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Ref: School Budgets 2022-23

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Dear

**Date: 28th February 2022**

**TO: CHAIR OF THE GOVERNING BODY & HEADTEACHER OF EACH LIVERPOOL MAINTAINED NURSERY, PRIMARY SECONDARY & SPECIAL SCHOOL**

Dear Colleagues

**SCHOOL BUDGET SHARE 2022-23**

A summary of individual school budget information for 2022-23, Annex A, is now available on the School Improvement Liverpool (SIL) website. This letter highlights the key issues affecting Liverpool maintained schools, therefore it is important that the full details are understood so that you can set your school budget accurately.

A detailed school budget analysis will be available shortly on the SIL website. This will include a breakdown of the formula and analysis of the budget over I01 to I04 as required for CFR. The data underlying the formula calculation is provided by the DfE based on October 2021 school Census data and cannot be amended for incorrect data submission.

**School Budget Share**

School Budget Shares are calculated as four separate blocks which together form each schools individual budget. These are:

1. Early Years - Early Years Single Funding Formula
2. Schools - mainstream school funding Reception to Year 11
3. High-Needs - special schools and high-needs units in mainstream
4. Post-16 funding

Estimated allocations for 2023-24 and 2024-25 will be placed on the SIL website shortly to enable schools to complete 3-year budget forecasts.

The following issues on funding are highlighted overleaf:

**Schools Block - Reception to Year 11 mainstream pupils**

**Formula Allocations**

Liverpool’s funding formula is based on the National Funding Formula (NFF) for mainstream schools. Overall, the DfE has increased the majority of factors by 3%. The MFG has been set at 2% per pupil which is the maximum allowed under the Regulations.

Local authorities still have discretion to set their own formula methodologies and in 2022-23 Liverpool has utilised NFF rates for all agreed factors with the exception of AWPU. After meeting requirements in respect of MFL and MFG a small amount of headroom was available for distribution based on the allocated DfE funding. This was allocated through AWPU. The primary, KS3 and KS4 AWPU values have been set at a level 0.96% above NFF rates.

The factors used in the formula allocations are summarised in the School Block Proforma tab of Annex A. This is based on data provided by the DfE which is primarily taken from October 2021 school Census. A detailed breakdown for each school will be made available via the SIL website.

**Minimum Funding Guarantee (MFG)/ Minimum Funding Level (MFL)**

There are 2 elements of protection on the School’s Block element of the calculation. Firstly, schools have to be funded at a minimum per pupil funding level (MFL) of £4,265 in primary schools and £5,525 per pupil in secondary schools an increase of 2%. After applying this protection MFG applies. This was introduced by the DfE as a mechanism to provide for some financial stability for schools. The National Funding Formula approach adopted by Liverpool in 2022-23 incorporates the maximum permissible MFG of 2%. This means the minimum funding gain to any school arising through the formula determination of school budget share is a guaranteed 2% increase on a per pupil basis compared to 2021-22. In the past the DfE has also permitted budgets to be capped where schools are gaining from the formula, but this does not apply in 2022-23. No schools have been capped. The amounts stated in Annex A include the protection calculation where appropriate.

**Early Years Single Funding Formula (EYSFF)**

Most of the early years funding is funded through a standard hourly rate for all children, apart from an inflationary increase in this rate this element has not changed. However, a review of deprivation and EAL factors was undertaken in the autumn of 2021 and the operation of these factors have been changed so they are now directly linked to the actual children eligible for this funding and will be adjusted termly as the pupil profile alters each term. The rates payable through EYSFF for 2022-23 are summarised below along with rates for 2 year olds and Early Years Pupil Premium (EYPP) and Disability Access Funding (DAF).

|  |  |  |
| --- | --- | --- |
| Rate | New amount | Change |
| 2 year old base rate | £5.49 per hour | increase of 21p  |
| 3 & 4 year old base rate | £4.40 per hour | increase of 16p  |
| EYPP  | 60p per hour | Increase of 7p  |
| DAF | £800 per 12 months | Increase of £185  |
| Deprivation Supplement  | 30p per hour | Every child living in the lowest 10% of areas of deprivation will now receive the supplement – based on Actual Headcount |
| EAL | 13p per hour | Every child with English as an additional language – based on Actual Headcount |

Since the introduction of this approach, local authorities have received supplementary funding for maintained nursery schools (MNS) on top of their early years allocation. This is to protect their MNS funding at their 2016-17 level for the universal 15 hours. Supplementary funding for MNS has been allocated to local authorities in 2022-23 based on the hours provided by the MNS. This is at a lower level than in previous years therefore whilst this has been allocated in full to the MNS individual schools will see a reduction in protection.

