, such as admissions, previously top-sliced from the schools block
- residual funding for historic commitments, previously top-sliced from the schools block

1.4.2 In December 2022, the Government issued a notification giving the amount of funding for this block. For 2023/24, this allocation has been set at £5.106m for Leeds. This is a reduction of £32k compared to 2022/23. Within this, there has been a reduction of 20% on the historic commitment element in line with previous DfE statements to reduce funding on this element.

1.4.3 Schools Forum approval is required each year to confirm the amounts on each line. Schools Forum previously gave full approval for the 2022/23 proposals. The amounts requested to be approved for 2023/24 are shown below and can be afforded within the allocation of CSSB funding received for these duties.

### Retained Duties element of the Education Services Grant

1.4.4 The Retained Duties element of the Education Services Grant was transferred into DSG in 2017/18. This funding contributes towards the cost to the Council of carrying out central functions on behalf of maintained schools and academies.

1.4.5 Costs can be funded for certain functions relating to statutory and regulatory duties, education welfare and asset management. Examples of functions which could be funded within each category are shown below.

#### 1.4.5.1 *Statutory and regulatory duties*

- Director of children's services and planning for the education service as a whole.
- Revenue budget preparation, preparation of information on income and expenditure relating to education, and external audit relating to education.
- Formulation and review of local authority schools funding formula.
- Internal audit and other tasks related to the local authority's chief finance officer's responsibilities under Section 151 of LGA 1972 except duties specifically related to maintained schools.

- Provision of information to or at the request of the Crown other than relating specifically to maintained schools.

#### 1.4.5.2 *Education welfare*

- Functions in relation to the exclusion of pupils from schools, excluding any provision of education to excluded pupils.
- School attendance.

#### 1.4.5.3 *Asset management*

- Management of the LA's capital programme including preparation and review of an asset management plan, and negotiation and management of private finance transactions.
- General landlord duties for all buildings owned by the local authority, including those leased to academies

1.4.6 The CSSB funding can provide a contribution towards these functions, however it is not sufficient to cover all of these duties and the remainder of the cost is therefore met from the Council's budget.

The amount of funding requested from CSSB for the Retained Duties in 2023/24 is £2,192,000 This is a decrease of £95,430 compared to 2022/23, when funding of £2,287,430 was agreed. The cost of providing these duties has increased since 2022/23, so this means that there is an increased cost to the Council's budget for these duties. The Council's costs for the example functions listed above have been calculated as £2.249m. This is a reduced cost compared to last year as these services have been required to make savings. However, after CSSB funding there is still a net cost of at least £57k to the Council.

#### Centrally employed teachers' pension costs

1.4.7 The separate grant received in 2020/21 for the additional pension costs for teachers employed by local authorities has now been added to the ongoing responsibilities element of CSSB in the same way grants to schools have been added to the schools block.

#### Historic commitments

1.4.8 Historic commitments are subject to a limitation of no new commitments or increases in expenditure from 2020/21. The amounts requested for 2023/24 are as follows and have stayed the same or reduced since 2019/20.

1.4.9 Prudential borrowing (amount requested £515k). This budget supports borrowing costs in relation to the ongoing debt repayment from the 2004/05 primary capital program and is paid back over 25 years.



- 1.4.10 Headteacher Support Service – in line with the instruction to phase out historic commitments, this service is no longer funded by CSSB. It is now part of the School Improvement de-delegation.
- 1.4.11 School support staff training – in line with the instruction to phase out historic commitments, this service is no longer funded by CSSB. It is now part of the School Improvement de-delegation.
- 1.4.12 Ongoing Central functions
- 1.4.13 Admissions Service – for 2023/24, it is proposed to increase the funding from this service from £1,410,310 to £1,469,000. The School Admissions Code (September 2021) introduced new responsibilities for the School Admissions Service in terms of statutory timescales and mandatory requirements in relation to in-year admissions. These additional requirements are currently being met within the current staffing and funding commitment, with the service prioritising the mandatory requirements. As such, the increase in Admissions service funding is to cover pay award and inflation and no additional duties.
- 1.4.14 Servicing of Schools Forum – this budget supports the administration and running of Schools Forum and associated sub-groups. This service has not changed, but as a result of unavoidable inflationary costs, it is proposed to increase funding from £32,130 to £34,000.
- 1.4.15 The ESFA has agreed with a number of agencies to purchase a single national licence for all state funded schools in England. A full list of licences included in the single national licence is available on their website. The ESFA will pay the agencies and provide the service to local authorities. For Leeds this amounts to £680,000 in 2023/24 which is an increase of £76,050 from 2022/23. This arrangement covers maintained schools and academies, and local authorities are allowed to hold the budget centrally rather than include it in school budgets. The licences covered by this charge are:
- Copyright Licencing Agency
  - School Printed Music Licence
  - Newspaper Licensing Agency
  - Education Recording Agency
  - Public Video Screening Licence – Filmbank Distribution Ltd.
  - Motion Picture Licensing Company
  - Phonographic Performance Ltd.
  - Performing Rights Society Ltd.
  - Mechanical Copyright Protection Society Ltd.
  - Christian Copyright Licensing International

