

CABINET

17 January 2023

Title: Dedicated Schools Budget and Schools Funding Formula 2023/24	
Report of the Cabinet Member for Educational Attainment and School Improvement	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
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Accountable Director: Jane Hargreaves, Commissioning Director – Education, Youth and Childcare	
Accountable Strategic Leadership Directors: Philip Gregory, Strategic Director, Finance & Investment, and Elaine Allegretti, Strategic Director, Children and Adults	
Summary <p>This report provides an update on the national and local Education Funding position and the likely impact on schools and other Education services in Barking and Dagenham. It also sets out the Dedicated Schools Budget (DSB) strategy for 2023-4 and the principles to be used for the Local Funding Formula for Schools following discussion with Schools Forum and consultation with schools. The report also considers the implications for the Council of the funding changes and the risks and opportunities that arise as a result.</p>	
Recommendation(s) <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none">(i) Note the indicative allocation of Dedicated Schools Grant for 2023/24 as set out in section 2 of the report;(ii) Approve the strategy for the main Schools funding block as set out in section 3 of the report;(iii) Approve the proposed principles for the design of the LBB D Local Schools Funding Formula as set out in section 4 of the report and the consequent funding factors as set out in Appendix 1;(iv) Approve the allocated funding and strategy for the three other funding blocks (High Needs, Central Services and Early Years) as set out in sections 5, 6 and 7 of the report;(v) Approve the increases in the Early Years, with the funding rate for three and four year olds increased to £5.15 per hour and for two year olds increased to £6.09 per hour; and	

- (vi) Delegate authority to the Strategic Director, Children and Adults, in consultation with the Strategic Director, Finance and Investment, the Schools Forum and the Cabinet Member for Educational Attainment and School Improvement, to approve the final 2023/24 school funding formula for submission to the Education and Schools Funding Agency.

Reason(s)

The Dedicated Schools Budget is part of the Council's overall budget and Local Authorities are required to develop and maintain a Local Funding Formula to distribute funding to schools.

1. Introduction and Background

- 1.1 Most Education funding is provided by the Department of Education in the form of a specific ringfenced grant to Local Authorities known as the Dedicated Schools Grant. This was first introduced in 2006 and at that time was based on the allocations within Local Authority budgets for Education. However, since that time the direction of travel has been towards replacing this with a national formula-based allocation with funding based on population and indicators of additional needs such as deprivation and poor attainment.
- 1.2 The DSG is made up of four blocks that fund different components of the 3-16 Education system: the Schools Block which makes up most of the allocations to individual schools, the High Needs Block which provides funding for Special Schools, Alternative Provision, and Additional support for students with Special Education Needs in mainstream schools, the Early Years block which provides funding for two, three and four year old education and the Central Block which funds various central services such as Admissions and School Improvement. More information is given on each of the blocks in the report.
- 1.3 The ultimate intention of Department of Education policy is that Schools Block funding will be passported straight to schools based on the National Funding Formula. However, there is a transitional period before this happens during which time the Local Authority is required to set its own formula in consultation with its School Forum and local schools although this must be within the tight framework set out in national guidance. The details of the LBBB formula are also set out in this report.
- 1.4 In general the effect of operation of the National Funding Formula for the Schools Block would be to move funding away from London authorities towards other areas although this effect has been dampened by the use of a funding floor. In practice given that Education funding at the national level has been subject to limited increases for many years what this means is that London schools have tended to see only minimal below inflation increases in funding with greater increases going to schools in other areas. Combined with a demographic dip in the primary population this has created financial pressures for most LBBB schools which will tend to worsen if pay, energy and other costs continue to increase as is likely.

- 1.5 On the other hand the move to a formula-based allocation has improved funding for the High Needs Block which had previously been severely underfunded. However, this remains an area of financial pressure at the local and national level.

2. The Dedicated Schools Grant

- 2.1 As described above, the Dedicated Schools Grant is made up of four blocks which fund different aspects of the Education system. The table below shows the current year and the indicative funding for 2023/24 as published by the DfE and the final allocation published in December. Note that the indicative funding was based on the School Census data for October 2021 (ie the same pupil numbers as the current year) so can be compared easily while the final allocation is in line with pupil numbers in Census data from October 2022 and includes an increase of 379 pupils.