The overall allocations presented are based on historical numbers of hours delivered over the past 12 months, following on from Covid restrictions there has been a drop in the hours taken up and this has impacted some individual settings more than others. These allocations will be updated each term and are therefore subject to change. Currently these estimates do not include spring 2022 data once January census data is available these allocations will be updated to give a more reliable estimate to schools. It is hoped this will be in the next few weeks.

Allocations will be adjusted during the 2022-23 financial year to reflect the actual hours provided by each school. Schools have been contacted separately by the Early Years Funding team as the recording of pupils and hours will be moved onto the capita portal from April 2022. This should hopefully improve accuracy of recording and funding and enable schools to keep track of hours more easily. The final EYSFF allocation will be made available after the Spring term 2023 data is collated in March 2023.

**Delegation of additional services**

Primary and secondary maintained representatives on the Schools Forum had the option to de-delegate funding for some services. After detailed consideration, the School Forum has agreed to continue de-delegation of the same services as in 2021-22. The areas subject to de-delegation are summarised below and the de-delegated amount by school is highlighted on Annex A.



Please be aware that the de-delegated amount is not part of your controllable budget and is not available for the school to spend.

**Business Rates**

From 2022-23 the DfE will be paying local authorities directly for business rates so schools will not need to pay the authority directly. Rates are still included in your budget allocation and should be included in your budget forecasts that you will be preparing over the next few weeks. Detailed instructions how to treat this within your accounting system will be issued separately. The amounts allocated for rates are estimates and include any adjustments required in respect of 2021-22 bills where this was known when the School Block was calculated.

**High-Needs Pupils in Mainstream schools**

The DfE definition of high-needs is those pupils costing in excess of £10,000 per annum. This includes both the cost of basic educational provision every pupil receives, which the DfE estimate to be £4,000 per pupil, plus the cost of additional support of £6,000. Schools are responsible for providing up to the first £6,000 of support for pupils with low level or moderate SEN needs in addition to the £4,000 education provision (£10,000 in total). There is a High-Needs banding system which enables additional funding to be allocated if pupils needs exceed the £10,000 of funding highlighted above. The bands have a series of criteria for allocating pupils into the individual bands. Detailed guidance on this banding process is available from the local authority SEN team.

**Special School and Resourced Provision**

In terms of mainstream provision some schools host a specific resourced provision or resourced places established in agreement with the local authority. These places have been included in and partially funded by the Schools Block where these pupils were registered at the school at October 2021 Census date. The place allocation is split between a base allocation £4,000 included in the Schools Block plus £6,000 from the High Needs Block per planned place plus a variable top-up amount depending on the needs of the pupils in the base. This provision only applies to Resourced Places or Units in mainstream schools and not Special schools or the PRU.

The top-up will be paid based on the actual number of pupils in the base, PRU or Special School. Top-up rates have been inflated by 2.6% in line with the overall increase in mainstream school funding. In addition additional funding has been allocated to reflect the incorporation of the teachers’ pay and pension grants into schools funding. An additional £660 per place has been added into allocations to take account of this. The methodology applied is based on the 2021-22 approach. The top up calculations will be adjusted on a termly basis and schools provided with updated budget information.

The budgets presented have assumed that all the planned places in schools are occupied. Schools should be aware that if actual numbers are below this level then budget top-up allocations will be reduced pro-rata. Pupils have been allocated to the banding system based on data supplied by the SEN team as at end of autumn term 2021 and this has been applied pro rata to the places allocated for 2022-23. For new units banding /funding level has been based on the pupil profile of unit which has been discussed with schools effected individually. If these changes result in a reduction in funding, schools have been protected to ensure a minimum increase of 1.0% per place for all schools.

