

## Document OU Appendix 1

### Dedicated Schools Grant 2023/24 – Briefing Note

*This briefing note is written following the DfE's announcement of 2023/24 Dedicated Schools Grant (DSG) arrangements that was made on 19 July 2022. Please read this note alongside Appendix 2 (the DfE's National Funding Formula policy summary document for 2023/24).*

**A detailed briefing on the Early Years Block for 2023/24 is presented separately in Document OS.**

1. 2023/24 will be the sixth year of National Funding Formula (NFF) within the Dedicated Schools Grant (DSG).
2. Within the **Schools Block**, the DfE records that progress continues to be made by local authorities towards mirroring the NFF in their formula funding arrangements at local level. In 2022/23, 74 (out of 152) authorities directly (or closely within 1%) mirrored the NFF within the Schools Block at local level. We were one of these. 96 authorities set a Minimum Funding Guarantee (MFG) within at positive 2.0%. We were one of these.
3. The further 'directed' movement, towards the fuller adoption of the 'hard' NFF in the Schools Block, is confirmed for 2023/24. For mainstream primary and secondary formula funding, all authorities must use all NFF factors (and only these factors), and authorities that do not currently mirror the NFF must move 10% closer. Authorities that currently mirror the NFF (as we do) must stay within 2.5% of the NFF formula factor variable values.

As we directly mirror the NFF, and have done since 2018/19, this new direction requires minimal response within our arrangements for 2023/24. We expect to continue to directly mirror the NFF. We are now formally required however, to add the NFF sparsity factor into our local formula. This is a 'tick box' exercise only, as none of our schools and academies qualify for sparsity funding due to their size.

The DfE has provided [further guidance](#) to authorities on the calculation of **notional SEND budgets** within mainstream primary and secondary formula funding allocations. However, for 2023/24, this guidance does not constitute a 'direction' and does not prescribe how notional SEND must be defined, though we do expect that prescription will come following the national SEND Review and the final full implementation of the 'hard' NFF. We will discuss a review of our notional SEND definition in a separate report to the Forum.

Authorities continue to be permitted to adopt **Targeted SEND (EHCP) support funding** arrangements for mainstream schools and academies in 2023/24. The DfE has re-iterated the expectation that funding support of this kind be allocated only to a minority of schools that have exceptionally higher levels of SEND (no.s of EHCPs). Only 31 authorities declared some form of SEND Funding Floor / Targeted Additional SEND funding arrangement in 2022/23. We were one of these.

The DfE has proposed that **split sites funding, the Growth and Falling Rolls Funds, and the funding of PFI**, be brought into the 'hard' NFF within the Schools Block. However, the positions of these factors outside the NFF for 2023/24 is unchanged. Split sites funding, and Growth and Falling Rolls Fund, are currently proposed to be brought into the NFF in 2024/25. There is currently no timescale for bringing PFI funding into the NFF. On this basis, we expect to continue our current local arrangements for these factors and funds in 2023/24. 133 authorities retained a Growth Fund in 2022/23. We were one of these. Only 23 authorities declared a Falling Rolls Fund in 2022/23. We were one of these (although we do not anticipate to incur any spend).

Although this is not a factor used in the NFF, the DfE has confirmed that authorities can continue to use the **Reception Uplift factor** in 2023/24. This is optional and would need to be funded from Schools Block headroom or from reserves (as the factor is not funded by the NFF). Only 11 authorities used the Reception Uplift factor in 2022/23. We were one of these, adopting this on a one-off basis using the primary EGUF reserve. At this time, we do not anticipate using the Reception Uplift factor again in 2023/24.