Dedicated Schools Grant	2022-23 £m	2023-24 Indicative Allocation £m	2023-24 Final Allocation £m	2023-24 Additional Funding £m
Schools Block	254.515	257.889	262.447	8.485
High Needs Block	48.877	52.177	53.061	2.319
Central Services Block	2.224	2.146	2.162	
Early Years Block	21.877	21.877	22.704	
TOTAL	327.493	334.089	340.374	10.804

Notes:

- 1) The Schools Block figure includes the £6.985m supplementary grant which has now been rolled into base.
 - 2) Both schools and high needs block are given before academy recoupment. (£68.3 and £4.4m respectively.)
- 2.2 Excluding the rolling in of the £6.973m Supplementary grant, the Schools Block funding for LBD has only been increased by 1.64% per pupil. However, the Chancellor announced additional funding for 2023-24 in his Autumn Statement. This has not been incorporated into DSG but will be provided to Schools on a formula basis. For Barking and Dagenham this will be £8.485m which provides another 3%. (It should be noted that this is still substantially below inflation.)
- 2.3 There has been another considerable increase in the High Needs Block. This reflects both the national funding increase in this area and the continued movement towards the formula-based allocation. The additional grant for High Needs has been included in the block funding and amounts to £2.319m. Without this additional funding the total would be £53.061m.
- 2.4 The Central block has been uplifted by inflation for ongoing commitments (admissions and statutory duties) but part of the block that relates to historic spending allocations is being reduced in line with the Government intention to standardise central spending.
- 2.5 The Early Years allocation is based on indicative take up and includes a 1% increase for 3 and 4 year old's education and a 5.5% uplift for 2 year olds.

3. Schools Block

- 3.1 The Schools block is made up of three components. The largest component is the formula led allocation calculated at the individual school level and aggregated to the Local Authority area. Then there are special premises factors such as rates and PFI costs which have not yet been formularised but are set based on last year's actuals. Finally, there is the Growth Fund which is set at Local Authority level based on a formula capturing the change in school age population between census dates.
- 3.2 The national formula for schools funding is intended to provide more consistency and transparency around funding so that, when fully implemented, similar children in similar schools will be funded at the same level (adjusted for local cost variations). It therefore provides a basic age weighted pupil unit (AWPU) of funding for each student in a school with further funding allocated to factors that are indicative of additional needs (deprivation, English as an additional language and low prior attainment) and a small amount of funding for school-led funding (a lump sum and funding for rates and exceptional premises costs.)
- 3.3 The AWPU in the national formula is lower than was previously the case for LBBD schools (this is the case for most London authorities) resulting in a distribution of funding away from London on average. However, the additional needs factors are highly weighted so schools with these kinds of students are partially compensated for this. Finally, a funding floor has been used to contain funding losses at a minimum level (the floor is set on a per pupil basis). For 2023/24 this has been set at 0.5%. This is obviously far below inflation and so will result in financial pressures for all schools who receive only this uplift.
- 3.4 This year the DfE have also added in funding from the Schools Supplementary Grant. From now they will be treated as part of School's Core funding and be distributed as part of the formula.
- 3.5 As in previous years most primary schools (31/43) in Barking and Dagenham are on the funding floor receiving only the minimum increase 0.5% in per pupil funding and the other nine receive an average of 1.14%. 3 out of 11 secondary/all through schools are now also at floor funding level with the others averaging 2.99%
- 3.6 The DfE has used the national formula to calculate individual allocations for all schools in the country. This has then been used to calculate the aggregate Schools Block allocation for each authority and derive the relevant average funding unit (£6,466). The final allocations were published in December for 2023/24.
- 3.7 Since 2018/19 Growth funding has been allocated on a formula based on population changes between one October census and the previous one. In practice for LBBD, this is resulting in a less generous allocation than previously and lower than is needed. Our local growth funding policy has been revised to reduce funding allocated for new classes opening in September to the AWPU level only (the minimum possible.) This effectively requires new classes to be partly cross subsidised from the school's overall budget. However, it does mean that this year the cost of new classes can be largely met from the Growth Fund. If there is an unexpected increase and more growth is required, additional funding will be taken

from the DSG reserve. This means that we do not need to top slice the Schools Block and are passing through as much funding available to schools as possible.

