

Schools Revenue Funding Arrangements 2023-24

To: Children and Young People Committee

Meeting Date: 29th November 2022

From: Jonathan Lewis: Service Director: Education
Martin Wade: Strategic Finance Business Partner

Electoral division(s): All

Key decision: No

Forward Plan ref: n/a

Outcome: To provide the Committee with an update on the Schools Revenue Budget arrangements for 2023/24 and Dedicated Schools Grant (DSG).

Recommendation: Committee are asked to review and comment on the report.

Voting arrangements: No vote required.

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1. Background

- 1.1 This report aims to provide an update in respect of both the national changes to schools' funding and the proposed local approach for 2023-24. In previous years, the underlying principle has been to move as closely as possible to implementing the Department for Education's (DfE) national funding formula (NFF). Although good progress has been made towards achieving this, the level of Dedicated Schools Grant (DSG) received continues to place limitations on overall affordability.
- 1.2 This document includes:
 - a) An overview of the national changes to the schools' funding formula for 2023-24.
 - b) The proposed local approach to be applied in 2023-24.
- 1.3 On 17 November, the Chancellor of the Exchequer delivered an Autumn Statement that updated on national economic projections and set out the government's approach to taxation and public spending over the medium-term. As part of these announcements the core schools' budget in England will receive an additional £2.3 billion of funding in 2023-24 and £2.3 billion in 2024-25. After adjusting Spending Review 2021 budgets down to account for the removal of the compensation for employer costs of the Health and Social Care Levy, this brings the core schools budget to a total of £58.8 billion in 2024-25, £2 billion greater than published at Spending Review 2021.
- 1.4 At this stage we do not know how this funding will be allocated across the system and as such the principles and figures in the remainder of this report and appendices are based on the illustrative DSG data published by the DfE in July 2022.

2. National Funding Formula (NFF)

- 2.1 The DfE made announcements relating to the DSG in July 2022 which included indicative funding allocations for 2023-24. The main headlines are:
 - a) The Schools Supplementary grant has been baselined into the National Funding Formula (NFF) allocations.
 - b) NFF formula factors have been uplifted by varying %.
 - c) Local Authorities must use all NFF factors, and can only use NFF factors.
 - d) Local Authorities required to move local formula factor values at least 10% closer to the NFF, including the area cost adjustment.
 - e) Minimum Funding Guarantee (MFG) can be set between +0% and reduced maximum of +0.5%
 - f) No national cap but LAs can still opt to use a local cap to manage overall affordability
- 2.2 These technical changes are likely to have a varying impact on schools dependent on their individual circumstances.

- 2.3 The indicative national allocations also reflect further changes to the funding blocks in 2023-24. For Cambridgeshire the indicative allocations equate to:
- a) An approximate illustrative uplift of £8.8m / 2.0% in the Schools Block compared to the amount expected to be received in 2022-23.
 - b) An illustrative uplift of £4.6m / 4.9% in the High Needs Block when compared to the amount expected to be received in 2022-23.
 - c) An approximate illustrative reduction of £0.4m to the Central Schools' Services Block (CSSB) which includes a further 20% reduction for historic commitments. The CSSB funds a number of ongoing functions and responsibilities which benefit all schools.

2.4 The table below shows the breakdown of the 4 funding blocks which currently form the overall DSG, and the illustrative allocations for 2023-24:

