

Schools Funding Forum 20th October 2022**ITEM 8****Subject Heading:****Schools Funding 2023-24****Report Author:****Nick Carter – Principal Finance Officer
(Schools)****Eligibility to vote:****All school and academy members****SUMMARY**

This report summarises the announcement of indicative DSG Schools Block funding for financial year 2023-24 and provides options on allocating funding to schools, including a transfer to the High Needs Block and to growth and falling rolls.

RECOMMENDATIONS

That the Schools Funding Forum:

- (i) considers the options presented on allocating funding to schools for 2023-24
- (ii) considers a transfer of funding from the Schools Block to the High Needs Block
- (iii) considers the funding of pupil growth and falling rolls
- (iv) agrees the options that will form the consultation with schools on the 2023-24 funding allocations

REPORT DETAIL

1. Background

In 2018-19 a “soft” National Funding Formula (NFF) was implemented. In that year, and in subsequent years, Havering has used the NFF rates in calculating funding for its schools. Following consultation last year, the DfE are now moving towards a direct NFF.

At the meeting held on 22nd September 2022, the Schools Funding Forum agreed that NFF funding rates should again be used in the calculation of schools’ funding allocations for 2023-24. This means that the changes to funding arrangements for 2023-24 announced as part of the move towards a direct NFF will not have any impact for Havering schools.

Since the introduction of the soft NFF the Schools Funding Forum has made decisions each year on whether funding should be transferred from the Schools Block to the High Needs Block of the Dedicated Schools Grant (DSG) and whether to supplement the funding received from the DfE for growth and falling rolls.

The Schools Funding Forum has then gone on to make decisions on the minimum funding guarantee (MFG) and a gains cap. For 2022-23, the MFG was set at +1.2% and there was a gains cap of 2.8% was applied, to limit the gains of schools that would otherwise have received more.

2. DSG Schools Block 2023-24

The DfE has announced indicative funding for 2023-24 through the DSG Schools Block. The figures were reported to the Schools Funding Forum at their last meeting but are shown again below.

The first table below shows indicative funding against the baseline data from 2022-23.

	Pupil Numbers	Schools Block allocation excluding pupil growth and premises factors £	Allocation through premises factors £	Schools Supplementary Grant £	Total allocation (excluding pupil growth) £	Allocation per pupil £
2023-24	38,061.5	212,548,940	2,440,293	0	214,989,233	5,648.47
2022-23	38,061.5	201,779,795	2,430,762	6,072,320	210,282,877	5,524.82
increase	0	10,769,145	9,531	-6,072,320	4,706,356	123.65
% increase					2.24%	2.24%

The Schools Block funding for 2023-24 shown above will be updated in December using pupil numbers from the October 2022 census and will also include Havering’s allocation of funding for pupil growth/falling rolls. Until then the LA models various options based on estimated pupil numbers and data.

The table above shows the comparison of indicative 2023-24 funding against the baseline figure for 2022-23. This is not the final allocation that the LA received in 2022-23 which is shown in the table below together with the indicative Schools Block funding for 2023-24.

	Actual primary unit of funding (PUF) £	Actual secondary unit of funding (SUF) £	Primary pupil numbers	Secondary pupil numbers	Pupil Funding £	Schools Supplementary Grant £	Rates (NNDR) £	Total Funding £
2023-24 (Jul-22)	4,912.04	6,626.62	23,137.0	14,924.5	212,548,940	0	2,440,293	214,989,233
2022-23 (Dec-21)	4,666.87	6,285.13	23,137.0	14,924.5	201,779,794	6,072,320	2,430,762	210,282,876
Diff	245.17	341.49	0.0	0.0	10,769,147	-6,072,320	9,531	4,706,357

The final Schools Block allocation for 2023-24 will also include funding for pupil growth. In recent years this has proved insufficient to meet the cost of funding growth and falling rolls on the current basis. The best estimate at present is that the sum required to protect funding for growth and falling rolls at current levels will be similar to last year at £700k.

3. NFF Funding Rates

The NFF Funding rates for 2023-24 are shown at Appendix A, together with the rates for 2022-23. The rates for 2023-24 include the consolidation of the Schools Supplementary Grant (SSG), allocated in 2022-23, into the NFF. Excluding the impact of the SSG, the Basic per pupil funding rate has increased by 2.4%. The Area Cost Adjustment (ACA), which recognises higher costs in London, has increased slightly from 1.08410 to 1.08553 for Havering. This means the Basic per pupil rate for Havering has risen by 2.55% for Key Stages 1 and 2 and by 2.53% for Key Stages 3 and 4.

