



## Schools Funding Forum 1<sup>st</sup> December 2022

## ITEM 4

**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 provides details of the Consultation on Schools and High Needs Funding 2023-24 which closed on Tuesday 29<sup>th</sup> November 2022. A summary of the consultation responses received from schools and academies will be presented at the meeting.

### RECOMMENDATIONS

That the Schools Funding Forum:

- (i) considers the responses to the Consultation on Schools and High Needs Funding 2023-24 submitted by schools and academies
- (ii) considers whether any action is required following the results of the consultation and prior to Local Authority receiving final funding allocations from the Department for Education later this month

### REPORT DETAIL

#### **Consultation on Schools and High Needs Funding 2023-24**

At the meeting held on 22<sup>nd</sup> October 2022 the Schools Funding Forum received a report on the indicative Dedicated Schools Grant (DSG) Schools Block funding for financial year 2023-24.

The Local Authority presented two options for the distribution of funding to schools and academies. In the first of these options, Option A, there would be a transfer of 0.5% of the Schools Block to the High Needs Block, to maintain the increase in high needs funding introduced for 2022-23. The Minimum Funding Guarantee would be set at 0.5%, the maximum permitted, and there would be a gains cap of 2.6%.

In the second option, Option B, there would be no transfer of funds from the Schools Block to the High Needs Block, the Minimum Funding Guarantee would be set at 0.5%, the maximum permitted, and there would be a gains cap of 3.6%.

Both options used the DfE's National Funding Formula factors and rates and both options allowed for a transfer within the School Block of £700k to maintain funding rates for growth and falling rolls at the current levels.

The Schools Funding Forum agreed that the two options presented should form the basis of the consultation with schools and academies on funding for 2023-24.

The funding consultation was issued on 14<sup>th</sup> November 2022 with a closing date of 29<sup>th</sup> November 2022. The closing date means that the responses could not be included on the agenda papers but will be reported at the meeting on 1<sup>st</sup> December 2022.

The consultation document, is shown at Appendix A and the response form at Appendix B.



# Consultation on Schools and High Needs Funding 2023-24

## **Introduction**

This consultation document proposes options for the allocation of funding to schools for the financial year 2023-24 through the funding formula and in support of pupils with high needs. Schools are asked to consider the funding options outlined and respond to the Local Authority for further consideration by the Schools Funding Forum.

At this stage, all figures used in the calculations are from the October 2021 Census, but with the National Funding Formula (NFF) rates that will apply in 2023-24 formula. The final calculation will be based on the October 2022 Census.

The DfE do not release the October 2022 Census data until late December 2022. Therefore LAs consult using the previous year's dataset to agree the principles for the forthcoming financial year.

## **Process**

A summary of responses to the consultation will be reported to the meeting of the Schools Funding Forum on 1<sup>st</sup> December 2022, and will form part of the final decisions taken by the Local Authority in January, before schools are issued with their funding for the 2023-24 financial year.

## **Responding to the Consultation**

This consultation paper is sent to the Head Teachers of all schools and academies. Please bring this to the attention of Chairs of Governors, Chairs of Resources, Board Members and Trustees as appropriate.

Responses should be emailed to:

**[education.finance@havering.gov.uk](mailto:education.finance@havering.gov.uk)**

**Closing date of consultation:** Tuesday 29th November 2022

If you require clarification on any point please contact:

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## **Schools Funding 2023-24**

### **Background to the funding options for 2023-24**

This year, as was the case for 2022-23, we are consulting schools on a single issue, whether to transfer funding from the Schools Block to the High Needs Block of the Dedicated Schools Grant. In short this means reducing the funding distributed through the schools funding formula and using the funding available to support pupils with high needs in schools. Local Authorities, with the agreement of their Schools' Funding Forum, are permitted to transfer 0.5% of the Schools Block funding to High Needs funding. Based on indicative figures for 2023-24 this would equal £1.075m.

Two options for the allocation of 2023-24 funding are presented in this consultation:

- Option A - 0.5% transfer from Schools Block to High Needs
- Option B – no transfer to High Needs

Further details of these options, and of the impact on schools' formula funding are outlined in this document and on the attached appendices.

It has become increasingly apparent that the cost of supporting pupils with high needs is placing an undue burden on school budgets. There is a risk that financial considerations begin to jeopardise inclusivity and that schools with a large number of pupils with high needs find it increasingly difficult to reach a balanced budget. To help address this, the funding consultation for 2022-23 included the option of transferring 0.5% (£1.03m) of the Schools Block to the High Needs Block so that this could be allocated to schools in support of pupils with high needs.