Dedicated Schools Grant

Funding Block	Illustrative 23/24 £m	Functions funded:
Schools Block (including baselining of supplementary grant)	£442.9m	This Block funds: <ul style="list-style-type: none"> - Individual school budgets; - Services de-delegated from maintained school budgets and; - The Growth fund (2023/24 allocation tbc)
Central Schools Services Block (CSSB)	£5.5m	This Block funds: <ul style="list-style-type: none"> - Historical commitments previously agreed with Schools Forum such as Contribution to Combined Budgets, and - Ongoing responsibilities of the Authority such as Admissions, the servicing of the Schools Forum, copyright licenses and services to meet statutory responsibilities
High Needs Block	£99.0m	This Block funds: <ul style="list-style-type: none"> - Special school budgets; - Special schools outreach; - Top up funding for pupils with High Needs in mainstream and FE provision; - Out of County Special Educational Needs (SEN) placements; - Special Educational Needs and Disabilities (SEND) specialist services; - Early Help District Delivery services; - Alternative provision such as Pupil Referral Units (PRUs), High Needs Units; - Behaviour, Attendance & Inclusion Partnership funding; and - Commissioning services
Early Years Block	£38.5m*	This Block funds: <ul style="list-style-type: none"> - The 2 year old Early Years single funding formula; - The 3 and 4 year old Early Years single funding formula (universal and extended entitlement); - The Disability Access Fund; - Maintained Nursery school supplementary funding; and - Any central expenditure by the Authority to support early years services
Total Illustrative DSG	£585.9m	

* Initial Early Years Block allocations for 2023-24 are yet to be announced.

- 2.6 There are minimum other changes to the national funding arrangements for 2023-24, which are as follows:
- a) The NFF unit rates have been uplifted by varying %. Local authorities are now required to apply minimum allowable values to each of the formula factors to ensure movement of at least 10% closer to the NFF. (**Appendix 1** contains further detail, including the proposed funding rates to be used in 2023-24 based on current affordability.)
 - b) The mandatory minimum per pupil levels (MPPL) have been increased to £4,405 in primary and £5,715 in secondary.
 - c) Local Authorities have the freedom to set the MFG in local formulae between +0.0% and +0.5% per pupil. This is a way of ensuring that there is a minimum funding increase per pupil for each school.

3. Local Proposals

- 3.1 **Appendix 2** – provides school level illustrative funding allocations to show the potential impact of different scenarios. However, it is imperative that the following points are noted:
- a) The illustrative figures in Appendix 2 use the revised NFF unit values and MPPL values for 2023-24 as shown in Appendix 1. NFF unit values have been scaled by applying a weighting due to overall affordability.
 - b) As with the pupil numbers and backing data used in the DfE school-level information, the illustrative amounts are based on the October 2021 census, adjusted to reflect the changes to distances used in the sparsity funding calculation. Therefore, the actual figures to be received in 2022-23 will differ, and in some cases will be significantly different due to changes in overall numbers and pupil characteristics.
 - c) The overall available quantum has assumed a block transfer of 1% (circa £4.4m) as per the Safety Valve proposals. **Please note:** As the 1% block transfer exceeds the 0.5% threshold which can be approved locally, this will require a disapplication to be submitted to the Secretary of State.
 - d) In the case of some new and growing schools the illustrative per pupil figures may be inconsistent due to the way in which the calculations for protection are applied. As in previous years these will be addressed in the final calculations.
 - e) As noted elsewhere in this document, the cost of growth and other factors will impact on overall affordability. Therefore, the illustrative amounts provide an indication of the potential impact at individual school level.
 - f) On receipt of updated information from the DfE we will continue to refine the modelling to reflect the latest known position.
- 3.2. Despite the additional funding to be received in the Schools Block, the cost of growth (for new and growing schools), increases in business rates and any transfer between blocks will reduce funding available for distribution for school budgets. Equally, the overall cost of meeting the minimum per pupil levels (MPPLs) and the Minimum Funding Guarantee (MFG) sometimes result in the total cost of the formula exceeding the available funding.

