

## Document NH Appendix 1

### Dedicated Schools Grant 2022/23 – Briefing Note

*This briefing note is written following the DfE's announcement of 2022/23 Dedicated Schools Grant (DSG) arrangements made on 19 July 2021. Please read this note alongside Appendix 2 (the DfE's summary policy document). Please also read Document NG (the DfE's consultation on the transition to 'hard' National Funding Formula).*

1. **2022/23 will be the fifth year of National Funding Formula (NFF).** The DfE records that progress continues to be made by local authorities towards mirroring the Schools Block NFF in their formula funding arrangements at local level.
  - a. 73 (out of 150) authorities in 2021/22 directly mirrored the NFF within the Schools Block at local level. We were one of these.
  - b. 105 authorities in total in the last four years have moved closer to NFF and are now within 1% of NFF variable values.
  - c. 88 authorities in 2021/22 set a Minimum Funding Guarantee (MFG) within the Schools Block at positive 2.0%. We were one of these.
2. Other points to highlight in 2021/22 Schools Block formula funding arrangements:
  - a. 12 authorities used the Reception Uplift factor. We did not use this factor in 2021/22 but we are considering using this on a one off basis in 2022/23 (in spending the carried forward primary-phase monies).
  - b. 126 authorities set their notional SEND values at between 5% and 15% of Schools Block funding. The national median average was 10.7%. Bradford was 14.3% in 2021/22. There remains significant variation between local authorities in how notional SEND budgets are defined. This is an issue that is expected to be picked up in the national SEND review.
  - c. 31 authorities declared some form of SEND Funding Floor / Targeted Additional SEND funding arrangement. We were one of these. This is a matter that is also expected to be picked up in the national SEND review.
  - d. 23 authorities declared a Falling Rolls Fund. We were one of these.
3. With the exception of the difficulties that may be caused by a later / delayed announcement of Early Years Block funding arrangements, there are no changes for 2022/23, which appear to affect our normal consultation and decision making processes. **The expected Dedicated Schools Grant (DSG) allocation and decision making timetable for 2022/23 is as follows.**
  - a. The October 2021 and January 2022 Censuses will be completed as normal.
  - b. The ESFA's high needs places setting exercise for academies and FE providers will be conducted as normal in the first part of the autumn term.
  - c. The Authority expects the Forum to agree its recommendations on the 2022/23 DSG allocation and formula funding arrangements at its meeting to be held on 12 January 2022.
4. **At the time of writing this briefing note, the Early Years Block settlement and entitlement funding arrangements for 2022/23, including the position of the protected funding of maintained nursery schools, are**

**still to be announced.** It is unlikely that the Early Years Block settlement will now be confirmed before the second half of the autumn term. As in 2021/22, this later / delayed announcement is likely to affect the timing of our consultation on local early years entitlement funding arrangements for 2022/23. Our consultation may not be completed until the spring term (and after the January Schools Forum meeting).

Given that the Schools Block and High Needs Block settlements for 2022/23 are similar to those of this current year, we might speculate that the Early Years Block settlement for 2022/23 will also be similar. This would mean in the region of 1.3% to 1.5% increases in Early Years Block funding rates. We will begin to discuss our entitlement funding options and arrangements with the Early Years Working Group on this basis. However, the DfE has not yet said anything about the continuation or otherwise of the protection for maintained nursery schools, meaning that it is difficult at this time to begin to pull together more considered recommendations in respect of this specific aspect of Early Years Block funding for 2022/23.

**5. The main core technical basis of the Dedicated Schools Grant and the National Funding Formula (NFF) within the Schools, High Needs and Central Schools Services Blocks continues in 2022/23.**

The guiding restrictions and flexibilities regarding cross-block movements and the proportions of delegated vs. central spending remain as 2021/22. The framework for de-delegation within the Schools Block is unchanged.

The scope of the NFF within these three blocks also remains as 2021/22. This means that the non-NFF basis of funding premises factors and Building Schools for the Future (PFI) within the Schools Block remains the same as in 2021/22. This is specifically highlighted because PFI funding has been identified by the Schools Forum as an area to monitor.

The DfE's High Needs Block operational guidance has confirmed that the values of place-led funding (£10,000; £6,000 etc) and the positions of the other main 'levers' of the high needs place-plus funding system, including notional SEND arrangements, remain unchanged in 2022/23. We understand that any changes in the DSG that may come from the DfE's call for evidence and national EHCP, SEND and Alternative Provision reviews will not be implemented before April 2023 at the earliest, following consultations still to come.