4. The **Schools Supplementary Grant** (£13.8m), which was introduced in 2022/23, is continued in 2023/24 but has been amalgamated into the Schools Block. This means that the NFF will allocate this grant and primary and secondary schools and academies should no longer budget for a separate allocation (otherwise they will double count this funding). The Supplementary Grant (£3.8m) that was added to the High Needs Block in 2022/23 is continued within our High Needs Block allocation in 2023/24. The small proportion of Supplementary Grant, that has been allocated in 2022/23 in respect of early years and post 16 pupils, will continue to be allocated as a separate grant in 2023/24.
5. There are no changes for 2023/24, which appear to affect our **usual consultation and decision making processes and timescales**. In the last 2 years, due to the timing of announcements, our consultation on our Early Years Block formula funding arrangements has been published towards the end of the autumn term, later than the consultations on Schools Block and High Needs Block arrangements, which have been published mid-October. We anticipate that this will be the case for our consultations this autumn. The expected Dedicated Schools Grant (DSG) allocation and decision making timetable for 2023/24 is as follows:
  - a. Our consultations on Schools Block and High Needs Block formula funding arrangements will be published mid-October (after the Forum's October meeting). Our Early Years Block consultation will be published at (or by) early December.
  - b. The October 2022 Census will be completed as normal. The dataset (and APT) that authorities use to calculate Schools Block formula funding for 2023/24 will be available at the beginning of December.
  - c. The ESFA's high needs places setting exercise, for academies and FE providers for the 2023/24 academic year, will be conducted as usual in October and November.
  - d. The DfE's will confirm initial DSG allocations for 2023/24 mid-December.
  - e. The Authority expects the Forum to agree its recommendations on the 2023/24 DSG allocation and formula funding arrangements at its meeting to be held on 11 January 2023.
6. The main core technical basis of the Dedicated Schools Grant (DSG) and the National Funding Formula (NFF) within the Schools, High Needs and Central Schools Services Blocks continues in 2023/24.

The **guiding restrictions and flexibilities**, regarding cross-block movements and the proportions of delegated vs. central spending, remain as 2022/23.

The **School Forum's role and statutory powers**, and the guidance on 'who decides what', are unchanged.

The framework for **de-delegation from maintained schools** within the Schools Block is unchanged. Following the cessation of the School Improvement Monitoring and Brokering Grant (SIMB), authorities are permitted to de-delegate funds from maintained schools for their core school improvement activities. This was a new provision, introduced in 2022/23. We will discuss this further with the Forum in the October meeting.

The DfE's **High Needs Block operational guidance** has confirmed that the values of place-element funding (£10,000; £6,000), and the positions of the main 'levers' of the high needs place-plus funding system, remain unchanged in 2023/24. Local authorities continue to hold responsibility for calculating and allocating top-up funding. Any changes in the DSG, or in High Needs Block formula funding, or in the School Forum's role in respect of the High Needs Block, that may come from the national reviews, will now not be implemented before April 2024 at the earliest, and following further consultations to come. The DfE has strongly indicated, in recent messages, that the national reviews represent a longer-term programme for the re-shaping of SEND and Alternative Provision support systems and funding.

The DfE has however, adjusted the **Minimum Funding Guarantee (MFG), which must be applied to special schools and to special school academies**. Rather than this being an MFG, which looks at the difference between 2023/24 and 2022/23 funding levels, authorities are required to ensure that, based on a like for like comparison (of the number of pupils on roll and their assessed levels of need), the High Needs Block-sourced budgets of special schools and special school academies in 2023/24 be at least 3% higher than the budgets received in 2021/22. We have already increased top-up funding for Band 4 (which is applicable to special schools and special school academies) so that the funding of all occupied places (including the fixed £10,000 place-element) has increased by a minimum 4.25% in 2022/23 compared with 2021/22. As such, before we consider funding rates for 2023/24, we have already complied with the new MFG requirement.

