REPORT TO SOLIHULL SCHOOLS FORUM – Monday, 4 October 2021

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Dedicated Schools Grant Funding 2022-23

The government made a number of announcements on 19-07-2021 regarding DSG and school funding for 2022-23.

The government summary is:

"The Government is committed to its mission to provide a world-class education for all children, irrespective of their backgrounds, and to level up opportunity so that all children can realise their potential, preparing them for a fulfilling and successful adult life. In light of the COVID-19 pandemic, which has caused unparalleled disruption to the education of our nation's children and young people, this commitment is now more important than ever.

2. We have supported that commitment with the largest cash increase for schools in a decade. Core school funding increased by £2.6bn in 2020-21, and is increasing by £4.8bn and £7.1bn in 2021-22 and 2022-23 respectively, compared to 2019-20, including significant additional funding for children with special educational needs and disabilities. Now, by publishing provisional school and high needs funding allocations for 2022-23, we are delivering the final year of that three-year funding commitment.

3. These allocations are separate to the three major interventions we have made to support education recovery in response to the COVID-19 pandemic – worth over £3bn in total. The education recovery support is a multi-billion-pound, ambitious package across early years, schools and colleges which will provide 100 million hours of tutoring for 5–19-year-olds and 500,000 training opportunities for teachers. That is provided on top of the core schools funding allocations announced today.

4. Next year, school funding is increasing by 3.2% overall. The national funding formula (NFF) continues to distribute this fairly, based on the needs of schools and their pupil cohorts. The NFF is levelling up school funding: increasing core factors of the formula by 3%, while ensuring that every school is allocated at least 2% more funding per pupil.

5. In 2022-23 we are also significantly increasing the extra support the NFF provides for small and remote schools. The maximum amount of sparsity funding schools can attract through the NFF is increasing by £10,000, to £55,000 for primary schools and £80,000 for all other schools. We are also improving the accuracy with which we identify schools' remoteness by using road distances instead of straight-line distances in our calculations, and introducing a new distance "taper". This will significantly increase the number of schools attracting sparsity funding. As a result, the total allocation to small, remote schools through the sparsity factor has more than doubled, from £42 million in 2021-22 to £95 million in 2022-23.

6. We are also introducing further changes to improve the operation of the schools NFF. These include:

• Decreasing the funding lag for the “FSM6” deprivation funding factor by 9 months, by moving from using the previous year’s January census to the 4 October census for measuring eligibility. This increases the amount of funding allocated for deprivation in the NFF through this factor to £1,369 million in 2022-23.

• Centralising the business rates payment system for schools, so that ESFA will pay billing authorities directly on behalf of state funded schools. This will simplify the process and decrease administrative burdens for schools.

7. High needs funding is increasing by £780m, or 9.6%, in 2022-23 – following the over £1.5 billion increase over the last two years. This brings the total high needs budget to £8.88 billion. The high needs NFF will ensure that every local authority receives at least an 8% increase per head of population, and up to 11%. This vital extra resource will continue to help local authorities manage their cost pressures in this area, while the government remains focused on completing the crossdepartmental review of the SEND system to ensure that it supports children and young people with SEND as efficiently and effectively as possible.

8. Following the responses to the high needs formula consultation we have made technical changes to the historic spend factor within the high needs national funding formula. The factor has been updated to use 50% of local authorities’ actual spend data in 2017-18 rather than their planned spend.

9. In parallel with the changes being implemented for 2022-23, the Government is in the process of consulting on how we complete our reforms of the NFF for mainstream schools whereby individual school budgets would be set through one single national formula - rather than through 150 separate, and different, local authority funding formulae. The proposals in that consultation would be implemented in future years – not 2022-23.

10. This document sets out the main changes to the National Funding Formulae in 2022-23. Annex A also provides an overview of the schools NFF as it stands in 2022-23 following changes made in previous years. Annex B details the structure of the high needs national funding formula in 2022-23. Annex C covers the initial response to the consultation on high needs funding for 2022-23.

11. For more detailed information, please see the schools, high needs and CSSB technical notes. “

https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs-2022-to-2023

Changes in the NFF for 2022-23:

1. NFF factor values have increased by:

• £10,000 to the maximum sparsity values

• 3% to basic entitlement, free school meals at any time in the last 6 years

(FSM6), income deprivation affecting children index (IDACI), lower prior

attainment (LPA), English as an additional language (EAL) and the lump

sum

• 2% to the floor, the minimum per pupil levels and free school meals (FSM);

• 0% on the premises factors, except for PFI which has increased by RPIX.

