

<b>DATE: 8 DECEMBER 2022</b>	<b>ITEM 7</b>	<b>TYPE OF REPORT: DISCUSSION</b>
<b>Report title:</b>	<b>Dedicated Schools Grant – 2023-24 Schools Funding Formula</b>	
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School Funding formula 2023-24

### Executive Summary

This report outlines anticipated issues relating to the 2023/24 schools funding formula and seeks Forum’s views on areas to investigate further.

### 1. Recommendations

The Schools Forum is asked for its views on the following menu of options to model the 2023/24 funding formula for schools

1. Set the schools block transfer at £1.2m
2. To set the MFG at 0%
3. If there are insufficient resources to set the MFG at 0%, to move funding rates towards the stipulated minimum level until 0% is affordable. The lump sum will be excluded from this due to the impact on small schools.
4. If there are resources available after setting the MFG at 0%, to apply the amount to those factors further away from the national funding formula.

### 2. Background

2.1 The Department for Education (DfE) provides local authorities with funding for education via the Dedicated Schools Grant (DSG), which is the accumulation of separately calculated blocks; Schools Block, High Needs Block, Early Years Block and Central Support Services Block.

2.2 The Schools Block is distributed to schools, primarily through a formula administered by the local authority, covered by statutory regulations and agreed with the Schools Forum. (Other distribution methods are the Growth Fund and the Falling Rolls Fund.)

2.3 The formula calculates each School’s Budget Share (SBS) using data relating to pupil numbers and characteristics (FSM eligibility, home postcode deprivation, prior attainment, EAL) and school characteristics (NNDR charges and split-site status). The formula also contains a lump-sum that awards a flat-rate amount as a contribution towards fixed costs. There is a new rating valuation being undertaken for the NNDR, which looks if it will increase the costs overall. Although looking on an individual school basis some schools will see increases, some will see reductions. It is expected the changes will be introduced from April 2023, at the moment we are awaiting clarification of any transitional protection that will be introduced.

- 2.4 Laying over the top of the funding formula is the Minimum Funding Guarantee (MFG). The MFG is a statutory requirement for all local authorities and sets a minimum amount by which a school's per pupil funding must increase (or at times a maximum amount by which it can decrease). The per pupil nature of the MFG means that it is not a cash guarantee: a school that loses pupils will still see a fall in its funding, just not in the amount per pupil.
- 2.5 The operation of the MFG is laid out in statutory regulations, but at present the MFG rate is set at a local authority level but must be within a range stipulated by the DfE.
- 2.6 The DfE uses a National Funding Formula (NFF) to calculate the Schools Block for each local authority. The NFF uses the same formula factors available to local authorities to calculate a notional allocation for each school. Lagged amounts for premises and growth are then added to this.
- 2.7 The current system, whereby the DfE used the NFF to calculate the Schools Block, but the LA is free to use its own formula to calculate the Schools' Budget Shares is referred to as a soft-NFF. The DfE intends to move to a hard-NFF, whereby the DfE calculated figures will be the actual allocation to schools. The implementation of the hard-NFF has been postponed a number of times and the DfE have recently issued a consultation document on how they intended to merge the local soft-NFF into the NFF. Although the outcome of the consultation is awaited it gives us a steer in terms of direction of travel.
- 2.8 The DfE notifies Local Authorities of their DSG allocation each December and at the same time provides a spreadsheet which must be used to show the DfE the calculation of each school's School Budget Share. This spreadsheet, the Authority Proforma Tool (APT), contains the data that must be used in the calculation and restricts the calculation to that which falls within the regulations.
- 2.9 The recent autumn statement indicated there would be more funding for schools, over and above that previously announced in the comprehensive spending review. While the precise details are awaited it is thought that this will form a supplementary grant rather than added to the DSG, if this changes in the meantime, we will update the Schools Forum at the meeting.

### **3 Main considerations for building the formula**

#### **3.1 Schools Block transfer**

Members will be aware of the safety valve funding application that was discussed at the last meeting. The application contained a school block transfer moving funds from schools to the High Needs block of £1.2m (which is just below the 0.5% threshold for the schools forum to agree without ministerial approval). In turn some of this funding (£0.5m) is handed back to schools in the form of the EHCP inclusion fund. This funding needs to be put aside before running the formula.

#### **3.2 ESFA mandated movement towards the National Funding Formula**

As part of the move towards the implementation of the NFF as a means to allocate schools' budget shares, the ESFA are introducing funding bands for each formula factor, within which each local authority's funding rates must fall. These bands will narrow each year, bringing local authority funding rates ever closer to the NFF. The maximum and minimum rates allowed for Southwark can be found in the table at the end of this report.

Southwark rates for FSM, FSM6, EAL and low prior attainment have all had to rise. Most IDACI rates have also had to rise, but one has had to be reduced by £3.00.

### **3.3 Minimum Funding Guarantee**

For the 2023/24 financial year, regulations allow the MFG protection rate to be set between 0.0% and +0.5%.

The DSG allocations are not published until later in December. The provisional allocations provided to us in July 2022 indicates we will receive 0.3% next year. This would indicate that we would be unlikely to achieve the 0.5% maximum limit. With the other data changes (again they will not be available until December), even the minimum limit of 0% may be difficult to achieve. The initial proposal to undertake the modelling is to set the MFG at 0%.

Potentially the funding formula may not operate within the regulations. Discussions have already taken place with the ESFA on this. If this is the case, the ESFA will ask us to set the funding rates at the minimum level allowable under the National Funding Formula.

Under the current regulations and due to transition to the national funding formula we are required to set each funding rate within a band, these bands are stated in the table at the end of this report. This shows the minimums.

