

City of Wolverhampton Council

SCHOOLS' FORUM

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Report title	2023-2024 National Funding Formula Provisional Allocations and Update on Budget Setting
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Summary

In July 2022, the Department for Education (DfE) published the National Funding Formula (NFF) Provisional Allocations for the Schools Block, the High Needs Block and the Central Schools and Services Block for the 2023-2024 Dedicated Schools Grant (DSG).

The purpose of this report is to notify Schools' Forum Members of the indicative allocations and the process for setting budgets funded by the DSG in 2023-2024.

It should be noted that initial modelling on the Schools Block of DSG indicates that it may not be affordable to fully utilise NFF factors without reducing the Minimum Funding Guarantee or introducing a cap on gains. The figures shown in Appendix 2 are indicative of what schools would receive if funding is sufficient and may be subject to change. Further consultation will be undertaken on potential solutions to this issue in January 2023 if required.

The Early Years Block Provisional Allocation is expected to be published by the Department for Education in December 2022, and a report will be received by Forum in February detailing the proposed budget for approval.

Decision

Members of Schools' Forum are asked to:

1. Note the indicative allocations and the process for setting budgets funded by the DSG in 2023-2024.

1.0 Schools Block Allocation 2023-2024

Background and Indicative Allocations 2023-2024

- 1.1 For the financial year 2023-2024 it will remain the duty of Local Authorities to set a local funding formula, in consultation with their Schools' Forum, to determine the allocation of funding from the Schools Block of the DSG to schools in the City. Central government has recently restated its intention to move to a direct National Funding formula (NFF) by 2027-2028 at the latest.
- 1.2 In order to move towards a direct NFF, a requirement has been introduced for 2023-2024 that Local Authorities should move their local funding formula factors 10% closer to the factors used in the NFF. At the January 2020 meeting of Schools' Forum, members voted to fully adopt all factors of the NFF and this has continued in subsequent years, so no further movement towards these factors is required.
- 1.3 The Schools Block NFF allocation for 2022-2023 was £236.0 million which included an allocation of £2.0 million for growth funding. In addition to this, there was an additional allocation to schools in 2022-2023 of £7.2 million via the Schools supplementary grant. The Council has been notified of an **indicative** Schools Block National Funding Formula allocation of £247.7 million for 2023-2024 and at this stage the allocation does not include an element for growth funding. This allocation is based on pupil numbers from the October 2021 census. The actual DSG allocation for 2023-2024 is expected to be published in the third week in December 2022 in line with previous years. This will be based on October 2022 census data and will include an additional element for growth funding.
- 1.4 This results in an indicative increase on the original 2022-2023 allocation of around 5.2%, and an increase of around 2.7% when the supplementary grant is factored in.
- 1.5 The updated NFF factors are shown in Appendix 1, and the overall increase to these factors is an average of 5%.
- 1.6 It should be noted that the allowable Minimum Funding guarantee (MFG) for 2023-2024 must be between 0% and 0.5%, in comparison to the allowable 0.5% to 2.0% in 2022-2023. The MFG is a measure used to regulate the annual change for schools by looking at per pupil factor funding and discounting school level funding elements such as the lump sum and rates. This means that for schools where their current funding per pupil is above the NFF, and implementation would therefore result in a reduction in budget from one year to the next, there is a limit to the amount this element of the budget can reduce between years.

Affordability of the NFF in 2023-2024

- 1.7 The Schools Block element of the DSG is made up of school funding which must be paid directly to schools, and an element for the growth fund, with the split to be determined locally. Whilst the Authority has been able to fully implement the NFF for schools since 2020, this has been affordable by using an element of the funding the government had allocated for growth. For example, in 2022-2023 there was a government allocation for growth of £2.0 million, however only £456,600 was used for this purpose and the remainder was used to 'top-up' the overall allocation to allow full NFF implementation. This was possible as in previous years growth fund underspends had built up, allowing the 2022-2023 growth fund budget to be set at £2.4 million. However, the current forecast is that there will only be £125,000 growth fund carried forward to 2023-2024,

meaning that until the growth fund allocation is announced in December, it is unclear if the utilisation of any excess funding will be possible in 2023-2024.

- 1.8 The government provides a modelling tool for Local Authorities to model the impact of potential local funding formulas. The tool has been populated with NFF numbers for 2023-2024 and the total funding required would be £248.5 million, this is £836,000 or 0.34% greater than the indicative allocation of £247.7 detailed above in 1.3. These allocations are shown in Appendix 2, however it must be noted these are indicative and affordability cannot be confirmed until the final allocation is known.
- 1.9 If there is a requirement to consult following the official DSG Allocation in December, then it would be the intention of the Authority to consult with all schools in early January 2023 via an email survey and present the results and options to Schools' Forum at the January 2023 meeting. This will involve either reducing the MFG for schools or introducing a cap on individual schools gains to make the overall formula affordable. If required, these measures will be detailed in the consultation with examples of the implications for each option. Schools' Forum will be asked to recommend the funding formula to Cabinet at the January meeting, and the final budgets will be published and presented to Schools' Forum at the February 2023 meeting.
- 1.10 In 2023-2024 the government announced, further to a consultation, that it would be ending the Schools improvement grant in 2023-2024, after reducing it by 50% in 2022-2023. Schools' Forum agreed an uplift to the Education function factor to make up this difference in 2022-2023, and the proposals for 2023-2024 will be detailed in the January Schools' Forum papers. This will also be part of the consultation with all schools in January 2023.
- 1.11 It should be noted that there are currently two government options for schools NNDR, schools can either be allocated budgets and pay invoices to Councils **or** this funding can be maintained at government level and allocated directly to Local Authorities. At this stage the Council is proposing to continue with current arrangements, i.e., schools are allocated funding and invoiced for 2023-2024 and schools will be advised when the situation is subject to change.

2.0 High Needs Block Provisional Allocation

- 2.1 The total High Needs Block provisional settlement for the City of Wolverhampton Council for 2023-2024 published in July 2022 is £55.5 million, which is a provisional increase of 5% when comparing to the allocation for 2022-2023. Work will continue to determine a 2023-2024 High Needs Block budget, in conjunction with the School's Forum High Needs Sub-Group, and the final budget will be presented to Forum for approval at the February meeting.

3.0 Central School Services Block Allocation

- 3.1 The Central School Services Block provisional settlement for the City of Wolverhampton Council for 2023-2024 published in July 2022 is £2.0 million, with indications that there will be a reduction in the region of £40,000. A report will be presented to School's Forum at the February meeting with a proposed CSSB budget to agree.

4.0 Growth Fund

- 4.1 The required budget for growth funding in 2023-2024 has been estimated to be £1.7 million. The Council will be notified of the DSG allocation in December 2022 and this will be discussed with Schools' Forum at the January 2023 meeting.