2. Schools sparsity distances are now based on road distances, instead of straight-line distances, and a sparsity distance taper has been introduced, in addition to the existing year group size taper. (Solihull schools do not qualify for sparsity)
3. 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. NOTE – pupil premium to be based on October census of FSM to be based on October rather than January census.
4. In calculating low prior attainment proportions, data from the 2019 early years foundation stage profile (EYFSP) and key stage 2 (KS2) tests is used as a proxy for the 2020 tests, following the cancellation of assessment due to coronavirus (COVID-19).
5. 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 (the May 2020 census did not take place due to coronavirus (COVID-19)).
6. schools business rates will be paid by ESFA to billing authorities directly on behalf of all state funded schools from 2022 to 2023 onwards. Further details on this will be issued separately within the formal consultation response over the summer.
7. The guidance for high needs funding arrangements for 2022 to 2023 will be available in late summer 2021.
8. The department has confirmed the following aspects of the high needs NFF:
9. • the funding floor is set at 8% so each local authority will see an increase of at least 8% per head of their 2 to 18 population (as estimated by the Office of National Statistics)
10. • the gains cap is set at 11%, allowing local authorities to see gains up to this percentage increase under the formula, again calculated on a per head basis of their 2 to 18 population
11. A reminder that the following requirements have been removed from appendix 3 as they no longer need schools forum approval, following the consultation on changing the dedicated schools grant:

• any deficit from the previous funding period that is being brought forward and is to be funded from the new financial year's schools budget. *NOTE – this implies that any surplus funds after meeting the statutory schools budget requirements (MFG, MPP) may be applied to the accumulated DSG deficit without school Forum approval*.

• any brought forward deficit on de-delegated services which is to be met by the overall schools budget

12. In 2022 to 2023, as in previous years, each local authority will continue to set a local schools funding formula, in consultation with local schools. In July 2021, the department published a consultation on proposals for completing our reforms of the funding system, whereby individual schools budgets would be set directly through one single national formula, rather than local funding formulae. This consultation proposes that, from 2023 to 2024, local authorities will be required to bring their own formulae closer to the schools NFF, to smooth the transition. These requirements do

not apply in 2022 to 2023, but local authorities may choose to move their local formulae closer to the NFF in advance of these requirements.

13. Key features of local authority formulae arrangements in 2022 to 2023 are: Teachers pay grant (TPG) and Teachers pension employers contribution grant (TPECG). TPG and TPECG are now fully rolled in to the NFF; no separate adjustments are needed in the local formulae, beyond what was already done in 2021 to 2022, to account for these grants in 2022 to 2023.
14. Minimum per pupil levels (MPPLs) - The MPPLs will remain mandatory, at the new NFF values.
15. Minimum funding guarantee (MFG) - Local authorities have the freedom to set the MFG in local formulae between +0.5% and +2% per pupil.
16. Dedicated schools grant (DSG) transfers - Local authorities continue to be able to transfer up to 0.5% of their schools block to other blocks of the DSG, with schools forum approval.
17. As the TPG and TPECG are now fully incorporated into the NFF – unlike last year – no adjustment needs to be made from the total schools block to account for these grants when calculating the funding to be transferred.
18. A disapplication is required for transfers above 0.5%, or any amount without schools forum approval; this applies to any transfers even if the minister agreed an amount in previous years.

Deficit management

19. The department recognises that there may well be some local authorities which, despite their best efforts and the increased funding for the high needs block, will still not be able to pay off their historic deficit from the DSG over the next few years. In these cases, the department expects to work together with the local authority to agree a plan of action to enable the local authority to pay off its deficit over time. The department will need convincing evidence from the local authority that it would be impracticable to pay off a historic deficit from the DSG it would expect to receive in future years. The department will discuss the evidence requirement with selected local authorities and has provided a template to assist all local authorities report their plans for managing the DSG.
20. The department will continue to approach selected local authorities to begin discussions with them during 2021. These discussions are detailed, and to make this process manageable it will be necessary to limit discussions during 2021 to 2022 to a small number of authorities, as was the case in 2020 to 2021. The department expects to expand the discussions to other local authorities in later years.

LPA assessment data

21. Following the cancellation of assessments in summer 2020 due to coronavirus (COVID-19), local authorities will use 2019 assessment data as a proxy in the low prior attainment factor in local funding formulae for the 2020 reception and year 6 cohort.

School improvement

22. We recently changed the terms of the school improvement monitoring and brokering grant so that it is used to support educational recovery priorities; and confirmed our plans to adjust the overall value of the grant from October 2021. This keeps school funding levels in line with those when the grant was first introduced, given the increasing number of schools for which local authorities are no longer responsible.