A Task and Finish Group, comprised of head teachers and staff from the local authority, was established to examine high needs funding for schools. This looked at how the £1.03m transferred, plus an additional £1.44m received following the Government spending review in autumn 2021, might be allocated.

In the funding consultation for 2022-23, 91% of respondents favoured the transfer of funds to high needs. Details of the increases in high needs funding that resulted from this are shown below in Section 3.1.1.

Having used the 0.5% (£1.03m) transferred from the School Block to establish high needs funding rates for 2022-23, it will be necessary to transfer 0.5% again in 2023-24 to ensure these rates can be maintained. The Task and Finish Group has been re-established to consider how high needs funding for schools in 2023-24 is distributed.

### **1 Dedicated Schools Grant (DSG)**

The Government announced in the autumn 2021 spending review that the total core school budget is increasing to £56.8 billion by 2024-25, a £7 billion cash increase compared with 2021-22. 2023-24 is the second year of the three year funding settlement. Overall core schools funding (including funding for mainstream schools and high needs) is increasing by £1.5 billion in 2023-24 compared to the previous year, on top of the £4 billion increase in 2022-23.

For 2022-23 budgets, the Government introduced a schools supplementary grant to allocate additional funding announced in the autumn 2021 spending review. This was distributed to schools separately from the main National Funding Formula allocation. For 2023-24 the schools supplementary grant is being rolled into the schools NFF to ensure that this additional funding forms an on-going part of schools' core budgets. Appropriate adjustments have been made to the NFF factor values and baselines to reflect this.

## 2 Havering's Schools Block funding 2023-24

Local authority allocations are based on primary and secondary units of funding (PUFs and SUFs). The indicative allocations released by the DfE are calculated using October 2021 data and will be updated in December for October 2022 pupil numbers.

	Actual primary unit of funding (PUF) £	Actual secondary unit of funding (SUF) £	Primary pupil numbers	Secondary pupil numbers	Pupil funding £	Schools Supplementary Grant £	Rates (NDR) £	Total funding £
2023-24 (Oct 2021 census data)	4,912	6,627	23,137	14,925	212,548,940	0	2,440,293	214,989,233
2022-23	4,667	6,285	23,137	14,925	201,779,794	6,072,320	2,430,762	210,282,876
Diff	245	341	0	0	10,769,147	-6,072,320	9,531	4,706,357

The total Schools Block allocation also includes funding for pupil growth and falling rolls which will be notified to the LA by the DfE in December. It is expected to be a similar amount to that received for 2022-23.

	Growth & falling rolls funding £	Total Schools Block and SSG funding £
2023-24 (estimate)	1,525,109	216,514,342
2022-23	1,525,109	211,807,985
Diff	0	4,706,357

### 2.1 The National Funding Formula

Havering took the decision to adopt the National Funding Formula (NFF) factors and values in 2018-19 when they were introduced. The Schools Funding Forum has

agreed that they should again be used in the calculation of schools' funding allocations for 2023-24

As part of the Government's national increase in funding for schools, the NFF funding rates have been increased. For core factors (such as basic entitlement and the lump sum) the increase is 2.4%. The FSM 'ever 6' and IDACI (Income Deprivation Affecting Children Index) factors have been increased by 4.3% so that additional support is directed to disadvantaged children.

A slight increase in the value of the Area Cost Adjustment has been applied to funding for Havering, which means that factor values have increased by slightly more than the percentages quoted above. The Area Cost Adjustment is effectively a London weighting.

In addition to the percentage rise in factor values resulting from the increase in national funding, the basic entitlement, FSM 'ever 6' and lump sum factors have also increased because the school supplementary grant has been rolled into the NFF.

The factor rates for 2023-24 and the difference from 2022-23 are shown in Appendix 1.

Having adopted NFF factors and values, decisions still need to be made 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. Decisions also need to be made on the level of the minimum funding guarantee and any gains cap to be applied.

Following a consultation held in summer 2021 the DfE has begun the move from a 'soft' NFF to a 'direct' NFF. The resultant changes for 2023-24, include a requirement to use only NFF factors in local formulas and to move 10% closer to NFF factor values. These have no impact for Havering schools as NFF factors and values have already been adopted in full.

As the move to a 'direct' NFF continues in future years, it is likely that there will be changes that impact on Havering schools, for example, there is likely to be less local flexibility in determining the formulas used to allocate funding for growth and falling rolls.