This item does not require Schools Forum approval.

- 1.4.16 Schools Forum is therefore requested to approve the amounts summarised below, totalling £5,106,000 centrally for ESG retained duties, centrally employed teachers' pension costs, ongoing central functions, historic commitments, and to note the increase in the charge for the single national licence

	2022/23 (for information) £	2023/24 (for approval) £
<b>Local Authority costs</b>		
Former ESG Retained Duties	2,287,430	2,192,000
Centrally employed teacher pension costs	216,070	216,000
<b>Historic Commitments</b>		
Prudential borrowing	515,000	515,000
Headteacher support service	54,410	0
School support staff training	19,000	0
<b>Ongoing Responsibilities</b>		
Admissions Service	1,410,310	1,469,000
Schools Forum	32,130	34,000
ESFA central licences (for information only, no vote required by Schools Forum)	603,950	680,000
	<b><u>5,138,300</u></b>	<b><u>5,106,000</u></b>

## 1.5 High Needs Block

- 1.5.1 Since the report on high needs projected funding and expenditure was presented to Schools Forum in November 2022, a number of outstanding elements in the funding allocated have been confirmed and are generally in line with the estimates made at that time.
- 1.5.2 Work is ongoing to finalise budgets for 2023/34 to produce a budget and a more detailed report on this will be brought to the next Schools Forum meeting.
- 1.5.3 In line with the council's decision-making framework, a high level summary of the proposed HNB budgets will be presented to the Executive Board in January to be approved by Full Council in February.

## **2 Recommendations**

**2.1** Schools Forum is asked to note the arrangements for the school funding formula for 2023/24.

- The final decision on the formula will be taken by the Director of Children and Families in accordance with the council's decision-making framework.

**2.2** In relation to the Growth Fund for 2023/24, Schools Forum is asked to approve that:

a) In relation to the funding criteria:

- i. The existing criteria be retained for primary schools while for new secondary school growth, funding is allocated in the first year of expansion.
- ii. The existing criteria for additional resources and rental costs within existing schools be increased to £150 per pupil .
- iii. The existing criteria for leadership costs for new presumption free schools to be extended over a 4-year period.
- iv. The existing criteria be retained for new presumption free schools with the exception of additional resources which will be increased to £250 per pupil.

b) The total Growth Fund of £980k. The Growth Fund would be split between £538k for primary growth and £442k for secondary growth.

- This is a Schools Forum decision. In the event that Schools Forum does not agree, the DfE is able to adjudicate if we request this.

**2.3** In relation to the Central School Services Block, Schools Forum is asked to approve the amounts summarised below for 2023/24 (apart from the ESFA central licence charge, which does not require approval).

- This is a Schools Forum decision. In the event that Schools Forum does not agree, the ESFA is able to adjudicate if we request this.

	2022/23 (for information) £	2023/24 (for approval) £
<b>Local Authority costs</b>		
Former ESG Retained Duties	2,287,430	2,192,000
Centrally employed teacher pension costs	216,070	216,000
<b>Historic Commitments</b>		
Prudential borrowing	515,000	515,000
Headteacher support service	54,410	0
School support staff training	19,000	0
<b>Ongoing Responsibilities</b>		
Admissions Service	1,410,310	1,469,000
Schools Forum	32,130	34,000
ESFA central licences (for information only, no vote required by Schools Forum)	603,950	680,000
	<b>5,138,300</b>	<b>5,106,000</b>