As set out in the government’s response to this consultation, we are now ring-fencing and bringing the conditions of payment into force from the 1 July 2021. We will keep the performance of the grant and its future beyond March 2022 under continual review, and arrangements for the 2022 to 2023 financial year will be announced in due course.

Early years funding

23. We intend to publish the early years national funding formula (EYNFF) operational guide, that local authorities should follow when funding providers to deliver the early years entitlements in 2022 to 2023 in the autumn.

Rates

141. This is an optional factor used by all local authorities. Rates will be paid by the ESFA directly to billing authorities on behalf of all maintained schools and academies from 2022 to 2023 onwards. Local authorities no longer need to fund rates at their estimate of the actual cost and will no longer allocate rates payments to schools. This is new for 2022 to 2023 (and a change from previous years).

142. Therefore, local authorities also no longer need to adjust rates with additional allocations to schools during the financial year (outside of the funding formula).

143. Further details on this will be issued separately within the formal consultation response over the summer.

144. Local authorities can continue to claim costs for historic adjustments through the existing process. Local authorities may record any changes to their schools’ rates bills in their APT, if the changes recorded occurred in the previous financial year. Local authorities will then receive the backdated funding in their next NFF allocation which will be reflected in the next year’s DSG funding. This adjustment method will take place for the final time in the 2022 to 2023 APT. Final adjustments will be received by local authorities in the 2023 to 2024 NFF allocations, with payments reflected in their DSG from April 2023. This is to ensure local authorities that wish to claim back money for historic adjustments arising in 2021 to 2022, are correctly funded.

145. After this point, all adjustments are to be submitted by billing authorities using the ESFA portal, with reconciliation payments made directly to billing authorities in year.

146. Local authorities should continue to record rates data in the 2022 to 2023 APT, as this information will be used to aid the new process by providing useful estimates for comparisons for future years. Local authorities will not need to record rates data via the APT after 2022 to 2023.

147. Rates should continue to be reflected in the Section 251 outturn statement, and in each school’s accounts. From April 2022 onwards billing authorities will communicate the cost of schools’ rates to the ESFA by uploading rates bill data to an online billing portal. Local authorities and schools will have observer access to the online rates billing portal and the information it holds, to inform their accounting figures.

148. All state funded schools will retain liability for their own business rates, except for community and voluntary controlled schools for which liability will continue to rest with the local authority. Liable parties will continue to retain responsibility for the payment of any penalty charges incurred because of late or non-payment in instances where they are at

fault, for example, if an academy converter fails to inform their billing authority of their conversion.

149. For any instances where a late or missed payment arises because of an ESFA error, the responsibility of schools (or local authorities for community or voluntary controlled schools), for payment of any resulting penalty charges is waived and the ESFA will cover any penalty charges incurred. Examples of such cases could include late payment due to processing delays or data upload failure.

DSG deficits and high needs exceptional funding

300. Following the consultation in 2019, the department made changes to the regulations, now incorporated into the School and Early Years Finance (England) Regulations 2021 in regulation 8, regulation 31 and schedule 2, to give statutory backing to a new process for handling DSG deficits.

301. A local authority must now:

• carry all of the deficit forward to set against the schools budget in the next financial year; or

• carry part of the deficit forward to set against the schools budget in the next financial year and carry the rest of it forward to the following financial year; or

• not set any of the deficit against the schools budget in the next financial year, but carry all of the deficit forward to the following financial year

302. These provisions will be repeated in future regulations so that part or all of the deficit can be carried forward further a year at a time, to be dealt with through DSG that will be received in future years.

303. If the local authority sets any part of the deficit against the schools budget for the next financial year, it must plan to eliminate that part of the deficit through funding from the DSG that it will receive during that financial year.

304. If the local authority carries any part of the deficit forward to the following financial year, that means it is not planning to eliminate that part of the deficit from DSG received in the next financial year but will need to eliminate it from DSG received in future years.

305. Beginning in 2020 to 2021 financial year, if a local authority with a DSG deficit wishes to use general funds to eliminate any part of the deficit, or otherwise to add general funds to its schools budget, it must apply to the Secretary of State under regulation 31(1)(b) to disregard the requirement to carry deficits forward under regulation 8(7), to the extent of the amount of general funds that it wishes to use.