3.8 In addition although there is overall pupil growth in the secondary phase and, in some geographical areas in the primary phase, in other areas there is a temporary dip in primary numbers. Demographic modelling suggests that this is only temporary but for some schools this short-term funding drop is hard to manage so the Schools Forum has agreed that a small fund should be made available to support those schools. This will also be funded from the reserve.

3.9 The provisional NFF allocation for LBBD Schools block is shown in the table below.

	2022-23	2023-24
Pupil Nos*	39,882	40,261
Primary Unit of Funding (PUF)	£5,314	£5,492
Secondary Unit of Funding (SUF)	£7,012	£7,402
LA Allocation excluding growth & premises factors	£238,080,426	£251,417,653
LA supplementary grant (pupils 5-16)	£6,972,638	
Total SB baseline (excluding growth and premises)	£245,053,064	£251,417,653
Baseline per pupil (excluding growth)	£6,144	£6,244
Provisional % change in 2023-24		1.64%
LA Allocation through premises funding	£9,461,893	£9,463,967
LA Growth Allocation	£1,423,064	£1,565,576
TOTAL PUBLISHED SCHOOLS BLOCK	£255,938,021	£262,447,196

4. The Local Funding Formula for Barking and Dagenham for 2023/24

4.1 The Department of Education has started the transition to a fully formula-based methodology for individual schools and has introduced further restrictions on how far Authorities can move away from the national formula in order to set a local formula that meets the needs of schools in their areas.

4.2 Barking and Dagenham has been moving its formula closer to national figures and we use the national rates for all the additional needs factors (ie funding for deprivation, low prior attainment and other needs). However, we have been using the flexibility in order to shift more funding towards the primary phase in line with a policy principle agreed with Schools Forum. Prior to introduction of the national formula, there was a local funding ratio of 1:1.3 between the primary and secondary sectors. However, the national formula comes out with a ratio of 1:1.43. Over recent years the formula has directed more money towards the secondary sector and this appears to be a Government intention.

4.3 The Schools Finance team carried out some modelling and presented three options to Schools Forum and the whole community of schools (both maintained schools and academies). These options were all within the range of values allowed by the transition rules and resulted in three different funding ratios:

- Option A 1:1.43 – a straight application of the formula
- Option B 1:1.40 – an intermediate option
- Option C 1:1.35 – effectively the lowest ratio achievable within the rules

- 4.4 In all models, all other factors were the same. However, the minimum funding guarantee was in place to ensure all schools received the same per pupil funding (ie MFG 0%).
- 4.5 The models were discussed in two meetings and the Schools Forum ultimately approved option C. This was also the overwhelmingly favoured option by those schools which responded to the consultation. There is a further Schools Forum meeting on 17 January to consider the final figures based on the latest allocation from the DfE.
- 4.6 The following principles are therefore proposed, subject to further consultation with Schools Forum to be used for the 2023/24 Local Funding Formula:
- (a) To apply NFF rates for funding factors including area cost adjustment of 12.985% with the exception of AWPU.
 - (b) To adjust the AWPU rates to remain within the cash limit and to achieve a 1:1.35 ratio between primary and secondary phases. This means secondaries would be funded 35% more per pupil than a primary in recognition of their greater cost. The notional funding allocations published by the DfE is showing that most primary schools are having to be supported through the funding floor factor in respect of the minimum 0.5% per pupil uplift. This is because the pupil led factors are not fully effective in driving the funding allocations and minimum increases through the formula.
 - (c) To apply no capping and scaling. This means that schools will retain all of their gains under the formula.
 - (d) To provide Minimum Funding Guarantee (MFG) protection of 0%. This measures the percentage increase in per pupil funding between 2022/23 and 2023/24 formula budget after removing lump sum and rates allocations but including schools supplementary grants. The regulations allow MFG to be set between 0.0% and 0.5%. Keeping MFG low makes the formula more affordable and targets funding in line with current pupil characteristics rather than historic patterns.
- 4.7 These principles were approved at the recent Schools Forum meeting on 13 December following a consultation with schools in which 86% of responses favoured option C. This means that the additional needs factors have been established using the National funding formula amounts as a starting point, but the basic age weighted pupil funding has been adjusted in line with the principles above.
- 4.8 The DfE released updated census data and revised funding allocations in the second half of December which required some adjustments from the provisional model which have been carried out in line with the principles consulted on. Schools Forum will consider these on 17 January and any significant changes will be reported back to Cabinet in February.