**Post 16 Funding**

The post 16 funding rate has increased from £4,188 to £4,542 for a FT student although providers will be expected to deliver an additional 40 hours learning over the year. Funding for school sixth forms is calculated on a national basis by the Education and Skills Funding Agency (ESFA). ESFA will issue academic year allocations to qualifying Secondary schools. The local authority has yet to receive a breakdown of allocations for eligible schools for the 2022-23 academic year from the ESFA. Therefore, the authority is unable to calculate financial year allocations for post 16 funding. An updated Annex A will be issued once this information is received.

**Schools Supplementary Grant**

The Chancellor announced additional funding for education in his Autumn statement via an additional Schools Supplementary Grant of £10.569 million (provisional figure) which will be allocated to schools in 2022-23. This will be for one year only and it is proposed will then be incorporated into the base school funding in the DSG from 2023-24 onwards.

This supplementary grant is primarily targeted at 5-16 provision but a small amount will be allocated to school-based nursery provision and 6th form provision to reflect cost pressures associated with the additional NI increase from April 2022 introduced to fund social care and health. The distribution methodology for this new grant will be largely based on pupil numbers with an element distributed using FSM data. The full detail of the methodology is available via this weblink

[Schools supplementary grant 2022 to 2023 - GOV.UK (www.gov.uk)](https://www.gov.uk/government/publications/schools-supplementary-grant-2022-to-2023)

The DfE have not yet issued allocations at school level however an estimate by school has been calculated and is shown on the attached Annex A summary. It should be noted these are indicative figures once actual allocations are released these figures will be updated.

An additional supplementary grant has also been allocated for High Needs as well. A proportion of this is being used to offer a similar grant to special schools and resourced units. This will be based on a rate of £400 per place for Specials and PRU plus a lump sum of £10,000 for smaller special schools. For mainstream resourced units this will be at a rate of £300 per place as mainstream pupils are also eligible for the Schools supplementary grant.

**Pupil Premium**

DfE has not yet given any indication of Pupil Premium allocations at individual school level for 2022-23 although they have confirmed that rates have increased by £40 for primary pupils and £30 for secondary pupils to £1,385 and £985 respectively. LAC premium has increased by £65 to £2,410. Therefore, the figures presented in Annex A are the final 2021-22 allocations. It should be noted that from 2021-22 DfE have decided that the Pupil Premium allocation will be based on pupils recorded as FSM ever 6 on the preceding October census rather than January census as has been the case in previous years. Pupil Premium will be paid to schools in three instalments in June 2022, October 2022 and January 2023.

Early Years Pupil Premium will be paid direct to schools by the Local Authority Early Years team on a termly basis separately from above funding.

LAC Pupil Premium is paid by the Authority with Corporate Parent responsibility for a pupil. For all Liverpool LAC pupils, payments will be made direct to the school by Liverpool City Council. For pupils from other local authorities, the LAC Pupil Premium payment will be made directly to schools by the relevant local authority.

**Devolved Formula Capital (DFC)**

Overall DFC allocations are likely to remain at a similar level to 2021-22. Colleagues from the Local Authority Capital Team will issue allocations to schools once final confirmation of overall allocation is received which will be early in the new financial year.

**Other Issues**

There are further issues which may impact on individual school budgets in 2022-23 and future years; these include:

**Licences**

As with previous years the DfE has made national agreements with various licencing agencies in relation to provision of licences to individual schools. This is paid for centrally and school do not need to pay for these licences. Details of licences covered can be accessed via the link below.

https://www.gov.uk/guidance/copyright-licences-information-for-schools

**Equal Pay Claims**

Equal pay claims currently impact primarily on the community sector. The local authority has obtained permission from Government to capitalise the payments made under this legislation and thus enable the cost to be spread over a number of years. Schools have been given the option to opt into this scheme. Information in respect of equal pay deductions will be circulated to those schools affected. Schools will need to ensure that this cost is included in budgets in 2022-23 and future years.

**Merseyside Pension Fund – Pension deficit**

The arrangements will remain as in 2021-22:

1. A variable percentage rate per employee which is designed to cover future pension benefit. The employer contribution rate for 2022-23 will remain at **16.9%.**
2. A lump sum based on the historic pension costs in the Authority to cover the deficit on the fund. The past service deficit charge was reduced significantly as a result of the latest triennial valuation completed in 2019; charges per school will remain as in 2021-22.