For example, our current primary basic entitlement (AWPU) is £4,511.30, the bands say that we can set the rates between are £3,934.31 and £4,660.87. The appendix shows each of our formula factors. These bands are individual to each Local Authority, so vary across the country. Of course, setting a primary basic entitlement rate at the lowest level of the band could cause considerable turbulence. The MFG would protect schools to some extent, but this would still only be adopted as a last resort.

### **3.4 Distribution of any funding if available over and above the MFG.**

It is possible that after setting the MFG at 0%, there will be a small amount of funding available for distribution. As we have seen above, there are two main considerations in building the schools budget; how any funds over and above the MFG are allocated and then how do we ease our way into the NFF, rather than add to the gap between our formula and the NFF.

In the table at the end of this report, members will see the 2022/23 formula factors and how they compared to the NFF funding rate. The factors that are furthest below the NFF in percentage terms are Low Prior Attainment, EAL, primary Income Deprivation Affecting Children Index (IDACI) and FSM. In a similar approach taken for the current year, we will use any available funds to minimise the shortfall between our rates and the NFF rates.

### **3.5 Low prior attainment**

This funding is for

- primary pupils identified as not achieving the expected level of development in the early years foundation stage profile (EYFSP)
- secondary pupils not reaching the expected standard in KS2 at either reading or writing or maths

### 3.6 Pupil deprivation

The NFF allocates 9.1% of its funding to deprived pupils. Pupil deprivation is based on three deprivation measures – current Free School Meal (FSM) eligibility, FSM eligibility at any time in the last 6 years (“FSM6”), and the level of deprivation in the postcode where the pupil lives, which is measured using the Income Deprivation Affecting Children Index (IDACI).

### 3.7 English as an additional language (EAL)

The EAL factor provides funding based on the number of pupils identified as having a first language other than English in the October census. These pupils will attract funding for the 3 years following their entry into the statutory school system.

**3.8** In essence, in building next year’s formula we are proposing to adopt the following menu and order

1. Set the schools block transfer at £1.2m
2. Action the rate movements mandated by the ESFA
3. To set the MFG at 0%
4. If there are insufficient resources for steps 1 to 3, move funding rates towards the minimum levels (the lump sum is exempted from this due to the impact on small schools)
5. If there are any resources left after steps 1 to 3, to apply this amount to those factors furthest away from the national funding formula rates.

Agreeing the above will enable us to undertake the modelling for January meeting of the Schools Forum in order to set next year’s budget.

In the event there are insufficient resources to operate the formula, this outcome becomes part of the discussions with the safety valve team.

Factor	2022-23 Southwark Rate of Funding	Difference between Southwark 22-23 and 22-23 NFF	23-24 NFF including Area Cost Adjustment	2023-24 minimum Allowed	2023-24 maximum Allowed
KS1/2 basic entitlement	£4,511.30	£695.20	£4,035.19	£3,934.31	£4,660.87
KS3 basic entitlement	£6,465.58	£1,084.84	£5,688.98	£5,546.76	£6,665.34
KS4 basic entitlement	£6,465.58	£401.57	£6,411.85	£6,251.55	£6,773.26
Primary FSM	£444.60	<b>-£112.93</b>	£570.68	£469.05	£584.95
Secondary FSM	£444.60	<b>-£112.93</b>	£570.68	£469.05	£584.95
Primary FSM6	£746.16	£46.28	£838.19	£817.23	£879.84
Secondary FSM6	£1,066.17	£40.08	£1,224.59	£1,193.97	£1,260.66
Primary IDACI F	£165.75	<b>-£95.22</b>	£273.45	£187.75	£280.29
Primary IDACI E	£172.85	<b>-£147.43</b>	£332.90	£200.21	£341.22
Primary IDACI D	£330.26	<b>-£167.96</b>	£523.12	£371.96	£536.20
Primary IDACI C	£530.18	<b>-£15.49</b>	£570.68	£556.41	£584.95
Primary IDACI B	£597.07	£15.82	£606.35	£591.19	£621.51
Primary IDACI A	£601.19	<b>-£158.00</b>	£796.58	£654.38	£816.49
Secondary IDACI F	£142.09	<b>-£237.50</b>	£398.29	£184.53	£408.25

Factor	2022-23 Southwark Rate of Funding	Difference between Southwark 22-23 and 22-23 NFF	23-24 NFF including Area Cost Adjustment	2023-24 minimum Allowed	2023-24 maximum Allowed
Secondary IDACI E	£194.34	<b>-£309.81</b>	£529.07	£250.24	£542.30
Secondary IDACI D	£676.93	<b>-£28.88</b>	£737.13	£711.14	£755.56
Secondary IDACI C	£1,073.68	£302.63	£808.47	£788.25	£1,080.83
Secondary IDACI B	£1,235.80	£405.44	£867.91	£846.21	£1,232.81
Secondary IDACI A	£1,549.13	£493.39	£1,105.70	£1,078.05	£1,549.74
Primary EAL3	£392.99	<b>-£277.23</b>	£689.57	£440.07	£706.81
Secondary EAL3	£1,515.26	<b>-£299.67</b>	£1,860.66	£1,590.96	£1,907.18
Primary Low Prior Attain	£785.99	<b>-£554.45</b>	£1,373.20	£874.20	£1,407.53
Secondary Low Prior Att	£1,748.28	<b>-£280.17</b>	£2,080.61	£1,828.45	£2,132.63
Primary mobility	£1,097.26	£0.00	£1,123.53	£1,095.44	£1,151.62
Secondary mobility	£1,577.69	£0.00	£1,616.93	£1,576.51	£1,657.35
Primary lump sum	£175,000.00	£31,110.30	£152,181.76	£148,377.22	£175,000.00
Secondary lump sum	£175,000.00	£31,110.30	£152,181.76	£148,377.22	£175,000.00