## **2.2 Minimum per-pupil Funding Levels for primary and secondary schools (MPPL)**

In allocating funding to schools, Local Authorities need to ensure that minimum per-pupil funding levels are met. For 2023-24 these are £4,405 for primary schools and £5,715 for secondary schools. This includes funding for the rolling in of the schools supplementary grant and a 0.5% increase.

In 2022-23 the MPPL levels were £4,265 for primary schools and £5,525 for secondary schools. Six primary and no secondary schools received funding at the MPPL level. From provisional modelling, using October 2021 census data, two primary and no secondary schools would be funded at MPPL levels in financial year 2023-24. This is subject to change once the final dataset for the October 2022 Census is received.

### 2.3 The Minimum Funding Guarantee (MFG)

The Minimum Funding Guarantee (MFG) ensures that schools per pupil funding rises by a minimum percentage from the previous year. For 2023-24 local authorities can apply an MFG of 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.

As an example an MFG set at 0.5% would work as follows:

School's per pupil funding in 2022-23	£4,500
Formula funding for 2023-24	£4,400 (a fall from 2022-23)
School to be funded at 2022-23 + 0.5%	£4,523

For 2022-23 the MFG was set at 1.2%. In the 2023-24 funding consultation both Option A and B propose an MFG of 0.5%, the maximum permitted, as the funding released by reducing the MFG to 0.0% would not have a significant impact if used elsewhere.

### 2.4 Gains cap

Local Authorities are able to adopt a gains cap if there is insufficient funding left in the Schools Block to meet formula allocations and MFG requirements.

As an example a gains cap set at 2.6% would work as follows:

School's per pupil funding in 2022-23	£4,500
Formula funding for 2023-24	£4,635 (a rise of 3.0%)
School to be funded at 2022-23 + 2.6%	£4,617

For 2022-23 a gains cap of 2.8% was applied to enable the transfer of 0.5% of the Schools Block to High Needs. In the 2023-24 funding consultation Option A proposes a gains cap of 2.6%, with a transfer to High Needs and Option B a gains cap of 3.6% without a transfer to High Needs.

### 2.5 Pupil Growth and Falling Rolls Funding

As outlined above, the phased move to a direct NFF is likely to impact on the funding received by schools for growth and falling rolls in coming years but not for 2023-24.

The allocation that Havering receives for pupil growth and falling rolls has reduced in recent years because the funding is now allocated by the DfE based on a formula. This multiplies the difference between the pupil numbers from the latest October census and those from the previous year by per pupil amounts of £1,650 for primary and £2,470 for secondary.

Havering's growth and falling rolls funds support school expansions, bulge classes and those schools with falling rolls. The allocations for existing bulge classes, previous year expansions moving through year groups and for falling rolls, were set out for the Schools Funding Forum. A budget of approximately £2.2m is required to continue funding on the current basis, a similar amount to that required for the 2022-23 financial year.



The Schools Funding Forum agreed that pupil growth and falling rolls funding for schools needs to be protected at current levels whilst this is still permitted by NFF regulations. This will require the use of approximately £700k of the Schools Block funding. In the funding consultation for 2023-24 both Option A and Option B include this transfer.

### 3 Havering’s High Needs Block funding 2023-24

Indicative funding for 2023-24 is as shown in the table below with comparable data from 2022-23. The DfE’s High Needs formula uses 11 different factors. Only the pupil population factor is shown below, as along with historic spend, this distributes the largest proportion of funding to local authorities.

	Aged 2 – 18 Pupil Population Estimate	Provisional High needs NFF allocations £	Additional High Needs allocation announced December 2021 £	Total High Needs allocations (provisional)
2023-24	57,405	39,032,906	-	39,032,906
2022-23	56,766	35,110,164	1,411,237	36,521,401
Difference	639	3,922,742	-1,411,237	2,511,505

Although funding for 2023-24 will increase by £2.5m (6.9%), costs are expected to rise by at least that level due to an increase in the number of pupils with high needs and the complexity of need. The High Needs Block is expected to overspend by £2.5m in the current financial year. With a £4.7m deficit brought forward, this will bring the cumulative deficit to £7.2m.

#### 3.1 Transfer of Schools Block Funding to High Needs

In 2022-23, following consultation with schools, Havering transferred £1,028,678 (0.5%) from the Schools Block to the High Needs Block. For 2023-24 LAs are again able to transfer up to 0.5% of the Schools Block to other DSG blocks. Funding Option A for 2023-24 proposes that 0.5% of the Schools Block is again transferred to the High Needs Block. Using the indicative figures this equates to £1,074,946.