**6. There are some technical changes to specific NFF factors and to the data sources of factors within the Schools Block, which follow from DfE consultations that took place earlier in the year.**

- a. The proposed changes to the sparsity factor (including increased rates of funding and use of road-distances rather than 'as the crow flies') are enacted. This does not impact on Bradford as no primary nor secondary school nor academy qualifies for sparsity funding. There are no changes to the mechanisms for supporting small urban schools.
- b. Data on pupils who have been eligible for Ever6 Free School Meals (FSM6) has initially been taken from the October 2020 Census, rather than from the January 2020 Census, to bring this in line with the Pupil Premium Grant. This is a change, which affects the funding the Authority receives at Schools-Block level in 2022/23, rather than the Ever6 FSM funding received by individual schools and academies (which will reference the October 2021 Census still to be collected). Possibly the more significant driver of change in FSM-based formula funding, for individual primary and secondary schools and academies in 2022/23, will be the difference between current FSM levels measured in the October 2021 Census vs. the October 2020 Census. It is expected that schools and academies generally will record larger numbers of children as eligible for FSM in October 2021 than they recorded in October 2020. This may have implications for individual school and academy formula funding allocations (which may increase) but may also have

implications for the affordability of our formula arrangements. This is because, at Schools-Block level, the Authority is funded based on FSM data referencing the October 2020 Census. However, schools and academies will be funded using FSM data referencing the October 2021 Census. **This lag of Schools-Block level funding behind individual school / academy data, in the context of the impact of COVID-19 on FSM numbers this year, may cause issues for the affordability of our final formula funding arrangements in 2022/23. This lag has been present in previous years, but we may find that the scale of this is greater in 2022/23.** The extent to which the higher cost of FSM funding is offset by other factors (including low prior attainment – see below) and / or is offset by the Minimum Funding Guarantee (MFG) and / or by the Minimum Levels of Funding (MFL), will not be confirmed until the October 2021 dataset is released by the DfE in December. The management of this issue is a matter that we wish to monitor and to discuss with the Schools Forum during the autumn within our consultation proposals.

- c. In calculating low prior attainment proportions for individual schools and academies, data from the 2019 Early Years Foundation Stage Profile and Key Stage 2 tests will be used as a proxy twice, for 2020 and 2021 tests, for reception / year 1 and year 7 / year 8 cohorts, following the cancellation / incompleteness of assessments due to COVID-19. 2019 data will effectively be used 3 times. As 2019 attainment was generally higher, we expect that this will mean that the funding received by primary and secondary schools and academies via the low prior attainment factor in 2022/23 will reduce. The MFG and the MFL will kick in as appropriate to protect funding levels for individual schools and academies and the reduction of cost in this factor may offset increases in the FSM factors, as described above, and may help us to manage overall affordability.
  - d. There is a minor change to the data source for summer term 2020 (using individual start dates between January and May 2020) for the pupil mobility factor, to reflect that the May 2020 Census was not taken due to COVID-19.
  - e. Further to the consultation on changes to the payment processes relating to school business rates, business rates will be paid by the ESFA to billing authorities directly on behalf of all state funded schools, including academies, from April 2022. This is a technical change relating to how rates payments are made. We will provide further guidance to schools and academies shortly.
7. Following the consultation earlier in the year (which was discussed with the Schools Forum in March), **the DfE has adjusted the historic spend factor within the High Needs Block, to replace 50% of budgeted spend in 2017/18 with 50% of actual spend in 2017/18.** As a result of this change, our High Needs Block funding for this factor has reduced by £1.66m from £29.37m to £27.71m. This 'loss' however, is captured within the overall High Needs Block funding increases presented below.
  8. The overall national **High Needs Block settlement** for 2022/23 provides a 9.6% increase on 2021/22. Authorities will receive minimum growth of 8% per pupil and maximum 11% per pupil.

**On current estimates, our High Needs Block allocation in 2022/23 is £101.18m, which is £8.75m higher than received in 2021/22 (an increase of 9.5% in cash terms).** Our allocation in previous years has been reduced by the cap (which is 11% per pupil in 2022/23). However, due to the adjustment explained in paragraph 7, our allocation in 2022/23 is not reduced by the 11% per pupil cap. For reference, if we were funded on the 11% cap, we would have received an additional £0.6m in 2022/23 (so this effectively is the final lower material impact of the £1.66m adjustment explained in paragraph 7).