## 7. DSG Deficits Statutory Override

Whilst not immediately relevant to us, as we currently hold a surplus DSG account, it is important for the Forum to be aware that government consultation has recently taken place on the **existing 'statutory override'** within the Regulations, which is due to cease at the end of 2022/23. This override concerns the treatment of deficit balances, that are held within the DSG, and cumulative deficit DSG accounts. Currently, cumulative deficit DSG accounts are ring-fenced and are 'set aside' from local authority general fund reserves, meaning that deficits are carried forward to be managed only by using DSG funds in future years and that authorities do not need to make provision for these from their general reserves. The impact of this override ceasing will be that DSG deficits that are recorded from March 2024 onwards will be added to local authority general fund reserve balances. This will have implications for the wider financial positions of local authorities and for how DSG deficits will need to be managed using authority general fund reserves alongside / in addition to / rather than DSG funding. We must consider this within our medium term DSG financial planning.

8. The overall national High Needs Block settlement for 2023/24 provides a 6.3% increase on 2022/23. Authorities will receive minimum growth of 5% per pupil and maximum growth of 7% per pupil.

**On current estimates, our High Needs Block allocation in 2023/24 is £111.90m, which is £6.71m higher than received in 2022/23, including the additional Supplementary Grant funding. This represents an increase of 6.4% in cash terms and 6.8% in per pupil terms.** Our per pupil increase is slightly below, and has not been affected by, the 7% per pupil cap. This increase is lower than received in recent years. Our overall cash increase was 10% in 2022/23 and 14% in 2021/22. This lower increase aligns with our assessment of the Autumn 2021 Spending Review, reinforced by the DfE's recent messaging, that the current 3-year national school funding settlement has been heavily weighted towards 2022/23, with reduced increases to be allocated in 2023/24 and in 2024/25. We anticipate that High Needs Block funding nationally may increase between 3% and 5% in 2024/25. Even assuming that our increase would be nearer 5%, we would only see a c. £4m cash increase in our High Needs Block funding in 2024/25, after accounting for the forecasted reduction in pupil numbers. As we have recently presented to the Forum, in discussions concerning the surplus balance, we forecast that our High Needs Block financial position will be significantly challenging. Our management of this must begin in 2023/24.

Growth in High Needs Block funding will continue to 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 in response to increased demand. We currently estimate that the growth in our High Needs Block costs in 2023/24 will exceed the additional £6.71m income that we have received. We currently estimate that will need to deploy in 2023/24 a reasonably substantial proportion of the High Needs Block brought forward balance that we currently hold and also take adjusting steps to control expenditure. We anticipate that we will need to exercise 'restraint' in 2023/24 in how we uplift top up funding

rates, needing to prioritise meeting the additional costs that have come from the significant recent growth in the numbers of EHCPs and from the continued expansion of high needs places capacity. We will discuss this financial position in more detail with the Forum across the autumn term.

Authorities continue to be permitted to transfer up to 0.5% of the Schools Block to the High Needs Block in 2023/24 with the approval of the Schools Forum. **In the context of our High Needs Block surplus balance, we do not anticipate proposing a transfer in 2023/24.**

9. **The Central Schools Services Block (CSSB) continues in 2023/24.** The DfE has indicated, in recent consultations, that changes will be made to this Block (including the possible merger of this Block into the main local government financial settlement), in response to the DfE's Schools White Paper and the changing roles of local authorities in the context of the movement to a full academy system. However, there are no technical changes implemented for 2023/24. There is also no increase in CSSB funding specifically in response to the new statutory attendance responsibilities that are being placed on local authorities at September 2023. The absence of additional monies here is a particular point of concern, and we are aware that representations are currently being made to the DfE on this.

