

Report of the Director of Children and Families

Report to the Leeds Schools Forum

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Subject: School funding update 2022/23

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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 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 2022/23. These show an increase for Leeds of £11.8m for the Schools Block and £11.1m for the High Needs Block. The final allocations for 2022/23 will be confirmed later in the year using the latest pupil data. There has also been a decrease of £59k 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 2022/23 to establish options for consultation with schools. The consultation with schools on the 2022/23 funding arrangements will provisionally commence on the 4th October 2021 and end on the 20th October 2021. Online briefing sessions will be provided for schools during this period.

Recommendations

5. Schools Forum is asked to note the latest position on the 2022/23 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 As the country moves through the coronavirus (COVID-19) pandemic, the Department for Education (DfE) has acknowledged the essential role that local authorities play to support education. To ensure that funding can be delivered as smoothly as possible to schools, the department has made limited changes to funding arrangements in 2022/23.
- 1.3 The ESFA has published illustrative local authority level allocations for 2022/23 for schools, central school services, and high needs blocks, based on October 2020 pupil data. Details are provided in the relevant sections below and these figures will be used for consultation with schools in October 2021. The final local authority allocations will be confirmed in December 2021 and will take into account October 2021 pupil data.
- 1.4 For 2022/23 the basic structure of the schools NFF is not changing however the ESFA is changing some existing features of the formula alongside some technical changes, 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 2022 to 2023, as in previous years, each local authority will continue to set a local schools funding formula, in consultation with local schools. In July 2021, the department published a consultation on proposals for completing the reforms of the funding system, whereby individual schools budgets would be set directly through one single national formula, rather than local funding formulae. This consultation proposes that, from 2023 to 2024, local authorities will be required to bring their own formulae closer to the schools NFF, to smooth the transition. These requirements do not apply in 2022 to 2023, but local authorities may choose to move their local formulae closer to the NFF in advance of these requirements.

2.3 Schools Block

Funding allocation

- 2.3.1 In 2022/23, 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 The Schools Block indicative allocation for Leeds in 2022/23 is £613,712k which is an increase of £11,810k compared to 2021/22 (based on October 2020 pupil data). The final Schools Block allocation for 2022/23 will be received in December 2021 and will reflect the October 2021 pupil numbers in mainstream schools and academies.
- 2.3.3 Whilst the funding factors used in the formulae to calculate the NFF allocations remain the same, a number technical changes have been made:
- Schools sparsity distances are now based on road distances, instead of straight-line distances, and a sparsity distance taper has been introduced, in addition to the existing year group size taper.
 - Data on pupils who have been eligible for FSM6 is now taken from the October 2020 school census instead of the January 2020 census, to make the factor more up to date and bring it in line with arrangements for other NFF factors as well as the pupil premium.
 - Further to the consultation on changes to the payment process of schools business rates, schools business rates will be paid by ESFA to billing authorities directly on behalf of all state funded schools from 2022 to 2023 onwards.
 - For the low prior attainment factor in local funding formulae, 2019 assessment data will be used as a proxy for both the 2020 and 2021 reception and year 6 cohorts. This follows the cancellation of assessments in 2020 and 2021 due to COVID-19 and will be reflected in the data local authorities will receive from the ESFA.

Schools Sparsity Funding

- 2.3.4 The sparsity factor allocates funding to schools that are remote, measured by sparsity distances, and are small, based on average year group size.
- 2.3.5 For 2022/23 sparsity distances will be measured by road distances instead of straight-line distances. To calculate a school's sparsity distance, the formula takes all the pupils for whom it is the nearest compatible school and finds the average shortest road distance from these pupils' home postcodes to their second nearest compatible schools. Further details are provided in the NFF technical note.
- 2.3.6 In 2021/22 only one primary school qualified for sparsity funding however under the new road distance criteria three primary schools will now be eligible for sparsity funding in 2022/23.
- 2.3.7 In addition, this factor now includes a new distance threshold. This means that where schools' sparsity distances are marginally below the main distance thresholds for sparsity funding, they will still attract some allocation through the NFF. The distance threshold taper has been set 20% below the main distance thresholds.