- 3.3 To ensure overall affordability, as in previous years, it is proposed to apply a combination of the following:
- a) Adjust the weighting applied to the NFF formula factors – currently applied in illustrative school level funding.
 - b) Apply a funding cap so that schools gaining the most funding above the Minimum per Pupil Funding Level (MPPL) are limited in the amount of the funding gain that they would be able to keep;
 - c) A reduction to the Minimum Funding Guarantee (MFG) which can be set between +0.0% and +0.5% for 2023-24.
 - d) A disapplication request to the DfE to reduce the MPPL – this would only be required should the options above not be sufficient to balance within available funding levels.
- 3.4 Due to the minimal changes at a national level the requirement for consultation is limited. The DfE have stated that the changes which mirror technical changes in the NFF, should not require consultation with schools on their own, and the Department plans to reflect this in the school funding regulations.
- 3.5 The budget proposals were presented to Schools Forum at their meeting on 4th November 2022 for discussion and comment. They were also asked to vote on several areas which require Schools Forum approval or support:
- a) Members of Schools Forum voted unanimously to the continuation of the £733k Contribution to Combined Budgets to support early intervention family workers.
 - b) Members of Schools Forum voted unanimously to the continuation of the £467k to support the Admissions Service.
 - c) Members of Schools Forum voted unanimously to the continuation of the £3k to support the Servicing of Schools Forum.
 - d) Members of Schools Forum voted 10 to 2 in favour of supporting the proposed 1% block transfer as part of the Safety Valve proposals, although as noted above this will ultimately require Secretary of State approval.
- 3.6 Virtual briefings have been held for head teachers and governors on the proposed approach for 2023-24, and schools have been asked to submit any comments on the proposals by 2nd December 2022. Responses received will be analysed and shared with members of the Schools Forum at its December meeting prior to the Authority deciding on the final funding formula for adoption and use in 2023-24.
- 3.7 The table below shows the main decision making powers and responsibilities for items relevant to the schools budget setting process (other powers such as decisions in respect of deficits, contracts and changes to the Scheme of Financial Management do not apply at this stage).

Function	Local education authority	Schools Forum	DfE role

Formula change (including redistributions)	Proposes and decides	Must be consulted	Checks for compliance with regulations
Movement of up to 0.5% from the schools block to other blocks	Proposes	Decides	Adjudicates where schools forum does not agree local authority proposal
Minimum funding guarantee (MFG)	Proposes any exclusions from MFG for application to DfE	Gives a view	Approval to application for exclusions
De-delegation for mainstream maintained schools	Proposes	Maintained primary and secondary school member representatives	Will adjudicate where schools forum does not agree local authority proposal
General Duties for maintained schools - Contribution to responsibilities that local authorities hold for maintained schools	Proposes	Would be decided by the relevant maintained school members (primary, secondary, special and PRU).	Adjudicates where schools forum does not agree local authority proposal
Central spend on and the criteria for allocating funding from: <ul style="list-style-type: none"> Growth and Falling Rolls 	Proposes	Decides	Adjudicates where schools forum does not agree local authority proposal
Central spend on: <ul style="list-style-type: none"> high needs block provision central licences negotiated by the Secretary of State 	Decides	None, but good practice to inform forum	None

4. Impact on Schools of Financial Position

4.1 The challenging financial settlement above will cause severe strain on all schools in Cambridgeshire. The Mini Budget announced by the Government in October did not provide much positivity for education funding. The key features are –

- Lower NI costs as a result of the health and social care levy being reversed. Schools received a grant to cover these costs in the 2022/23 financial year and the funding is incorporated into the settlement outlined above but there remains a risk this funding could be removed.

- There will be a £2.1 billion fund for public bodies to invest in energy efficiency and renewable heating. No details have yet been disclosed on how to access this for education settings.
- Energy support - New “government-supported price” of £211 per megawatt hour for electricity and £75 for gas will equate to a saving of £4,000 for a school paying £10,000 a month for energy. This will however depend on where a school is in its contract discussions. The support will only last for 6 months between 1 October 2022 and 31 March 2023 and this may lead to a cliff edge on funding at the end of this period.

4.2 Aside from energy cost pressure, the other key inflationary pressure is on pay. There are two separate pay awards –

- Teachers – the School Teacher Review Body set their recommended pay scales for Teachers in September. This was implemented from the 3rd November.
 - September 2022 - a 5% increase to all pay and allowance ranges and advisory points, with higher increases to some parts of the Main Pay Scale as a step towards achieving a minimum starting salary of £30,000 by September 2023;
 - September 2023 - a 3% increase to all pay and allowance ranges and advisory points, with higher increases to some parts of the Main Pay Scale to deliver a minimum starting salary of £30,000, and a limited-scope timely review mechanism to ensure that the recommended 2023 pay levels remain appropriate.
- Local Government employees – the pay settlement agreed by the National Employers group has made a flat rate increase of £1,925 on all NJC pay scales – could be up to 10% for some staff depending on their grade e.g. catering, cleaning, teaching assistants. There will also be an extra days leave from 23-24 which will create a further cost pressure on term time only staff.