**Our CSSB funding per pupil has increased by 2.23% in 2023/24.** In terms of our overall cash budget however, this per pupil increase is offset by 2 factors. Firstly, our funding for historic commitments has reduced by a further 20%, and so our allocation through this factor has reduced by £0.045m to £0.180m. We expect this funding to continue to reduce in future years (at the same rate) until this allocation has ceased. Secondly, our CSSB funding will be affected by the forecasted overall net reduction in the number of pupils to be recorded in mainstream primary and secondary schools and academies in the October 2022 Census. We currently estimate (arithmetically for formula funding modelling purposes) that the overall net reduction at October 2022 will be in the region of 400 pupils (primary phase pupil numbers reducing by 1,000 and secondary phase numbers increasing by 600). Accounting for these 2 factors, we estimate that our CSSB allocation in total will increase by only c. 0.3% in cash terms (+ £0.012m, on a budget of £3.5m).

As we have previously warned, **demographic reduction is now having an impact on our DSG funding.** 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 forecast that we will continue to see over the next few years an overall net reduction in the total number of DSG funded pupils. Reducing numbers, as well as having implications for the funding received by schools, academies, early years and other providers, and their sustainability, will mean that there is less 'headroom' available within our DSG settlements going forward than we have had historically, meaning that less money will 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 national Schools Block settlement for 2023/24 provides a 1.9% overall (as well as per pupil) increase on 2022/23, before the Schools Supplementary Grant is transferred into the NFF.** As with the High Needs Block, this scale of increase aligns with our previous assessment, that the current 3-year national school funding settlement has been heavily weighted towards 2022/23, with reduced increases to be allocated in 2023/24 and in 2024/25. The headline per pupil increase in the NFF in 2022/23 was higher, at 3%.

**On current estimates, Bradford's Schools Block allocation in 2023/24 is £507.57m, which is £23.20m higher than in 2022/23 (an increase of 4.79% in cash terms). £13.8m of this increase relates to the transfer of the Schools Supplementary Grant. Excluding this transfer, we estimate an increase of 1.94% in cash terms. Within**

**this, we estimate that there will be c. 400 fewer pupils recorded in total in primary and secondary mainstream schools and academies in the October 2022 Census than were recorded at October 2021. We also estimate that our funding for pupil numbers growth (via the DfE's growth factor) will reduce by c. £0.70m.**

11. The national Schools Block NFF per pupil increase in 2023/24 of 1.9% is aggregated as follows:

- a. The core NFF factors (AWPU and lump sum) are increasing by 2.4%.
- b. The deprivation NFF factors (FSM6 and IDACI) are increasing by 4.3%.
- c. All other NFF factors are increasing between broadly 2.1% and 2.6% (after the variable values have been rounded to the nearest £5).
- d. The mandatory Minimum Levels of Funding Per Pupil (MFLs) are increasing by 0.5%.
- e. The Minimum Funding Guarantee (MFG) can be set at a maximum 0.5%. The DfE has funded a 0.5% minimum floor increase for all schools and academies.

After applying these basic uplifts, the DfE has further increased the AWPU, FSM6 and lump sum factors in order to allocate the Schools Supplementary Grant (SSG) via the NFF. The MFLs have also been uplifted for this purpose. 2022/23 SSG allocations have been added into school and academy funding baselines, so that the Minimum Funding Guarantee in 2023/24 will provide budget protection, which is inclusive of the SSG allocations that were allocated separately in 2022/23.

With the uplift for the Schools Supplementary Grant, the MFLs for 2023/24 are £4,405 (primary – increased from £4,265) and £5,715 (secondary – increased from £5,525). These are the minimum values of per pupil funding that schools and academies must receive in 2023/24. These minimums continue to be mandatory and are therefore, not subject to local consultation.

