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| Meeting: | Schools Forum |
| Date: | 14 September 2021 |
| Subject: | Item 4: DSG Budget Setting 2022-23 |
| Responsible Officer: | Jo Frost, Finance Business Partner – Children's Services |

Section 1 – summary

1. This report updates Schools Forum on the 2022-23 DSG budget setting and outcome of the schools funding consultation.
2. Schools Forum is required to:
 - Note the changes to school funding in 2022-23

Section 2 – report

Schools Block

3. In 2018-19 the government introduced a new National Funding Formula (NFF) for Schools, High Needs and the Central Schools Services Block. For the schools block this means that each LA will be funded on the basis of the aggregate of the NFF for all schools, academies and free schools in its area but the final formula for distribution will be determined by each LA following consultation with schools and Schools Forums.
4. The LA carried out a consultation in Autumn 2017 which sought views on whether the LA should continue to use the Harrow Schools Funding Formula or introduce the National Funding Formula from 2018-19.

5. 76% of schools responded to the consultation and 89% voted in favour of introducing the NFF from 2018-19. The NFF will continue for 2022-23.

Summary of proposals for 2022-23

- In 2022-23 each LA will continue to set a local schools formula in consultation with local schools. In July 2021 the government published a consultation on proposals for completing the reforms to the funding system, whereby individual schools budgets would be set directly by a single national funding formula rather than through a local funding formula. This is covered at Item 7 on the agenda.
- The Minimum Per-Pupil Funding Levels (MPPL) will be set at £4,265 for primary schools and £5,525 for secondary schools compared with £4,180 and £5,415 in 2021-22.
- NFF Factor values have increased by:
 - 3% to basic entitlement, FSM6, IDACI, low prior attainment, EAL and the lump sum
 - 2% to the floor, the MPPL and FSM
 - 0% on the premises factor
- Free School Meals (FSM) – 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
- Low Prior Attainment – data from the 2019 Early Years Foundation Stage Profile (EYFSP) and KS2 tests is used as a proxy for the 2020 tests, following the cancellation of assessment due to Covid-19
- Mobility – pupils who joined a school between January 2020 and May 2020 attract funding for mobility based on their entry date, rather than by virtue of the May school census being their first census at the current school as the May 2020 census did not take place due to Covid-19
- Rates – school business rates will be paid by the ESFA to LAs directly on behalf of all state funded schools from 2022-23. Further details will be issued separately within the formal consultation response.
- Teachers Pay Grant (TPG) and Teachers Pension Employers Contribution Grant (TPEG) are now fully rolled into the NFF. No separate adjustments are needed to local formulae beyond what was already done in 2021-22 to account for these grants in 2022-23.
- Minimum Funding Guarantee (MFG) – LAs will be able to set an MFG between +0.5% and +2%. This is the same as 2021-22.

- Block transfers – LAs will continue to be able to transfer up to +0.5% of the schools block to other blocks of the DSG, with schools forum approval. A disapplication is required for transfers above 0.5% or for any amount where schools forum does not give approval.
6. Indicative school budgets based on the October 2020 census are shown at Appendix A. The budgets have been based on a Minimum Funding Guarantee of +2% to mirror the formula in 2021-22. This is the maximum MFG which can be applied. This will be subject to affordability within the overall formula. **It should be noted that these budgets are subject to changes in relation to the October 2021 schools census.** These include:
- Fluctuations in pupil numbers
 - Changes in demographics resulting in changes to per pupil levels of funding
 - Affordability of the overall funding formula which may dictate the final MFG applied.
7. Appendix B sets out the breakdown of the difference between the 2021-22 budget and the 2022-23 indicative budget.

Schools Block Baseline Funding 2021-22

8. The National Funding Formula generates a primary and secondary unit of funding (P/SUF). This is the per pupil funding of all Harrow schools based on the aggregate of the funding which the NFF has generated for each school. This funding forms the majority of funding in the Schools Block. There is also an allocation for premises and a further allocation for the growth fund.
9. Table 1 shows the 2022-23 Primary and Secondary Units of Funding (P/SUF) and the total allocation based on the October 2020 schools census.