5. High Needs Block

- 5.1 The High Needs Block provides funding for Local Authorities (rather than for delegation to schools) and is made available to meet the additional costs of supporting students with special educational needs aged 0 to 25 years. The funding was previously based on historical allocations with very little linkage to actual levels of need in an area. It is now set on a formula basis but with a transition period during which gains and losses are still restricted. It should be noted that LBBB would receive £1.907m more if the formula were implemented in full with no gains restriction.
- 5.2 The block funds a range of services including Alternative Provision, Special Schools and ARPs and additional support to High Needs students in mainstream schools. The table below shows the budget allocation for 2020/21. The increase in the allocation allowed the creation of a gatekeeping fund to manage in year growth in the number and complexity of needs of children. Despite this, however this is an area of high demand that continues to need strict management and creative strategies. Note that the table differs from the total grant allocation as it has been adjusted for “recoupment” – payments made at source to Special Academies and Free Schools.

	2022/23 Budget £000
Alternative Provision	3,438
ARP Funding	9,168
DSG – Education Inclusion.	1,801
Out of Borough & Non Maintained Funding	7,830
HN Top Ups – Post 16	2,180
SEN Panel Top Ups	1,500
LACHES, Lang. Support	350
Initiatives	689
Special School Funding	13,201
EY Portage & Youth Service	578
Parent Support & Health	580
Total	41,315
Holding Cost & Gatekeep	3,193
Total Budget	44,509
Academy Recoupment	4,369
Total Budget	48,877

5.3 The allocation for 2023/24 is expected to include another above inflation increase of £4.339m or 8.9% which increases to £6.657m or 13.6% when the additional grant funding is included. This means that there is no requirement to transfer monies from the Schools Block to support expenditure. It is however likely that the High Needs Block will continue to need careful management in order to contain costs within the total funding. The Authority works closely with representatives from local schools through the High Needs Working Party in order to devise strategies to manage and reduce demand and control costs.

6. Central Services to Schools Block

6.1 The Central Block was created in 2018/19 by combining the residual Education Services Grant of £0.6m and £1.9m of funding allocations for central services previously agreed by Schools Forum. The latter is made up of specific continuing statutory functions (Admissions and running a Schools Forum) and local arrangements for historically agreed services. The Government's clear intention is to move the ESG and statutory functions elements towards a per head funding regime and to taper off historically agreed services over time.

6.2 CSSB is funding the following services in 2022/23:

Service	2022/23	2023/24
Admission Service	648	671
Schools Forum	60	62
Copy right Licences	180	186
Statutory responsibilities	743	769
Total budget for ongoing resp.	1,631	1,688
School Improvement	55	44
Schools Estates	77	62
School Games Organiser	26	21
Trewern outdoor education	106	85
Community Music Service	158	126
Advisory Teachers	170	136
Total Historic Commitments	592	474
TOTAL CENTRAL SERVICES BLOCK	2,223	2,162

6.3 Funding for ongoing services is now based on population with a small additional weighting for deprivation. The rate has increased by 2.5% in 23/24 – it has been provisionally assumed this will apply to all services. There will be a further reduction of £0.118m to the historic service block in 2023/24.