4. Minimum Funding Guarantee and Gains Cap

The range for the minimum funding guarantee (MFG) percentage that local authorities can apply is between 0.0% and 0.5%. This means that where the per pupil funding for a school has risen by less than the MFG rate, the increase will be topped up to the level of the MFG.

Local Authorities can also apply a cap on the percentage gains per pupil that schools will receive, to ensure that the total amount allocated to schools does not exceed the Schools Block funding. The gains cap is applied to schools that would otherwise receive a higher per pupil increase. This will be determined by the level of affordability once the amount required for MFG is calculated.

In calculating funding to schools in 2022-23 an MFG of 1.2% was applied, together with a gains cap of 2.8%.

5. Minimum Per Pupil Funding Level

In allocating funding to schools LAs need to ensure that minimum pupil funding levels are met. For 2023-24 these are set at £4,405 for primary schools and £5,715 for secondary schools. The increase includes an adjustment to reflect the consolidation of the Schools Supplementary Grant into the NFF.

6. Transfers between DSG blocks and schools' High Needs funding

For 2023-24, with the agreement of the Schools' Funding Forum, LAs will continue to be able to transfer up to 0.5% of their Schools Block to other DSG blocks. Using the indicative figure for 2023-24, this equates to £1,074,946.

For 2022-23 the Schools' Funding Forum agreed to a transfer of 0.5%, a sum of £1,028,678. This was used, together with an additional £1,411,237 received in the High Needs Block in December 2022, to increase a number of the funding rates for schools' high needs allocations.

The LA, with the agreement of the Forum, intends to re-establish the High Needs Funding task and finish group in order to review high needs funding rates for 2023-24. When the high needs funding rates for 2022-23 were determined, the 0.5% transferred from the School Block was included in the calculations. Without a similar 0.5% transfer for 2023-24, the base rates forming the starting point for discussion of 2023-24 rates, would need to be reduced to reflect the absence of the funding transferred.

The transfer from the Schools Block to the High Needs Block for 2022-23 represented 42% of the increase in high needs funding allocated to schools. This enabled, for example, the hourly rate in support of pupils with an EHCP to be increased from £14 an hour after 11 hours, to £16 an after 9.6 hours. Without the 0.5% transfer the base figure would be £15.15 per hour after 10.2 hours.

7. School Funding Options

At this stage, all calculations are based on October 2021 data. These show the sums that each school would receive if there were no changes in pupil numbers or other data since October 2021 but using the 2023-24 funding rates.

Once the revised data is received in December, the LA will apply the NFF funding factors for each school to the data from the October 2022 census. Until the October 2022 data is received from the DfE it is not possible to calculate final figures for 2023-24. Minor changes may be needed to any decisions made by the Forum prior to the calculation of final funding figures.

Given that the LA is using the NFF factors and rates to allocate funding to schools, the options to considered are whether to transfer funding from the Schools Block to the High Needs Block, the level of the minimum funding guarantee and the level of any gains cap.

A summary of two possible options is shown below. The impact on individual schools, shown anonymously, will be circulated at the meeting.

The minimum funding guarantee can be set between 0.0% and 0.5%. Formula modelling shows that reducing the MFG from 0.5% to 0.0% reduces the sum allocated by only £43k, so in both the options considered the rate is left at 0.5%.

Based on current figures, if 0.5% is transferred from the School Block to the High Needs Block, a gains cap of 2.6% is required. An MFG of 0.5% together with a gains cap of 2.6% would enable a transfer of 0.5% from the Schools Block to the High Needs Block, and the allocation of additional funding for growth and falling rolls. This is shown as Option A.

Without a transfer to the High Needs Block it would be possible to increase the gains cap to 3.6%. This allows for the for the allocation of additional funding for growth and falling rolls. This is shown as Option B.

Option	MFG	Cap	DSG remaining £000s	No. of schools on MFG		No of schools capped		Cost of MFG £000s	Saving from cap £000s
				Prim.	Sec.	Prim.	Sec.		
A	0.5%	2.6%	71	1	1	51	16	262	1,494
B	0.5%	3.6%	52	1	1	27	7	262	399

Havering has 59 primary schools and 18 secondary schools

8. Pupil Growth and Falling Rolls Fund

In 2019-20 the DfE introduced a formula for the allocation of growth funding to LAs. This is based on multiplying the difference between the October data in one year and the previous year and multiplying that difference by £1,650 per primary pupil and £2,470 per secondary pupil, an increase of 2.5% from 2022-23. These arrangements, based on lagged data, do not support LAs with a growing number of pupils.