Table 1 – baseline funding

| Factors | PUF | Pupils | SUF | Pupils | Total |
|--|--------|--------|--------|--------|---------------------|
| Per pupil | £4,657 | 21,419 | £6,403 | 12,806 | £184,473,978 |
| Premises | | | | | £2,734,949 |
| Growth Fund (2021-22 value, to be updated using Oct 2021 census) | | | | | £1,268,468 |
| Grand Total indicative Schools Block 2022-23 | | | | | £188,477,395 |

Per Pupil Funding

10. The National Funding Formula has generated a primary and secondary unit of funding. This is the per pupil funding of all Harrow schools based on the aggregate of the funding which the NFF has generated for each school. The per pupil factor values are shown below at Table 2

Table 2 – funding formula factor values

| Factors | 2021-22 | | 2022-23 | | % Change | |
|----------|-----------|-------------|-------------|-------------|----------|-----|
| | Pri | Sec | Pri | Sec | Pri | Sec |
| Pri AWPU | £3,429.15 | | £3,540.05 | | 3% | |
| KS3 AWPU | | £4,835.72 | | £4,991.51 | | 3% |
| KS4 AWPU | | £5,449.52 | | £5,625.35 | | 3% |
| FSM | £505.09 | £505.09 | £517.20 | £517.20 | 2% | 2% |
| Ever6 | £631.37 | £922.35 | £649.25 | £951.86 | 3% | 3% |
| IDACIF | £236.08 | £340.39 | £242.09 | £352.13 | 3% | 3% |
| IDACIE | £285.49 | £455.68 | £297.11 | £467.68 | 4% | 3% |
| IDACID | £450.19 | £636.86 | £462.18 | £654.75 | 3% | 3% |
| IDACIC | £488.62 | £691.76 | £506.19 | £715.27 | 4% | 3% |
| IDACIB | £521.56 | £746.66 | £539.21 | £770.29 | 3% | 3% |
| IDACIA | £680.78 | £949.80 | £704.27 | £979.37 | 3% | 3% |
| LPA | £1,202.34 | £1,822.73 | £1,243.47 | £1,881.72 | 3% | 3% |
| EAL | £603.92 | £1,630.57 | £621.74 | £1,683.64 | 3% | 3% |
| Mobility | £988.23 | £1,416.46 | £1,017.89 | £1,463.56 | 3% | 3% |
| Lump Sum | £129,347. | £129,347.93 | £133,480.95 | £133,480.95 | 3% | 3% |

Premises

11. Premises funding relates to NNDR (business rates). The DfE undertook a consultation in the spring term 2021 which proposed alternative arrangements for the payment of business rates. At present, business rates funding is based on the previous year's actual rates bill. Funding is distributed to schools and academies through the schools funding formula. In the case of maintained schools, the LA then pays the rates bill for each school to its own billing account. In the case of academies, the LA sends the academy an invoice which is then paid to the LA.
12. The consultation proposes that the LA complete a claim for business rates on behalf of all schools and academies which the ESFA will then pay through allocation of DSG to the LA. This means that cash will not be circulating between schools, academies, the LA and the ESFA and will instead take place as one transaction. Business rates will still form part of a school's budget but the cash will not be paid over to schools and academies.

13. Overall funding levels will remain unchanged.

Growth Fund

14. Growth funding is within the Schools Block. For 2022-23 it will be calculated using the same methodology as in 2021-22 based on the growth in pupil numbers between the October 2020 and October 2021 censuses.

15. LAs that received growth funding protection in 2021-22 will continue to receive protection in 2022-23 meaning the maximum reduction in growth funding for these LAs will be set at -0.5% of the total DSG schools block allocation.