##### 3.1.1 High Needs funding rates for schools 2022-23

Following the transfer of £1,028,678 from the Schools Block to High Needs and the receipt of an additional £1,411,237 announced in the autumn 2021 spending review, the LA increased a number of the high needs funding rates for schools in 2022-23. The increased rates are expected to deliver £2.5m additional high needs funding for schools in the current financial year.

A High Needs Task and Finish group, made up head teachers and LA staff, was established by the Schools Funding Forum in autumn 2021 to review funding rates and to recommend a package of changes utilising the additional £2.5m available. The Schools Funding Forum approved the changes recommended and these have been implemented. They are:

- (i) An increase in the hourly rate in support of EHCPs from £14.00 to £16.00.
- (ii) Funding for EHCPs to be paid to schools after the first 9.6 hours of support rather than after the first 11.0 hours.
- (iii) An increase in the pupil top-up funding for ARPs of £4,059, from £6,667 to £10,726.
- (iv) The Inclusion Supplement (Headroom) to be calculated using a revised formula that references a school's Notional SEN budget. As a result the total sum allocated to schools and academies rises by around 50%.
- (v) The pupil top up funding rate for the Pupil Referral Unit is increased from £11,906 to £13,162. The percentage increase matches the increase in schools' pupil led basic entitlement since the rate was last reviewed.

### **3.2 High needs funding 2023-24 – Task and Finish Group**

Without the transfer of £1.03m from the Schools Block to High Needs it would not have been possible to increase high needs funding rates for 2022-23 to the levels shown above. 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 hour after 9.6 hours. Without the 0.5% (£1.03m) transfer the base figure would be £15.15 per hour after 10.2 hours.

Having used the 0.5% (£1.03m) transferred from the School Block to establish High Needs Funding rates for 2022-23, it will be necessary to transfer 0.5% again in 2023-24 so ensure these rates can be maintained.

As outlined above, the High Needs Task and Finish Group, set up last year, has been re-established. The Group will discuss options for the following areas:

- (i) Funding rates for EHCP supported hours. Members of the Schools Funding Forum requesting that the option of moving to a banding approach to funding be considered
- (ii) High needs inclusion supplement (headroom)
- (iii) ARP funding
- (iv) AP Funding
- (v) Special School Funding

The Task and Finish Group will be considering the arrangements and distribution of the funding for 2023-24 against a background of no additional funding being available. When the Group meets, the outcome of the consultation will be known. If Option A is preferred, and there is a transfer from the Schools Block to High Needs, then the total funding available will remain at the current levels. If Option B is preferred, and there is no transfer, then the total funding available will be lower than in the current year.

## 4 Funding Formula 2023-24 and Funding Options

The Schools Funding Forum feel that the issue of high needs funding remains a priority, that the increase in funding for 2022-23 has helped, and that schools should be consulted on transferring 0.5% from the Schools Block to the High Needs block again for 2023-24.

Participants in this consultation are asked to express a preference for one of two options. Option A, in which 0.5% of the Schools Block is transferred and Option B in which there is no transfer.

Details of these two options are shown below. The impact on individual schools is shown anonymously in **Appendix B**.

### Option A: 0.5% transfer from Schools Block to High Needs Block

- High Needs funding rates for 2022-23 retained as the base rate for 2023-24
- Minimum Funding Guarantee set at 0.5% (maximum permitted)
- A gains cap of 2.6%
- £700,000 moved to the Pupil Growth and Falling Rolls Fund

Based on current indicative figures, if 0.5% of the School Block is transferred to the High Needs Block, it is necessary to set the gains cap at 2.6%. This allows for an MFG at 0.5% and for the allocation of the additional £700k required to maintain funding for growth and falling rolls at the current level.

As the transfer of 0.5% was included in the calculation of high needs funding rates for funding rates for 2022-23, the transfer is required again for 2023-24 to retain rates at the current level.

The table below shows the figures.

	£
Total funding allocated with 0.5% MFG and 2.6% Cap	213,143,170
Total required for Pupil Growth/Falling Rolls	700,000
Transfer to High Needs (0.5%)	1,074,946
<b>Total funding required</b>	<b>214,918,116</b>
<b>Total funding available-</b>	<b>214,989,233</b>
<b>Funding remaining</b>	<b>71,117</b>

The number of schools receiving formula funding, MPPL and MFG protection is shown in the table below, together with the cost of the MFG protection and savings from the cap.

