



Northumberland County Council

Agenda Item 10

Schools Forum: 16 November 2022

National Funding Formula & Dedicated Schools Grant (DSG) & Consultation on 2023/24 Funding Values

1. Purpose of the Report

To provide further additional information in respect of the continuing implementation of the National Funding Formula, the Dedicated Schools Grant (DSG) and associated 2023/24 Schools Funding information. This includes formal consultation with Schools Forum in relation to funding for 2023/24.

2. Recommendations

Schools Forum is asked to:

- a. Agree to a transfer of up to 0.25% (approximately £546,000) from the Schools Block to the High Needs Block for 2023/24.
- b. Agree that the funding values for 2023/24 be set in line with the principles outlined in the report; and agree for these to be the basis for the wider consultation with schools.
- c. Note the delegation of final decisions on the values to the Interim Director of Children's Services, in consultation with the lead member for Children's Services once final funding becomes known in December 2022, in order to enable the required Cabinet report to be prepared and submitted to the 10 January 2023 meeting, and the submission of the necessary return to the ESFA by 20 January 2023.
- d. Receive a further report to the Schools Forum meeting on 18 January 2023 on the outcome of the consultation with schools and final funding values to be used for 2023/24.

3. Background

Schools Forum has previously received reports outlining developments in relation to the National Funding Formula (NFF). The latest report to Schools Forum in September 2022 confirmed Northumberland's progress as a local authority "that mirrors the NFF in most factors" with the only difference being in relation to the mobility factor was introduced into the local formula at 50% of the national value for 2022/23 with the intention, to move to the NFF value in 2023/24 depending on the overall level of finance available.

While previously no firm fixed target date had been proposed, in July 2022 the DfE indicated an expectation for LAs:

"to have moved to the direct NFF within the next 5 years – that is by the 2027/28 funding year at the latest."

(The national funding formulae for schools and high needs 2023-23 July 2022)

Figures for 2023/24 include the School Supplementary Grant, which was distributed separately in 2022/23. It should also be noted that overall funding is not increasing by the same amounts as in 2022/23 for both Schools and High Needs, with no indication of any further support at the time of writing this report. Schools are advised to budget accordingly when preparing 2023/24 figures.

4. Latest Information

The provisional 2023/24 allocations based on October 2021 data are shown in the table below:

DSG Block	Final 2022-23 (Dec 2021)	(prev Oct 2021 data)	Potential Change	
			£	%
Schools Block	£208,482,884	£218,666,487	£10,183,603	4.88%
High Needs Block	£44,497,569	£48,408,073	£3,910,504	8.79%
Central School Services Block	£2,454,271	£2,273,655	-£180,616	-7.36%
TOTAL	£255,434,724	£269,348,215	£13,913,491	5.45%
EY Block not yet available for 2023/24	£17,609,703	n/a	-	-

It should be stressed that both these figures and the indicative school figures supplied as an Appendix, will be updated with reference to the October 2022 School Census data when the final figures are released in late December.

5. Minimum Per Pupil Funding (MPPF)

The reduced increase in the MPPF levels was highlighted at the September meeting, meaning that any schools reliant on this could see increases in funding as low as 0.5%. Using the July 2022 funding tool circulated by the ESFA incorporating the previous years (October 2021) data, it is estimated that this could impact 22 Schools in Northumberland, and account for £1.558 million funding, a reduction of £0.893 million on last year's figure of £2.451 million.

This issue has also been highlighted to the Formula 40 funding group of authorities.

6. Transfer from Schools Block

In November 2021, the local authority consulted with both the Schools Forum and wider schools and requested agreement to up to a 0.5% transfer from the Schools Block to the High Needs Block for 2022/23. This was agreed at the Schools Forum meeting and in the subsequent Schools consultation.

Following further analysis and the receipt of the final settlement figures in December 2021, it was decided to reduce the transfer from 0.5% to 0.25%, and the final figure transferred was £515,696 instead of the original estimate of £1.043 million.

As reported to Schools Forum in July, because of the exceptional circumstances caused by covid, overall balances of £4.032 million were reported, including £1.804 million for the High Needs Block. However future pressures for the area were also highlighted including rising

expenditure for Alternative Provision, and a 11% increase in Education Health and Care Plans, the key indicator of costs for SEND, as well as continuing to offer NIES services free at the point of need.

2022/23 Financial Monitoring reports elsewhere on the agenda, report continuing underspending across the Schools, Early Years and Central Services Blocks, but report an overspend of £586,000 in relation to High Needs.