16. The growth fund can only be used to support

- Growth in pre-16 pupil numbers to meet basic need
- Additional classes needed to meet the infant class size regulation
- The costs of new schools

High Needs Block

17. High Needs funding is designed to support a continuum of provision for pupils and students with special educational needs and disabilities (SEND) from 0-25 years old. The following are funded from the High Needs Block of the DSG:

- Harrow special schools and academies
- Additionally Resourced Mainstream (ARMs) units in mainstream schools and academies
- Places in out of borough special schools and independent school provision
- EHCPs in mainstream schools and academies
- Post 16 provision including Further Education
- SEND Support services, therapies and support for inclusion
- Alternative provision including Pupil Referral Units and education other than at school

18. The government introduced a National Funding Formula for High Needs from 2018-19. Funding has previously been based on historical allocations plus small annual amounts of growth. In order to manage increasing growth for demand and complexity, annual funding transfer from the schools block into the high needs block have been approved by Schools Forum

19. From 2018-19 the Schools Block has been ring-fenced and transfers between blocks has been restricted to 0.5% of the Schools Block (approx. £800k). The decision to agree a transfer remains with Schools Forum. It agreed a transfer

of 0.5% in 2018-19 and a reduced transfer of 0.25% in 2019-20 however it did not agree to any transfer beyond 2019-20 on the basis that the government should be properly addressing the inherent underfunding of High Needs pupils and to continue to topslice mainstream school budgets masks the extent of the problem.

20. The following changes for 2022-23 have been confirmed:

- The funding floor has been set at 8% so each LA will receive an increase of at least that percentage, taking into account changes in the 2 to 18 population (as estimated by ONS)
- The gains cap has been set at 11%, allowing LAs to see gains up to that percentage, also based on the 2 to 18 population
- The operational aspects of high needs funding and institutions' allocations of place funding remain largely unchanged from 2021-22

21. There is anticipated to be an additional £3.2m added to the HNB for 2022-23 however there are already significant pressures on the HNB.

22. The current cumulative projected deficit at the end of March 2023 is currently £5.303m.

DSG deficits

23. The government consulted on the treatment of deficits in 2019. The outcome of the consultation was a change to the regulations for the treatment of DSG deficits so that LAs must carry forward any HNB deficit to be funded from the next year's budget share. It also explicitly states that LAs can not and should not fund any DSG deficit from its own reserves.

24. In May 2021 it was announced that this is a temporary ring fence and by 2023-24 LAs will need to demonstrate that they have sufficient reserves to cover the deficit.

DSG Recovery Plans

25. With effect from 2019-20 the DfE has tightened up the rules under which local authorities have to explain their plans for bringing the DSG account back into balance

26. The DfE will require a report from any LA that has a cumulative DSG deficit of more than 1% at the end of the financial year. The 1% calculation will be based on the latest published DSG allocations for 2021-22 compared with the deficit shown in the authority's published draft accounts.

27. Despite the LA's significant proposals and measures planned over the next ten years, this will not mitigate the deficit. This is due to the following contributory factors:

- historical underfunding
- current budgets being based on historical budgets rather than historical spend
- extension of age range to include 0-5 and post 19
- current and projected formulaic funding which does not keep pace with demand
- significant historical and projected growth in number of EHCPs
- continued growth in complexity of pupils' needs
- limitations about creating cost effective provision in borough due to capacity and site limitations

Early Years Block

28. No updated information has been published in relation to the EYB for 2022-23.

Other non-DSG grants 2022-23

29. The pupil premium will continue in 2022-23. For 2022-23 the October 2021 school census data will be used to allocate pupil premium just as the October 2020 census was used for the 2021-22 pupil premium allocations.

30. Details of other non-DSG grants will be issued during 2022.

Timetable

31. The provisional timetable for the data checking and calculation of the blocks is shown below:

- 7 October 2021 – School Census Day
- 11 October 2021 – deadline for submitting disapplication requests (for response by December)
- Mid November 2021 – closing date for submission of 2022-23 high needs place change workbooks
- 19 November 2021 – deadline for submitting disapplication requests (for response by APT deadline)
- Mid January 2022 – Schools forum consultation and political approval required for final 2022-23 funding formula

- 21 January 2022 – deadline for submission of final 2022-23 APT to ESFA
- 28 February 2022 – deadline for confirmation of school budget shares to mainstream maintained schools

Section 3 – contact details

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