Havering's funding has reduced significantly since this funding mechanism was introduced

2018-19	£3.3m
2019-20	£2.5m
2020-21	£1.6m
2021-22	£1.6m
2022-23	£1.5m
2023-24	£1.5m*

* The figure for 2023-24 is an LA estimate.

Havering's formula for allocating growth funding is as follows:

Primary

Single form of entry expansion or bulge class

28 pupils x AWPU £3,487.55 x 7/12 (Sept – March) = £56,963

This is repeated as the cohort moves through the school to recognise the need to open an additional class and appoint additional staff until the school has reached its new PAN in every year group.

It is expected that bulge classes will fill and therefore funded the following year by the pupils on roll but if they do not fill the funding is protected up to 28 pupils.

Secondary

Expansion or bulge class

Smaller increases in numbers are expected to be absorbed into existing classes. This is reflected in the pupil numbers funded as follows, using an example of an increase in PAN from 180 to 210.

Increase = 30 less 1 pupil absorbed into each of the existing 6 classes = 24 to be funded

e.g. 24 pupils x AWPU £4,917.48 x 7/12 (Sept – March) = £68,845

This is repeated as the cohort moves through the school to recognise the need to open an additional class and appoint additional staff until the school has reached its new PAN in every year group.

Falling rolls

This budget must also fund schools with falling rolls

The DfE regulations require this to be good and outstanding schools only and when the capacity is likely to be filled in 3 years.

Havering's formula is as follows:

PAN x 90% minus NOR in YrR/Yr3/Yr7 x AWPU x 90%

Plus

PAN x 90% minus NOR in Yr1/Yr4/Yr8 x AWPU x 50%

Havering also has local arrangements that support primary schools that have significantly and consistently low numbers in some year groups.

Costs cannot be calculated accurately until the census data has been received from the DfE but are expected to be similar to last year, which would require £700k additional funding from the Schools Block.

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NFF rates 2023/24

Area Cost Adjustment

1.08553

Factor	Primary				Secondary			
	2023/24		2022/23 % change		2023/24		2022/23 % change	
	NFF £	LBH £	LBH £	LBH	NFF £	LBH £	LBH £	LBH
Basic per pupil	3,394.00	3,684.29	3,487.55	5.64	KS3 4,785.00	5,194.26	4,917.48	5.63
					KS4 5,393.00	5,854.26	5,541.92	5.64
<i>excl SSG</i>	3,294.67	3,576.47	3,487.55	2.55	KS3 4,644.71	5,041.97	4,917.48	2.53
					KS4 5,234.28	5,681.97	5,541.92	2.53
Free School Meals	480.00	521.05	509.53	2.26		480.00	521.05	2.26
FSM Ever 6	705.00	765.30	639.62	19.65		1,030.00	1,118.10	19.23
<i>excl SSG</i>	616.35	669.06	639.62	4.60		900.67	977.70	4.26
IDACI A	670.00	727.31	693.82	4.83		930.00	1,009.54	4.63
IDACI B	510.00	553.62	531.21	4.22		730.00	792.44	4.42
IDACI C	480.00	521.05	498.69	4.49		680.00	738.16	4.75
IDACI D	440.00	477.63	455.32	4.90		620.00	673.03	4.34
IDACI E	280.00	303.95	292.71	3.84		445.00	483.06	4.84
IDACI F	230.00	249.67	238.50	4.68		335.00	363.65	4.83
Low Prior Attainment	1,155.00	1,253.79	1,225.03	2.35		1,750.00	1,899.68	2.47
EAL	580.00	629.61	612.52	2.79		1,565.00	1,698.85	2.42
Mobility	945.00	1,025.83	1,002.79	2.30		1,360.00	1,476.32	2.39
Lump sum	128,000.00	138,947.84	131,501.33	5.66		128,000.00	138,947.84	5.66
<i>excl SSG</i>	124,231.68	134,857.22	131,501.33	2.55		124,231.68	134,857.22	2.55
Minimum per pupil funding level (MPPL)	4,405.00	4,405.00	4,265.00	3.28		5,715.00	5,715.00	3.44
<i>excl SSG</i>	4,285.41	4,285.41	4,265.00	0.48		5,551.99	5,551.99	0.49
Minimum Funding Guarantee	0.0%-0.5%	tba	1.2%			0.0%-0.5%	tba	1.2%
Gains cap			2.8%					2.8%

Supplementary grant sums consolidated into NFF funding rates for 2023-24

	£	Adjustment to MPPL	£
Basic per pupil - Primary	97.00	Primary	119.00
Basic per pupil - KS3	137.00	KS3	155.00
Basic per pupil - KS4	155.00	KS4	173.00
Primary FSM6	85.00		
Secondary FSM6	124.00		
Lump sum	3,680.00		