This is before the other additional pressures identified in 2023/24, notably the opening of the Gilbert Ward Special Free School Academy in Blyth in September 2023. The 40 estimated places required initially are likely to cost in the region of £420,000 Top Up Funding and £426,000 Place Funding (for a full year) or £580,000 for the two terms within the 2023/24 financial year. This does not take into consideration the general growth in numbers or any proposals for increasing capacity within our existing special schools and academies.

The increasing numbers of Education Health and Care Plans and increasing numbers of permanent exclusions continue to place growing pressures on the HN block. It is also the intention to continue to deliver the Northumberland Inclusive Education Service (NIES- covered elsewhere on this agenda) free at the point of delivery, having previously been funded via a Service Level Agreement with schools.

Further information will be provided to the January and February meetings in relation to this, but the agreement of Schools Forum is again sought to the potential transfer of 0.25%, or approximately £546,000 from the Schools Block to the High Needs Block, based on the provisional 2023/24 Schools Block figure using October 2021 data in section 4 of this report.

7. Minimum Funding Guarantee (MFG)

Formula Funding Committee requested that additional information be provided to the Schools Forum in relation to the potential impact of the MFG levels. School Forum members will recall that MFG is a way of giving schools a guaranteed minimum increase in funding per pupil each year. It works by comparing a school's level of funding per pupil from one year to the next on a like for like basis. Previously Northumberland made the decision to set the MFG at the maximum level of 2%, but the ESFA has limited the level of MFG to between 0% and 0.5%.

MFG Level	No Of Schools	Total MFG Increase
0.5%	13	£ 152,794
0.25%	6	£ 131,350
0%	6	£ 120,412

Setting the MFG at either 0% or 0.5% therefore only makes a net difference of £32,382, though this is subject to change when the October 2022 data becomes available. There is therefore potentially comparatively little variation, but in line with previous Schools Forum decisions it is felt that, subject to the resources available the MFG should be set at 0.5% in order to maximise the number of schools supported.

8. Central Services Block

As previously reported, the Central Services Block funding continues to fall, due largely to the continuing reduction in the historic element. While there is a small 2% increase in the

ongoing responsibilities element, this needs to be balanced against the significant pay and price inflation pressures anticipated.

	2022/23 (actual)	2023/24 (provisional)	Change	
			£	%
Ongoing Responsibilities	£1,410,271	£1,438,455	+£28,184	+2.0%
Historic Commitments	£1,044,000	£835,200	-£208,800	-20.0%
TOTAL CSSB	£ 2,454,271	£ 2,273,655	-£180,616	-7.4%

Discussions last year with the ESFA mitigated the impact of the reduction in the Historic Commitment elements as this figure no longer covered the Capital Financing and Historic Retirement costs of £1,305,000. However, this element will continue to unwind. It is anticipated that the historic commitment element should continue to cover Northumberland's costs in relation to ongoing prudential borrowing costs and termination of employment costs, but this will continue to be monitored on an ongoing basis.

9. Early Years Block

No information for Northumberland is available yet in relation to Early Years funding, in line with previous years. Details of the 2023/24 EY funding will be received in December together with the rest of the DSG information for 2023/24.

10. De-delegation

De-delegation is the process by which the relevant maintained school members of Schools Forum can agree to have funding deducted at source from maintained schools for certain services as specified by the DfE. For academies to access these services, they will need to agree to buy in, either on an individual or a multi academy trust level.

For 2022/23, de-delegation was agreed in respect of the following services:

- Contingency for costs arising from reorganisation or restructuring;
- Free School Meal eligibility checking;
- Trade union facility time; and
- Support to underperforming ethnic minority groups and bilingual learners;

It is anticipated that de-delegation will again be sought in respect of these services.

In November 2021 we shared details of the Department for Education's consultation as to how School Improvement functions will be funded in the future. While de-delegation was among the options to replace the School Improvement Grant which is entirely withdrawn for 2023/23, it is not intended to seek de-delegated funding for School Improvement for 2023/24.

11. Other Information

The Schools Forum have overseen a relatively smooth transition towards NFF rates. With the exception of the mobility factor, only introduced in 2022/23, other values are in line with NFF rates. Further information was published by the DfE in a consultation over the summer, the details of which are available at the link below:

<https://consult.education.gov.uk/funding-policy-unit/implementing-the-direct-national-funding-formula/>

While most of the issues covered are likely to have little impact given how close we are to the NFF, one area to consider further is the proposed changes to the split site factor (pages 30-36). Under the NFF it is proposed that a Split Site Factor is composed of two parts:

- A Basic element based on a split site as being defined as being separated either by a public road or railway line
- A Distance element, using a threshold of 0.3 miles (500 metres)

Furthermore, there is a proposal that the split site element is based on a 60% of the lump sum, currently the Northumberland figure is £62,267 or 48% of the lump sum. It is proposed to move this to 60% for 2023/24 which would be £76,800 subject to the funding being available.