In terms of collecting and charging schools for pension deficits in 2022-23, the following approaches will be adopted depending on whether the schools use the Local Authority payroll service or make their own arrangements.

1) Use Local Authority Payroll

The variable employer contribution rate of 16.9% (2021-22) will be deducted automatically and charged on an individual employee basis as at present. The lump sum element will be charged in 12 equal instalments to **19888 (LGPS Past Service Deficit)**. This will be included in the schools monthly hierarchical statement and the cost should be input to your school accounting system on a monthly basis as with all other payroll information. The charge will also need to be reflected in your budget plans.

2) Use own payroll arrangements

Those schools making their own arrangements should notify their payroll provider of the variable rate. You should continue to remit such deductions direct to MPF. The lump sum element will be deducted from your monthly cash advances in 12 equal instalments. A central payment will need to be actioned charging this to **19888 (LGPS Past Service Deficit)**. The charge will also need to be reflected in your budget plans. You do not need to make a separate payment direct to the Fund for the past service element via the LGP41 form.

**Teachers Pensions**

Following national discussions, it was agreed that the Employer contribution rate for teacher pensions would increase from September 2019 to 23.6%. It is recommended that schools use this rate for budget planning purposes going forward. For those schools purchasing the SIL Schools Finance SLA this has been incorporated into the budget planning template.

**National Insurance**

From April 2022 employer contributions for all staff will increase from the current rate of 13.8% to 15.05% to take account of the 1.25% increase in national insurance to fund health and social care as announced by the government in the autumn. For budget planning purposes, it should be assumed this will continue in future years.

**Salary Increases**

The position on support staff pay rises for 2021 is still uncertain. The employers side made an offer of an increase of 1.75% from April 2021. The relevant Trade Unions have rejected this offer however the outcome of ballots organised following this remain unknown, at this stage it is still uncertain what the level of any support staff pay increase will be. However, for planning purposes we would recommend schools assume a pay rise of 1.75% in the current year. This is built into the budget planning spreadsheet supplied by SIL Finance for those schools that purchase their Finance SLA.

For 2022-23 there is no national restrictions in place on public sector pay so the actual level of any pay rises is subject to significant uncertainty however for budget planning purpose we would recommend using an assumption of at least 3% increase.

These assumptions are built into the budget planning spreadsheet supplied by SIL Finance for those schools that purchase their Finance SLA.

General inflation is also running at more than 5% and could increase further in the next few months. Schools should be particularly aware if they have multi-year contracts with contractual increases linked to RPI that they may be impacted by significant increases arising from inflationary pressure and associated RPI increase which includes schools under the BSF and PFI arrangements. A separate note will be issued to PFI/BSF schools highlighting the implication of inflation on charges for 2022-23 shortly.

In the area of energy costs, it is anticipated that cost will rise significantly in the next year with the local authority estimating that there is potential for costs to increase by 100% for electricity and 200% for gas. This remains an area of significant concern and schools should make budget provision for these increases. We will keep schools updated if there is any further information in respect of inflationary pressures.

**Liverpool Learning Partnership (LLP) Subscriptions**

In 2022-23 for those schools subscribing to LLP the subscription amount will be deducted from your September cash advance. A central payment will need to be actioned charging this to 57199. The charge will also need to be reflected in your budget plans.

**Indicative Budgets for 2023-24 and 2024-25**

Although national totals for increases in education funding have been announced for future years these have not been split between the main funding blocks. There are also currently no details on the approach to MFG protection or the timing of the roll out of the “hard” National Funding Formula (NFF) when all schools nationally will be funded on the DfE NFF. Further consultation is expected on this during 2022 along with consultation on the approach to managing High Needs and implications on funding.

Despite these uncertainties indicative budgets for 2023-24 and 2024-25 will be made available via School Improvement website during March. Schools will need to make reference to these figures in order to produce their 3-year Budget Plan by **31 May 2022**. An updated Form 1 Budget proforma is available for the use of schools. If you believe you are unable to set a cumulative balanced budget in 2022-23 please contact Liverpool City Council finance team as soon as possible via the finance mail box schools.finance@liverpool.gov.uk .

If you have any general queries about the content of this letter, please contact us using the email above in the first instance.

Yours sincerely



***Andrew Buck***

***Assistant Director - Finance***