306. Such disapplication requests should be sent to LA.DISAPPLICATIONS@education.gov.uk.

307. The Ministry of Housing, Communities and Local Government (MHCLG) laid the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 on 6 November 2020, which then came into force on 29 November 2020. These regulations, with their explanatory memorandum, can be found at legislation.gov.uk. The regulations provide that any DSG deficit at the end of 2020 to 2021 must not be charged to a general fund but must be charged to a separate fund established, charged, and used solely for the purpose of recognising deficits in respect of the schools budget. This has the effect of separating any such deficit from a local authority's general fund. The same arrangements will apply in 2021

to 2022 and 2022 to 2023. The Chartered Institute of Public Finance & Accountancy (CIPFA) guidance can be found on the CIPFA website.

308. In 2021 to 2022 the high needs block of the DSG increased by an average of 10%, and in 2022 to 2023 it will increase by an average of 9.6%. Overall funding for schools and high needs, compared with 2019 to 2020, is increasing £4.8bn in 2021 to 2022 and £7.1bn in 2022 to 2023.

309. The government response to the consultation indicated that DfE recognises that there may well be some authorities which, despite their best efforts, will still not be able to pay off their historic deficit from the DSG over the next few years. In these cases, DfE expects to work together with the local authority to agree a plan of action to enable the local authority to pay off its deficit over time. The department will need convincing evidence from the local authority that it would be impracticable to pay off a historic deficit from the DSG it would expect to receive in future years.

310. The agreed action plan would be designed to secure the most efficient use of resources, and depending on the situation and context could include for example:

• changes to local SEND policy or practice

• additional challenge and support to the local authority in its management of high needs and/or management change

• sign off of budget plans by DfE

• additional conditions of grant

311. It would also cover any movement of DSG from the schools block. As part of an appropriate agreed package of measures, the department will, if necessary, make funds available from within the overall total of DSG so that the local authority can pay off its deficit over time.

312. The department approached selected local authorities to begin discussions with them during 2020 and reached five agreements. The department expects to expand the discussions to other local authorities during 2021 to 2022 and subsequent years.

313. The government response also acknowledged that local authorities could experience cash flow difficulties in financing in-year spending because of a DSG deficit. By this, the department means that the local authority has actual difficulty in accessing cash, not that it has incurred loss of interest because it has had to make use of the cash. If a local authority can prove that it is facing such cash flow problems, specifically because of the DSG deficit, the department will consider providing funding which would then be subtracted from future years' DSG allocations. Again, this would be subject to appropriate additional conditions of grant to secure the most efficient use of resources. Adjusting the timing of funding in this way would not improve the local authority's accounting position since it would have to make provision for the future reduction in DSG. If a local authority thinks it may be eligible for this kind of arrangement, it should contact Financial.MANAGEMENT@education.gov.uk.

NFF Factor Values 2022-23

	DfE Values 2020-21		DfE Actual Values 2021-22		DfE Actual Values 2021-22 - Diff to 2020-21 Solihull Rates		% Change	
	Pri	Sec	Pri	Sec	Pri	Sec	Pri	Sec
AWPU - age weighted pupil unit - per pupil funding	3,123	4,404	**3,217**	**4,536**	94	132	3.0%	3.0%
AWPU - age weighted pupil unit - KS4		4,963		**5,112**	0	149		3.0%
Current Free School Meal Eligibility	460	460	**470**	**470**	10	10	2.2%	2.2%
FSM Ever 6	575	840	**590**	**865**	15	25	2.6%	3.0%
IDACI F - Ranks 9033-12316 (37.5%)	215	310	**220**	**320**	5	10	2.3%	3.2%
IDACI E - Ranks 5748-9032 (27.5%)	260	415	**270**	**425**	10	10	3.8%	2.4%
IDACI D - ranks 4106-5747 (17.5%)	410	580	**420**	**595**	10	15	2.4%	2.6%
IDACI C - Ranks 2464-4105 (12.5%)	445	630	**460**	**650**	15	20	3.4%	3.2%
IDACI B - Ranks 822-2463 (deprived7.5%)	475	680	**490**	**700**	15	20	3.2%	2.9%
IDACI A - Ranks 1-821 (most deprived 2.5%)	620	865	**640**	**890**	20	25	3.2%	2.9%
Low prior attainment - 78 point measure	1,095	1,660	**1,130**	**1,710**	35	50	3.2%	3.0%
English as Additional Language (3 Year measure)	550	1,485	**565**	**1,530**	15	45	2.7%	3.0%
Lump Sum	117,800	117,800	**121,300**	**121,300**	3,500	3,500	3.0%	3.0%
Sparsity Lump Sum	45,000	70,000	**55,000**	**80,000**	10,000	10,000	22.2%	14.3%
Mobility - per pupil	900	1,290	**925**	**1,330**	25	40	2.8%	3.1%
Minimum per pupil	4,180	5,415	**4,265**	**5,525**	85	110	2.0%	2.0%