This does not have any financial implications for other schools not in receipt of split site funding, as it is classified as a “Premises” factor and funded on the basis of previous years spend. It is recommended that we move towards this, though this included in the Schools Consultation.

We are currently working with the 4 Northumberland Schools currently in receipt of split site funding to assess any implications from the reforms.

In addition, for 2023/24:

- Without a disapplication request, the Minimum Funding Guarantee (MFG) is only able to be set between 0 and 0.5%. For the last 2 years we have set the MFG at 2%, but this is now restricted as the ESFA move schools towards NFF;
- Capping and Scaling continues to be an option for 2023/24, but we should seek to limit it's impact where possible, thereby allowing Schools to retain as much funding formula gains as possible;
- We need to continue to move the mobility element towards the NFF value;

This will be reflected in the principles used to establish Northumberland's Funding Values for 2023/24 once the 2023/24 allocations are known in late December, and as is reflected in recommendation 2 (b) of this report.

Information is attached at Appendix B showing the impact of the increased 2023/24 Formula Values on a School Level basis, but it must be remembered that these figures are based on the previous October 2021 data and will be subject to change when the revised APT tool is received in late December incorporating the updated October 2022 data. The 2023/24 Provisional figures must therefore be treated with caution as they will not reflect any changes in pupil numbers or other formula data.

12. Next Steps:

Following any comments received today, the intention is also to consult with schools ahead of the final budget setting report to Cabinet. The consultation is proposed to run from Tuesday 22 November to 12.00 noon on Monday 12 December. A copy of the draft consultation paper is attached for your consideration in Appendix C. The results of the consultation and final recommendations to Cabinet will be reported back to the January 2023 Schools Forum meeting.

Because of the short timescales between receiving the final 2023/24 DSG settlement in December, the preparation of a report to the Cabinet meeting on 10 January 2023 and the submission of the final figures to the ESFA by 20 January 2022, delegated powers are sought for the Interim Director of Children's Services and Service Director – Education to set the final figures, in line with the principles and illustrative figures outlined in this report.

As reflected in the recommendations the Cabinet report will seek delegated powers to agree the final values, there will be reported to the Schools Forum meeting on 18 January 2023 prior to submission to the ESFA by 20 January 2023.

13. Summary and Conclusions:

The support of Schools Forum in relation to 2022/23 School Funding is requested in line with the recommendations in section 2 of this report, with regard to the principles to be adopted for the setting of the DSG for 2023/24. Further information will be provided to the January and February 2023 meetings once the final 2023/24 DSG settlement has been received in December 2022, but the views of School Forum are required at this stage to enable the appropriate report seeking approval to go to Cabinet in January 2023, as has been the case in previous years.