4.3 Although the additional funding in Autumn Statement is welcomed it is not a huge windfall and is more likely to create some immediate stability for some schools and remove the need for immediate decisions on restructures, rather than solve longer term sustainability issues. Without a comprehensive spending review, the Department for Education may have to reprioritise its resources to ensure schools have sufficient funding until further funding / policy change supports the challenges in the sector. The lack of communication from the new Secretary of State since her appointment suggests a new direction is being considered.

4.4 However it is inevitable that additional costs are likely to see a number of schools facing deficits in the coming period. Schools will be impacted in different ways depending on their context, financial position and management decisions in schools. Some academy trusts might face difficulties declaring in their accounts that they are a ‘going concern’ and some maintained schools may be required to apply for deficit budget licences.

4.5 The Cambridgeshire Primary Headteacher Association (CPH) recently undertook a survey of schools and on current funding / costs crisis they are facing. Their feedback suggested the following for schools:

- 54% will be in deficit by the end of 2022/23
- 80% will be in deficit by the end of 2023/24
- 94% will be in deficit by the end of 2024/25

- 4.6 Across the autumn, we will work with all schools and trusts to understand the challenges. We continue to work on our small school strategy, and this will come to Committee in 2023 to fully consider how we sustain a local offer in as many of our communities as possible.

5. Next Steps

- 5.1 The DfE are expected to publish the final DSG allocations and datasets based on the October 2022 census in mid-December. On receipt of this information individual school budgets will be remodelled to show the revised impact for 2023-24.
- 5.2 Final proposals and school level budgets will be shared with Schools Forum prior to their meeting on the 13th January 2023 for review and to make any outstanding decisions within their remit.
- 5.3 Children and Young People Committee will be asked to approve the final budget proposals on the 17th January 2023 prior to submission of the Authority Proforma Tool (APT) to the Education & Skills Funding Agency (ESFA) and publication of final budgets to Primary and Secondary schools.

6. Alignment with corporate priorities

- 6.1 Environment and Sustainability
There are no significant implications for this priority.
- 6.2 Health and Care
There are no significant implications for this priority.
- 6.3 Places and Communities
There are no significant implications for this priority.
- 6.4 Children and Young People
The following bullet points set out details of implications identified by officers:
- The budget allocations will directly impact on the levels of funding to be received by each school in Cambridgeshire.
- 6.5 Transport
There are no significant implications for this priority.

7. Significant Implications

- 7.1 Resource Implications
The following bullet points set out details of implications identified by officers:
- This report sets out details of the overall resources in respect of the DSG for 2023-24.
- 7.2 Procurement/Contractual/Council Contract Procedure Rules Implications
There are no significant implications within this category.
- 7.3 Statutory, Legal and Risk Implications

The following bullet points set out details of implications identified by officers:

- The need to set the schools funding formula in line with the DfE requirements
- The need to submit the final 2023-24 Authority Pro-forma Tool (the schools budget data) to the ESFA by the 20 January 2023
- The requirement to publish school budgets by the statutory deadline of 28 February 2023

7.4 Equality and Diversity Implications

There are no significant implications within this category.

7.5 Engagement and Communications Implications

The following bullet point sets out details of significant implications identified by officers:

- During November 2022 schools were consulted on the Cambridgeshire schools funding formula proposals for 2023-24.

7.6 Localism and Local Member Involvement

There are no significant implications within this category.

6.7 Public Health Implications

There are no significant implications within this category.

7.8 Environment and Climate Change Implications on Priority Areas:

7.8.1 There are no significant implications within this category.

8. Source documents

8.1 [The national funding formulae for schools and high needs](#)

8.2 [National funding formula tables for schools and high needs: 2023 to 2024](#)

8.3 [Schools operational guide: 2023 to 2024](#)