No of schools on MPPL		No. of schools on MFG at 0.5%		No. of schools to receive between 0.5% and 2.6%		No of schools capped at 2.6%		Cost of MFG £000s	Saving from cap £000s
Prim.	Sec.	Prim.	Sec.	Prim.	Sec	Prim.	Sec.		
2	0	1	1	5	1	51	16	262	1,494

If there are additional funds available when the revised Schools Block allocation, based on October 2022 data, is received, this would be used to increase the level of the gains cap.

### Option B: No transfer from Schools Block to High Needs Block

- The base funding rates for high needs are lower than those for 2022-23. The 0.5% (£1.03m) transferred from Schools Block to High Needs in 2022-23 will not be available for 2023-24.
- Minimum Funding Guarantee set at 0.5% (maximum permitted)
- A gains cap of 3.6%
- £700,000 moved to the Pupil Growth and Falling Rolls Fund

Based on current indicative figures, if there is no transfer from the School Block to the High Needs Block, the gains cap can be set at the higher level of 3.6%. This allows for an MFG at 0.5% and for the allocation of the additional £700k required to maintain funding for growth and falling rolls at the current level.

The table below shows the figures.

	£
Total funding allocated with 0.5% MFG and 3.6% Cap	214,237,405
Total required for Pupil Growth/Falling Rolls	700,000
<b>Total funding required</b>	<b>214,937,405</b>
<b>Total funding available-</b>	<b>214,989,233</b>
<b>Funding remaining</b>	<b>51,828</b>

The number of schools receiving formula funding, MPPL and MFG protection is shown in the table below, together with the cost of the MFG protection and savings from the cap.

No of schools on MPPL		No. of schools on MFG at 0.5%		No. of schools to receive between 0.5% and 3.6%		No of schools capped at 3.6%		Cost of MFG £000s	Saving from cap £000s
Prim.	Sec.	Prim.	Sec.	Prim.	Sec	Prim.	Sec.		
2	0	1	1	29	10	27	7	262	399

If there are additional funds available when the revised Schools Block allocation, based on October 2022 data, is received, this would be used to increase the level of the gains cap.

## 5 Conclusion

We hope that this paper and the accompanying appendices explain the funding options that form the basis of this consultation, and the rationale behind these options.

As explained above, these allocations are indicative and final calculations will be made once the validated data from the October 2022 census has been received from the DfE. The final funding allocations for 2023-24 will change, increasing or decreasing for each school depending on changes in schools' pupil numbers and changes in the additional needs data.

The consultation response form is provided in a separate document.

***Issued on 14/11/22 by Education Finance - Nick Carter, Hany Moussa, Sam Allen***



## Consultation on Schools and High Needs Funding 2023-24 – Response Form

<b>School name:</b>	
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Please place an **X** in the column provided against your preferred funding option for 2023-24:

Option A	A transfer of 0.5% from the Schools Block to the High Needs Block	Preferred option
	<ul style="list-style-type: none"> <li>• High needs funding rates for 2022-23 retained as the base rate for 2023-24</li> </ul>	
	<ul style="list-style-type: none"> <li>• Minimum Funding Guarantee set at 0.5%</li> </ul>	
	<ul style="list-style-type: none"> <li>• A gains cap of 2.6%</li> </ul>	
	<ul style="list-style-type: none"> <li>• £700k moved to the Pupil Growth and Falling Rolls Fund</li> </ul>	

Option B	No transfer from the Schools Block to the High Needs Block	Preferred option
	<ul style="list-style-type: none"> <li>• The base funding rates for high needs are lower than those for 2022-23</li> </ul>	
	<ul style="list-style-type: none"> <li>• Minimum Funding Guarantee set at 0.5%</li> </ul>	
	<ul style="list-style-type: none"> <li>• A gains cap of 3.6%</li> </ul>	
	<ul style="list-style-type: none"> <li>• £700k moved to the Pupil Growth and Falling Rolls Fund</li> </ul>	

Please enter any comments you have about this consultation in the space below and continue on following page

Respondent details

<b>Name:</b>	
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<b>Designation:</b>	
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**Submission details**

Please email the completed response form by Tuesday 29<sup>th</sup> November 2022 to:

[education.finance@havering.gov.uk](mailto:education.finance@havering.gov.uk)