Bruce Parvin

Education and Skills Funding Manager

15 November 2022



Northumberland County Council

Appendix A

COMPARISON OF FINAL 2022/23 AND POTENTIAL 2023/24 FORMULA VALUES FOR NFF AND NORTHUMBERLAND

Factor (all figures £)	NFF Values 2022/23	NCC Values 2022/23	NFF Values 2023/24	Potential NCC Values 2023/24	Movement in NFF values 22/23 to 23/24	Movement in NCC values 22/23 to 23/24
col (a)	col (b)	col (c)	col (d)	col (e)	col (f) #	col (g) #
AWPU Primary	3,217	3,217	3,394	3,394	5.50%	5.50%
KS3	4,536	4,536	4,785	4,785	5.49%	5.49%
KS4	5,112	5,112	5,393	5,393	5.50%	5.50%
Lump Sum Primary	121,300	121,300	128,000	128,000	5.52%	5.52%
Middle	121,300	121,300	128,000	128,000	5.52%	5.52%
High/Secondary	121,300	121,300	128,000	128,000	5.52%	5.52%
Deprivation - Free School Meals Primary	470	470	480	480	2.13%	2.13%
Secondary	470	470	480	480	2.13%	2.13%
Deprivation – FSM6 Primary	590	590	705	705	19.49%	19.49%
Secondary	865	865	1030	1030	19.08%	19.08%
Deprivation – IDAC:						
Primary Band F	220	220	230	230	4.55%	4.55%
Band E	270	270	280	280	3.70%	3.70%
Band D	420	420	440	440	4.76%	4.76%
Band C	460	460	480	480	4.35%	4.35%
Band B	490	490	510	510	4.08%	4.08%
Band A	640	640	670	670	4.69%	4.69%
Secondary Band F	320	320	335	335	4.69%	4.69%
Band E	425	425	445	445	4.71%	4.71%
Band D	595	595	620	620	4.20%	4.20%
Band C	650	650	680	680	4.62%	4.62%
Band B	700	700	730	730	4.29%	4.29%
Band A	890	890	930	930	4.49%	4.49%
Low Attainment Primary	1,130	1,130	1,155	1,155	2.21%	2.21%
Secondary	1,710	1,710	1,750	1,750	2.34%	2.34%
EAL Primary	565	565	580	580	2.65%	2.65%
Secondary	1,530	1,530	1,565	1,565	2.29%	2.29%
MOBILITY : Primary	925	463	945	945	2.16%	104.10%
Secondary	1,330	665	1,360	1,360	2.26%	104.51%
SPARSITY(max): Primary	55,000	55,000	56,300	56,300	2.36%	2.36%
Middle	80,000	80,000	81,900	81,900	2.38%	2.38%
Secondary/All Through	80,000	80,000	81,900	81,900	2.38%	2.38%
Capping		13%				
Scaling		50%				
Minimum Funding Guarantee		2%		0.5%		
<i>(max of 0.5% dictated by ESFA for 2023/24)</i>						

Illustrative 2023/24 School Level DSG based on October 2021 data – see separate schedule

National Funding Formula (NFF): Update and 2023/24 School Funding Consultation

Previously Northumberland County Council consulted on its approach to the introduction of the National Funding Formula (NFF) in Northumberland, following discussions at Schools Forum. The results of these discussions have consistently been to move in a phased or gradual approach to NFF values, reflecting the fact that historically Northumberland has maintained some values that were different to the NFF values. For 2022/23 Northumberland was in line with National Funding Formula figures for all values, with the exception of the Mobility Factor which was introduced at 50% of the NFF Value following the December 2021 consultation.

The results of the December 2021 consultation were reported to Schools Forum in January 2022 and are available on the Schools forum page [HERE](#) as part of the 19 January 2022 Full Agenda Pack.

Whereas previously no firm dates had been set by the Department for Education for the full move to a hard formula (where rates are set centrally), in July 2022 the DfE suggested this may be by 2027/28. This timescale is not expected to provide an issue for Northumberland.

Other information includes:

- School Supplementary Grant (SSG) paid separately in 2022/23 will be rolled into standard formula funding in 2023/24;
- Minimum per pupil funding (MPPF) levels continue to be determined centrally, the 2022/23 figures are £4,265 (primary) and £5,715 (secondary), as per the calculations below:

Phase	2022/23 MPPF Level	Increase	2023/24 MPPF Level
Primary	£4,265	£119 (2.8%) SSG + £21 (0.5%) inc	£4,265
KS3	£5,321	£155 (2.9%) SSG + £27 (0.5%) inc	£5,503 #
KS4	£5,831	£173 (3.0%) SSG + £29 (0.5%) inc	£6,033 #

- For 2023/24 Local authorities continue to set a Minimum Funding Guarantee (MFG), which protects schools on a per pupil basis from significant year to year changes in pupil characteristics (e.g. fall in FSM numbers) and provide a baseline level of increase in per pupil funding. For 2022/23 Northumberland set a figure of 2%, within the permitted range of +0.5% to +2%. For 2023/24, the permitted range has been reduced to 0% to +0.5%.
- With the approval of Schools Forum, local authorities can transfer up to 0.5% from the Schools Block to the High Needs Block;

Further supporting information is available on the Council website at:

<http://www.northumberland.gov.uk/Education/Schools/Consultations.aspx#schoolconsultations>

Schools' Forum agendas, minutes and reports are also available on the Council website at:

<https://www.northumberland.gov.uk/Education/Professionals/Forum.aspx>

Responses need to be received no later than **12.00 noon on Monday 12 December 2022**. Due to reporting deadlines in line with Department for Education requirements for the submission of information, responses received after this closing date will not be considered.

Thank you in advance for your assistance.

