



## Schools Forum

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Paper

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## SCHOOLS REVENUE FUNDING 2022-23

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### Summary

In July 2021 the Education & Skills Funding Agency (ESFA) published schools revenue funding guidance for 2022-23 for local authorities and schools forums. The guidance confirms the impact on the schools national funding formula (NFF) for 2022-23 as a result of the Government's £14.4bn pledge for education.

This report summaries the latest Government guidance for schools revenue funding for 2022-23. The full guidance document can be accessed at

<https://www.gov.uk/government/publications/pre-16-schools-funding-local-authority-guidance-for-2022-to-2023>

Shropshire Council, with the agreement of Shropshire Schools Forum, agreed to replicate the national funding formula through Shropshire's local funding formula from 2018-19.

### Recommendation

This report is for information only

## REPORT

### Background

1. The Government introduced a national funding formula for allocating schools, high needs and central school services funding through the Dedicated Schools Grant (DSG) to local authorities from April 2018.
2. Local authorities currently retain responsibility for determining local funding formulas for allocating funding to schools and academies in their area. Shropshire Council, with the agreement of Shropshire Schools Forum, agreed to replicate the national funding formula in Shropshire's local funding formula to schools from 2018-19.

3. The guidance on schools revenue funding arrangements for 2022-23 was published by the ESFA in July. The guidance includes details of updates to the national funding formula.
4. Along with the guidance, the Government has published provisional local authority level allocations for 2022-23 for the schools and high needs blocks within the DSG and notional 2022-23 national funding formula school level allocations.

### **School Revenue Funding Arrangements 2022-23**

5. The actual primary unit of funding (PUF) and secondary unit of funding (SUF) which will be used to calculate each local authority's schools block allocation has been published for 2022-23. For Shropshire these equate to £4,747 per pupil and £5,687 per pupil respectively. As a comparison, in 2021-22 Shropshire's PUF was £4,242 and SUF was £5,105.
6. These units of funding will be applied to pupil numbers recorded in the October 2021 school census to determine final schools block allocations for 2022-23. These will be issued to local authorities as usual in December.
7. Local authorities continue to have responsibility for determining their local funding formulas for allocating the schools block to their individual schools in 2022-23. As in the previous year 2021-22 it will be compulsory for local authorities to include the national minimum per pupil funding levels in their local formulas for 2022-23. As a reminder, Shropshire has mirrored the NFF (including the national minimum per pupil funding levels) in its local schools funding formula since 2018-19.
8. The following key elements of the schools NFF have been confirmed by the Government in 2022-23:
  - School funding is increasing by 3.2% overall. The national funding formula (NFF) continues to distribute this based on the needs of schools and their pupil cohorts. The NFF is increasing core factors of the formula by 3%, while ensuring that every school is allocated at least 2% more funding per pupil.
  - 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. There is also a change to the way schools' remoteness is calculated, by using road distances instead of straight-line distances 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
  - The minimum per pupil funding levels will be set at £4,265 for primary schools and £5,525 for secondary schools, a 2% increase. These levels were £4,180 and £5,525 respectively in 2021-22. The minimum per pupil

funding levels are not to be confused with the age weighted pupil units (AWPU) funding levels within the NFF.

- The funding floor in the NFF will continue to be set at 2% to protect pupil-led per pupil funding in real terms. This minimum increase in 2022-23 will be based on the individual school's NFF allocation in 2021-22. Local authorities will have the freedom to set minimum funding guarantee (MFG) levels in their local schools funding formula between +0.5% and +2%
- The additional money invested in schools for 2022-23 means that there is an increase to the core factors in the NFF – the basic per pupil funding factor (AWPU), additional needs factors and the school lump sum – by 3%.
- The free school meals Ever 6 (FSM6) factor in the NFF provides additional funding for pupils who are, or have been, recorded as eligible for free school meals at any point in the last 6 years. From 2022-23, data on pupils who are eligible is taken from the most recent October census (October 2020) instead of from the preceding January census (January 2020). This brings the FSM6 factor in line with how other NFF factors are calculated and shortens the FSM6 funding lag in the NFF by 9 months. As FSM eligibility increased between January and October last year, this increases the amount of funding allocated through the FSM6 factor to £1,369 million in 2022-23.
- For the low prior attainment (LPA) factor in the NFF, data from the 2019 early years foundation stage profile (EYFSP) and key stage 2 (KS2) assessments have been used as a proxy for the 2020 assessments, following the cancellation of these assessments due to the pandemic. This is consistent with how the LPA factor was calculated in local formulae in 2021-22
- Eligibility for the mobility factor is usually determined based on the census in which pupils first appear at their current school. In light of the cancellation of the May 2020 census, pupils who joined a school between January and May 2020 attract funding for mobility on the basis of their entry date, rather than by virtue of the May school census being their first census at the current school.
- Further to the consultation on changes to the payment process of schools' business rates, the business rates payment system for schools will be centralised and ESFA will pay billing authorities directly on behalf of state funded schools from 2022-23 onwards.
- Growth funding will be based on the same methodology as last year and will have the same transitional protection ensuring that no authority whose growth fund is reducing will lose more than 0.5% of its 2021-22 growth fund allocation.

9. Local authorities will continue to be able to transfer up to 0.5% of their schools block to other blocks of the DSG, with schools forum approval. A disapplication will be required for transfers above 0.5%, or any amount without schools forum approval. In previous years Shropshire schools forum has agreed to transfer any remaining balance, up to 0.5% of the schools block, to the high needs block to support the increasing pressures on the high needs block, after fully allocating individual school budget shares in line with the NFF.
10. Local authorities are required to engage in open and transparent consultation with all maintained schools and academies in their area, as well as with their schools forums, about any proposed changes to the local funding formula including the principles adopted and any movement of funds between blocks.
11. As a reminder, the local authority is responsible for making final decisions on the formula.

### **High Needs Funding Arrangements 2022-23**

12. The latest guidance confirms the following aspects of the High Needs national funding formula for 2022-23:
  - The national increase in high needs funding, from 2021-22 to 2022-23, will be £780 million, or 9.6%. This will ensure that all local authorities see increases in high needs funding in 2022-23, compared to 2021-22.
  - The funding floor will be set at 8% so each local authority can plan for an increase of at least that percentage, considering changes in their 2 to 18 population (as estimated by the ONS).
  - The gains cap will be set at 11%, compared to 12% in 2021-22.

### **Central School Services Funding Arrangements 2022-23**

13. The NFF for the central school services block (CSSB) of the DSG provides funding for local authorities to carry out central functions on behalf of compulsory school age pupils in maintained schools and academies.
14. The CSSB will continue to have two distinct elements:
  - Ongoing responsibilities, which funds all local authorities for central functions they have to deliver for all pupils in maintained schools and academies, such as education welfare and asset management
  - Historic commitments, which funds some local authorities for commitments they made prior to 2013-14 that are unwinding.
15. Funding for ongoing responsibilities in 2022-23: local authorities will continue to be protected so that the maximum per-pupil year-on-year reduction in funding for ongoing responsibilities is of 2.5%, while the year-on-year gains cap will be set at the highest affordable rate of 5.6%.
16. Funding for historic commitments continues to be reduced in 2022-23 by 20% from local authorities' 2021-22 allocations. As in 2021-22, historic commitments

funding will be protected from dropping below the total value of ongoing prudential borrowing or termination of employment costs, based on evidence received by the department. This protection will be applied in the DSG, and so will not be shown in NFF allocations.