6.4 The summary below shows how the services funded from the historic element of the CSSG is being remodelled to mitigate the 20% annual reductions:

- **School improvement** – the reductions are being offset by School Improvement contingency and reserves, the reductions will be absorbed by the school improvement service through rationalisation and service redesign.
- **Advisory Teachers** – this is part of BDSIP contract, and the savings have been passported as a reduction to the contract price.
- **Community Music Service** – the service has remodelled the delivery by entering into a service level agreement with schools.
- **Trewern outdoor education** – to mitigate the impact of the reductions, Trewern has been working on various service delivery options including remodelling of staff deployment, providing additional offers to schools to increase income and build-up of financial reserves.
- **School games organiser** – the reduction in DSG funding is being replaced by other grants such as the young Londoners Fund, Inspiring Futures, Sports England etc.
- **Schools' estates** – the reduction is being mitigated by capitalisation of eligible staffing costs that meets the criteria for capital funding, this is assign to the building of school assets.

7 Early Years Block

7.1 Funding for Early Years was also announced in December and is shown below based on an estimated take up.

	Total Funding
	2023/24
Universal Entitlement 3&4 Year Olds	14,570,325
Plus 15 PTE 3&4 YO	3,766,215
Total 3&4 YO EY Block	18,336,540
EY Pupil Premium	214,981
Disability Access Fund	114,264
	-
Entitlement 2 Y O	4,038,111
PROVISIONAL EY for 2022/23	22,703,896

7.2 The DfE have increased the hourly rate used in this overall allocation for three and four year olds by 1% or £0.06 (six pence) and the rate for two year olds by 5.5% or £0.33. It is recommended that these increases be passed on in full.

8. Financial Implications

Implications completed by Katherine Heffernan, Head of Service Finance

- 8.1 The Dedicated Schools Grant is a ringfenced grant provided by the Department of Education. The funding proposals set out in this report are affordable within the allocations announced in December.

9. Legal Implications

Implications completed by Implications completed by: Dr Paul Feild, Senior Governance Lawyer

- 9.1 The Dedicated Schools Grant is payable to local authorities under section 14 of the Education Act 2002. It is as set out in this report a 'ring fenced grant' that is to say it must be solely spent on the grant conditions and guidance as been prepared by the Education and Skills Funding Agency to assist local authorities in the operation of the dedicated schools grant (DSG).
- 9.2 The process is set by the School and Early Years Finance (England) Regulations made under Chapter 4 of Part 2 of the School Standards and Framework Act 1998 which concerns the financing of maintained schools. They relate to the Council's 2022-23 financial year and need to be made because the School and Early Years Finance (England) Regulations 2021 ("the 2021 Regulations") apply only up to the end of the 2021-22 financial year.

10. Other Implications

- 10.1 **Risk Management** - There is a risk that for some schools the funding available may not fully meet their expected operating costs and financial pressures. The Minimum Funding guarantee that limits any reduction in funding to 0.5%% per pupil offers some mitigation as it provides a smoothing mechanism preventing sudden funding changes. The Council will continue to work with Schools and others to ensure there are high standards of financial management and control to meet these funding challenges.
- 10.2 **Staffing Issues** – Many schools in Barking and Dagenham will receive only a small uplift in their funding and where schools are also experiencing changes in roll numbers there may be budget pressures which impact on staffing plans. The Authority has taken some steps to support schools through the creation of a falling rolls fund and access to loans via the Financial Difficulties Fund. Schools are encouraged to work with HR in order to mitigate the impact on individual staff members and to avoid compulsory redundancies as far as possible.
- 10.3 **Corporate Policy and Equality Impact** – The National Funding Formula provides additional funding to meet the educational and safeguarding needs of students with specific characteristics that indicate higher levels of need and vulnerability such as deprivation, lower prior attainment and speaking English as an additional language. This is reflected in the Local Formula
- 10.4 **Safeguarding Adults and Children** - The additional needs factors and the pupil premium provide targeted support for looked after children and those entitled to free

school meals. The High Needs block is available to provide support for students with complex educational needs and disabilities.

Public Background Papers Used in the Preparation of the Report:

- DSG Operational Guidance

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/902183/Schools_operational_guide_2021_to_2022_1.pdf

List of appendices:

- **Appendix A** – Schools Funding Formula Factors