To highlight the following aspects of this 2023/24 NFF settlement:

- a. Unlike in recent years, rather than a single % increase that is applied to all NFF factors, the FSM6 and IDACI factors have been additionally uplifted. This weights the settlement towards schools and academies with higher levels of deprivation, as measured by FSM6 and IDACI. As a result, schools and academies that are funded above the levels of the MFL / MFG will typically see per pupil funding increases in the region of 2.6% in 2023/24.
- b. The uplift of the mandatory Minimum Levels of Funding per pupil (MFLs) is significantly lower than the uplift of the core NFF factors – the core NFF factors are increasing by 2.4% but the MFLs are increasing by only 0.5% (both figures are prior to the transfer into the NFF of Schools Supplementary Grant). Compare this gap with 2022/23, when the MFLs increased by 2.0% vs. the headline 3.0% settlement. Schools and academies that are funded on the MFLs will only receive a 0.5% increase in their funding per pupil in 2023/24. This is very likely to be lower than the increase that these schools and academies will have forecasted, based on the DfE's previous approach to uplifting the MFLs. \*
- c. **The Minimum Funding Guarantee can be set between 0% and positive 0.5%. On current indicative modelling, we anticipate being able to propose a 0.5% MFG.** The MFG range in 2023/24 is much smaller than in 2022/23, and the maximum of 0.5% is also much lower than the maximum 2.0% that could be set in both 2021/22 and 2022/23. This means that the gap between the MFG and the increase in the core NFF factors is much greater in 2023/24 than it was in both 2021/22 and 2022/23: a 1.9% gap in 2023/24 (the difference between 2.4% and 0.5%) vs. a gap of 1.0% in 2022/23 (the difference between 3.0% and 2.0%). Schools and academies that are funded on the

MFG will only receive a 0.5% increase in their funding per pupil in 2023/24. As with the MFL schools, this is very likely to be lower than the increase that these schools and academies will have forecasted, based on the DfE's previous approach to setting the minimum and maximum MFG levels. It must be emphasised that, in respect of the value of MFG that we can afford, the DfE has only funded a minimum 0.5% increase in respect of all schools and academies, meaning that we do not have the funding within the 2023/24 Schools Block settlement to set a higher MFG. \*

- d. The Schools Forum will wish to begin to consider the implications of this funding settlement, especially in relation to the recent announcements on pay awards, which are summarised in the 'matters arising' document that is published for this meeting, and in relation to current inflationary pressures.
- e. Within the 2022/23 DSG budget cycle, we considered quite carefully the potential financial impact of the lag in data, between the October 2020 Census (on which the DSG is funded) and the October 2021 Census (on which schools and academies are funded). Ultimately, this data lag increased the cost of our 2022/23 formula funding by £0.95m (please see January 2022 Document OB Appendix 1d), which we absorbed using Schools Block headroom alongside Schools Block reserves. This time last year, we anticipated that the cost of data lag would be greater in 2022/23, than in a normal year, due to the impact of the COVID-19 pandemic and the significant increase in the numbers of pupils recorded as eligible for FSM. Whilst we anticipate that the cost of lag will not be as great in 2023/24 as it was in 2022/23, lag is still expected and we must set out our formula funding proposals with caution, whilst considering how we will ensure that our Schools Block arrangements are affordable. This includes the allocation of DSG reserves, where appropriate and sustainable.

\* In summary, in 2022/23:

- Primary phase: 67 out of 156 schools (43%), including academies, are funded on the Minimum Funding Guarantee. 34 schools (22%), including academies, are funded at the £4,265 minimum per pupil level. All other schools and academies are funded above £4,265 per pupil.
- Secondary phase: 5 out of 31 schools (16%), including academies, are funded on the Minimum Funding Guarantee. 2 schools (6%), including academies, are funded at the £5,525 minimum per pupil level. All other schools and academies are funded above £5,525 per pupil.
- All through academies: 1 out of the 4 academies (25%) is funded on the Minimum Funding Guarantee. All of these academies are funded above their composite minimum per pupil funding levels.
- In total, 73 out of 191 schools and academies (38%) are funded on the Minimum Funding Guarantee. This is reduced from 109 (57%) in 2021/22. In total, 36 out of 191 schools and academies (19%) are funded on the minimum per pupil funding levels. This is reduced from 43 (23%) in 2021/22.

Graphical representation of the Schools Block formula funding settlement, based on early indicative modelling, is presented at Appendix 3.