This growth in funding, as in 2021/22, will be allocated to cover three main pressures a) growth in the cost of provision (from inflation and pay award) funded through the top-up, b) growth in the number of EHCPs and in the needs of pupils with EHCPs and in placement costs reflected by banding (and stacking) and c) continued expansion of high needs places capacity as well as of central support services capacity in response to increased demand.

Authorities continue to be permitted to transfer up to 0.5% of the Schools Block to the High Needs Block in 2022/23 with the approval of the Schools Forum. **We did not put forward a proposal for transfer in 2021/22 and, in the context of our High Needs Block settlement, we do not anticipate proposing a transfer in 2022/23.**

9. The overall national Central Schools Services Block (CSSB) settlement for 2022/23 provides a c. 3% increase on 2021/22, with a ceiling on gains through the on-going responsibilities element set at 5.6% per pupil. Bradford's increase is 4.97% per pupil. Our funding for historic commitments has reduced by a further 20% and so our allocation through this factor has reduced by £0.06m to £0.225m.

**We estimate that our CSSB allocation in 2022/23 in total will increase by c. 2.8% in cash terms (+ £0.1m) to £3.51m.** This is based on a calculation, which estimates that the total number of pupils in primary and secondary schools, that will be recorded in the October 2021 Census, will be reduced on the number recorded in October 2020.

**The impact of demographic reduction on DSG funding is an emerging characteristic within the 2022/23 settlement.** Whilst pupil numbers continue to increase in the secondary phase, numbers in the primary phase and in early years provisions are forecasted to reduce, to the extent that we are likely to see over the next few years an overall net reduction in the total number of DSG funded pupils. This is a matter that we have begun to discuss with the Schools Forum e.g. in Early Years entitlement funding arrangements and in Falling Rolls Fund work, and will wish to continue to discuss as this may have quite wide DSG implications.

Reducing numbers, as well as having implications for the funding received by schools, academies, early years and other providers, and their sustainability, will potentially mean that there is less 'headroom' available within our DSG settlements going forward than we have had historically, meaning that less money may be available for meeting emerging spending pressures, or for sustaining current levels of delivery, especially within the Central Schools Service Block and within the High Needs Block, where there are fixed budget contributions to school-support services and to other centrally managed costs.

10. **The overall national Schools Block settlement for 2022/23 provides a 3% increase on 2021/22.** Most of the NFF variable rates are broadly increasing by 3%, though the NFF variable values have been rounded and this affects the % increases at individual factor level. Also of note, the flat FSM variable is increasing by only 2% and the Minimum Per Pupil Funding levels for both the primary and secondary phases are also only increasing by 2%.

**On current estimates, Bradford's Schools Block allocation in 2022/23 is £481.30m, which is £11.26m higher than in 2021/22 (an increase of 2.40% in cash terms). Within this, we estimate that there will be c. 140 fewer children recorded in total in primary and secondary mainstream schools and academies in the October 2021 Census than recorded at October 2020. We also estimate that our funding for pupil numbers growth (via the DfE's growth factor) will reduce by c. £0.60m.**

11. The Government's commitment to increasing the minimum levels of funding per pupil for mainstream primary and secondary schools and academies continues within the 2022/23 settlement. However, notably, the values of

the minimums have been uplifted by only 2% and not by 3% in line with the overall NFF settlement. The minimums in 2022/23 are:

- a. **Primary £4,265** (increased from £4,180)
- b. **Secondary £5,525** (increased from £5,415).

These minimums continue to be mandatory and are therefore, not subject to local consultation.

12. **As in 2021/22, authorities are permitted to set the Minimum Funding Guarantee (MFG) for primary and secondary mainstream formula funding in the Schools Block between positive 0.5% and positive 2.0%. On current indicative modelling, we anticipate being able to propose a 2.0% MFG, but with the caveat and concern to understand further the impact of data lag as explained in paragraph 6.**

Forum members will recall how important the level of the MFG is, in particular, to our mainstream primary phase.

In summary, in 2021/22:

Primary phase: 99 out of 156 schools (64%), including academies, were funded on the Minimum Funding Guarantee. 40 schools were funded at the £4,180 minimum per pupil level.

Secondary phase: 9 out of 31 schools (29%), including academies, were funded on the Minimum Funding Guarantee. 3 schools were funded at the £5,415 minimum per pupil level.

All through academies: 1 out of the 4 academies (25%) was funded on the Minimum Funding Guarantee. All of these academies were funded above their composite minimum per pupil funding levels.

In total, 109 out of 191 schools and academies (57%) were funded on the Minimum Funding Guarantee. This was reduced from 133 (70%) in 2020/21.