School Business Rates

- 2.3.8 From 2022 to 2023 onwards rates will be paid by the ESFA directly to billing authorities on behalf of all maintained schools and academies. Local authorities will no longer need to fund rates at their estimate of the actual cost and will no longer allocate rates payments to schools. In addition, local authorities also no longer need to adjust rates with additional allocations to schools during the financial year (outside of the funding formula).

Transfers out of the schools block

- 2.3.9 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 2021/22 funding this would be approximately £3,069m for Leeds.
- 2.3.10 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.
- 2.3.11 As High Needs Block funding is unlikely to be sufficient to cover costs in this area, we will be consulting with schools in October 2021 on a transfer of funding in 2022/23 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

- 2.3.12 The minimum funding guarantee (MFG) for schools will continue, and local authorities continue to have the flexibility to set a local MFG between plus 0.5% and plus 2% 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.
- 2.3.13 The indicative allocations for Leeds have increased in 2022/23 due to changes to the key areas of the national funding formula as detailed below.
- The minimum per pupil funding levels will increase to £5,525 for secondary schools (compared to £5,150 in 2021/22) and £4,265 for primary schools (compared to £4,000 in 2021/22).
 - The funding floor will increase to ensure that the funding allocated to the local authority includes at least a 2% gain per pupil against the 2021/22 baseline.
 - Additional funding for small and remote schools will increase in 2022/23 with primary schools attracting up to £55,000 compared to £26,000 previously and from £67,000 to £80,000 for secondary schools.
- 2.3.14 As in previous years, we will be consulting with schools on the local funding formula to be used for 2022/23. We will be proposing to continue to move as close as possible to the national funding formula, as this was the approach taken for 2021/22. As we will be proposing 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 2021.

Formula factor increases

- 2.3.15 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.
- 2.3.16 Factors in the NFF allocations to local authorities will be increased by 3% apart from free school meals (increased at inflation) and premises based funding (allocated based on actual local authority spend in 2021/22 with an inflationary increase for the PFI factor only). There will be some local discretion to set lower rates for the funding factors if needed.

Minimum funding increases

- 2.3.17 A minimum increase of 2%, broadly in line with current inflation forecasts, will be guaranteed per pupil in local authority allocations compared to the 2021/22 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 +0.5% and +2% per pupil.

Growth fund

- 2.3.18 Growth funding will be allocated to local authorities as part of the Schools Block, based on growth in pupil numbers between the October 2020 and October 2021 censuses. Growth funding allocations for 2022/23 will not be confirmed by the ESFA until December 2021.
- 2.3.19 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 2022/2023 is £108,882k. This is an increase of £11,061k compared to 2021/22.
- 2.4.2 The high needs national funding formula ensures that every local authority receives an increase of at least 8% per head of population, with some authorities receiving up to 11% more than this year. For Leeds the increase is the maximum 11%, with a cap on

gains of £1,903k. Without this cap, the indicative allocation would have been £110,783k.

The High Needs Operational Guide has only recently been published and so further guidance will be available on the high needs funding when this has been reviewed in detail.

2.5 **Central School Services Block**

- 2.5.1 The indicative allocation for the Central School Services Block (CSSB) in 2022/23 is £5,098k which is a decrease of £59k compared to 2021/22.
- 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 5.6%. 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 CCSB funding began to be reduced from 2020/21. In 2022/23 the historic commitments funding will continue to reduce by 20% (£218k) of 2021/22 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 2022/23 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 2022/23 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 2022/23.

2.8 **Consultation with schools**

- 2.8.1 The 2022/23 consultation with schools will provisionally run from 4th October to 20th October 2021 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
- Revision to the Leeds Scheme for Financing Schools – excess surplus balances – maintained schools only
- Revision to the Leeds Scheme for Financing Schools – surplus balance transfer upon conversion – maintained schools only

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 18th November 2021. A further update will also be provided at the meeting on 18th January 2022 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 2022/23 school funding arrangements and the ongoing work to develop and consult on the allocation of this funding.