QUESTION 1: Minimum Funding Guarantee (MFG)

The MFG is a way of giving schools a guaranteed minimum increase in funding per pupil each year. It works by comparing a school's level of funding per pupil from one year to the next on a like for like basis, and in such a way as to exclude funding that could distort the per pupil value that is the basis for the guarantee. The baseline for the calculation is intended to cover as much of a school's budget as possible but does not include rates (because they are funded in the formula on actuals) and lump sum allocations because they do not relate to pupil numbers. The MFG is how the ESFA protects individual schools from excessive year to year changes or falls in their formula funding (e.g., as a result of reducing levels of deprivation within a school). In 2021/22 Northumberland set its MFG at +2%, on a range of +0.5% and +2.0%. In 2021/22 & 2022/23 Schools Forum agreed with the proposal to set MFG at the maximum 2%, in order to increase the funding for those schools receiving the lowest level of per pupil funding increase. For 2023/24 the ESFA have restricted the range at which MFG can be set to between 0 to 0.5%. An increase over and above that would require a disapplication request to the ESFA, which is not believed to be practical given the timescales.

At what level do you believe Northumberland's MFG should be set for 2023/24?

- 0.0% *(using 21/22 data 6 schools would benefit sharing £120,412)*
- 0.25% *(using 21/22 data 6 schools would benefit sharing £131,350)*
- 0.5% *(using 21/22 data 13 schools would benefit sharing £152,794)*

In future years should a disapplication request be considered to the ESFA in order to increase the level at which the MFG can be set?

- Yes
- No
- Don't Know

QUESTION 2: CAPPING AND SCALING INCREASES

The use of capping and scaling is a mechanism by which different increases under new formula values are averaged out in order to limit some gains and provide more funding for general distribution to schools via the formula values. Without the use of capping and scaling, formula funding values would need to be set at lower values. Northumberland has previously used capping and scaling for the School Block DSG, setting these values at 4% and 50% in 2021/22 but changing the capping level to 13% for 2022/23 respectively. Increasing the cap level reduces the influence of capping and scaling, meaning schools keep more of their formula gains, but means less funding is available to support other aspects of the funding formula. For 2022/23, this meant that any gains by Schools over 13% were reduced by 50% and redistributed via the funding mechanism. As Northumberland moves closer to the NFF, the need to use Capping and Scaling should reduce, however it remains a useful tool to ensure the distribution of a general level of increase via the funding formula.

Do you support the potential use of capping and scaling as part of the 2023/24 School Budget setting process?

- Yes
- No

QUESTION 3 – Transfer from the Schools Block to the High Needs Block

For 2022/23 the Schools Forum, and subsequently the consultation with Schools agreed a transfer of up to 0.5% from the Schools Block to the High Needs Block. The final figure taken was a transfer of 0.25%. After careful consideration, and in anticipation of significant High Needs pressures arising during 2022/23 and 2023/24, it is Northumberland's intention to again seek a reduced transfer of up to 0.25% (approx. £546,000) for 2023/24. This equates to approximately £14 per school age pupil in Northumberland.

Do you support a Council's decision to seek a transfer of up to 0.25% (£546,000) from the Schools Block to the High Needs block for the financial year 2023/24, , particularly given the ongoing increasing rise in EHCP numbers, demand for Special School places including the opening of the Gilbert Ward Free Academy in September 2023 and ongoing free at the point of delivery offer for NIES Services?

- Yes
- No
- Don't Know

QUESTION 4 – REVIEW OF THE SPLIT SITE ELEMENT

Further consultation information from the DfE on the Implementation of the Direct National Funding Formula is available [HERE](#) . One of the areas under further consideration is how the DfE can standardise the premises "Split Site" payment under the NFF.

Under the NFF it is proposed that a Split Site Factor is composed of two parts:

- A Basic element based on a split site as being defined as being separated either by a public road or railway line
- A Distance element, using a threshold of 0.3 miles (500 metres)

Furthermore, there is a proposal that the split site element is based on a 60% of the lump sum, currently the Northumberland figure is £62,267 or 48% of the lump sum. This figures has not been reviewed for a number of years. It is proposed to move this to 60% for 2023/24 which would be £76,800 subject to the funding being available.

This does not have any financial implications for other schools not in receipt of split site funding, as it is classified as a "Premises" factor and funded on the basis of previous years spend.

Do you agree to the proposal that the "Split Site" payment made to 4 schools in Northumberland should be brought in line with the NFF proposals and be based on 75% of the NFF Lump Sum amount, subject to the funding being available?

- Yes
- No
- Don't Know

FURTHER COMMENTS

Please use the box below for any other comments that you have in relation to the implementation of the NFF or this consultation exercise:

Responses need to be received no later than **12.00 noon on Monday 12 December 2022**. Due to reporting deadlines in line with Department for Education requirements for the submission of information, responses received after this closing date will not be considered.

Thank you in advance for your assistance.