

Bath & North East Somerset Council

MEETING/ DECISION MAKER:	Cllr Dine Romero, Cabinet Member for Children and Young People and Communities	
MEETING/ DECISION DATE:	On or after 5th Jan 2023	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3428
TITLE:	Schools Funding Formula 2023-24	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 - Schools Consultation paper Appendix 2 - Schools consultation responses Appendix 3 - Schools forum paper		

1 THE ISSUE

- 1.1 The Local Authority is responsible for deciding the structure and values of the schools funding formula, following guidance from the DFE on the regulations applicable to school funding. This decision is relating to the make-up of the formula for 2023-24 and will provide the funding allocations for both maintained and academy mainstream schools.

2 RECOMMENDATION

The Cabinet member is asked to;

- 2.1 Agree to follow the formula set out in the report, adopting the new methodology of the National Funding Formula (NFF) and to utilise the factor values provided by the DFE, providing the resources are available.
- 2.2 Agree that should resources not allow the funding of the formula factors in full that a proportionate reduction of all factors is made to reduce the allocations to fit the resources available.
- 2.3 Not introduce a change to the notional SEN allocation.
- 2.4 Not introduce a falling rolls factor.

3 THE REPORT

- 3.1 In July 2022, the government announced that that they are delivering the second year of a three year funding settlement. Overall, core schools funding (including funding for mainstream schools and high needs) is increasing by £1.5bn in 2023-2024 compared to the previous year, on top of the £4bn increase in 2022-2023.
- 3.2 Funding for mainstream schools through the schools NFF is increasing by 1.9% overall in 2023-24 and 1.9% per pupil, compared to 2022-23. Taken together with the funding increases seen in 2022-23 for the schools supplementary grant, this means that funding through the schools NFF will be 7.9% higher per pupil in 2023-24, compared to 2021-22
- 3.3 The government launched a consultation on 7th June 2022 which closed on the 9th September 2022 which focused on the detail of the implementation of a direct NFF.
- 3.4 The DFE have confirmed that it will move forward with its plans to implement a direct NFF whereby funding will be allocated directly to schools based on a single national formula and are taking a gradual approach to transition but expect to have moved to a direct NFF by the 2027-28 funding year
- 3.5 In 2023-24, each local authority will continue in consultation with maintained schools and academies, to set a local schools funding formula to calculate the distribution of funding available for mainstream schools. To ensure a smooth transition, local authorities will be required to start bringing their own formulae closer to the schools NFF from 2023-24.
- 3.6 B&NES had already made the decision in 2020-21 to move fully to the NFF methodology.
- 3.7 Local Authorities must continue to engage in open and transparent consultation with all mainstream schools in their area, as well as with the school's forum, about any changes to the local funding formula including the principles adopted and any movement of funds between blocks. This decision is made in line with the Schools finance Regulations requiring the Local Authority to set its funding formula for schools in line with DFE guidance.
- 3.8 The DFE have advised the following key changes to the 2023-24 NFF and local authorities will be required to bring their own formulae closer to the schools NFF from 2023-24 which will not require schools' forum approval.

Rolling the 2022-23 schools supplementary grant (SSG) into the NFF by:

- 3.9 Adding an amount representing what schools SSG receive through the grant into schools NFF baseline calculation for 2022-23
- 3.10 Adding the value of the lump sum, basic per pupil rates and free school meals Ever 6 (FSM6) parts of the SSG onto the respective factors in the NFF
- 3.11 Uplifting the minimum per pupil values by the supplementary grant's basic per-pupil values, and an additional amount which represents the average amount of funding schools receive from the FSM6 and lump sum parts of the SSG.

3.12 The additional amounts that have been added to NFF factors for 2023-24 that represent as closely as possible the funding schools would have received from the SSG had it continued as a separate grant for 2023-24 are as follows:

Primary basic per-pupil £97

Key stage 3 (KS3) basic per-pupil £137

Key stage 4 (KS4) basic per-pupil £155

Primary FSM6 per-pupil £85

Secondary FSM6 per-pupil £124

Lump sum £3,680

Increasing NFF factor values on top of the amounts added for the SSG by:

3.13 4.3% to free school meals at any time in the last 6 years (FSM6) and income deprivation affecting children index (IDACI)

3.14 2.4% to the basic entitlement, low prior attainment (LPA), FSM, English as an additional language (EAL), mobility, and sparsity factors and the lump sum.

3.15 0.5% to the floor and the minimum per pupil levels (MPPL)

3.16 0% on the premises factors, except for Private Finance Initiative (PFI) which has increased by Retail Price Index excluding mortgage interest payments (RPIX) which is 11.2% for the year to April 2022 (B&NES does not have any PFI schools).

3.17 Following consultation in 2021-22, the DFE centralised the business rates payment system for schools from 1st April 2022, so that the ESFA will pay billing authorities directly for rates on behalf of state funded schools. This simplifies the process and decreases administrative burdens for schools. B&NES did not become part of this initiative in FY2022-23 but the LA is expecting to be part of this process for 2023-24. Further details on this will be issued separately by the B&NES finance team once this is confirmed.

3.18 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 and 2021 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 2022-23.

3.19 For the English as an additional language factor in the NFF, local authorities must now use 3 years as an indicator for providing funding for pupils with EAL in the NFF in line with the DFE methodology. B&NES is already using this indicator in 2022-23 for the EAL factor.

3.20 Local authorities will have the freedom to set the Minimum Funding Guarantee (MFG) in local formulae between +0.0% and +0.5% per pupil.

3.21 The DFE have set the 2022-23 NFF funding floor for 2023-24 at 0.5%. This means that every school should attract an increase in their pupil-led funding of at least 0.5% per pupil, compared to their funding floor baseline which will include funding

representing the funding allocated through the 2022-23 SSG in respect of their reception to year 11 pupils (see section 2.1 above)

- 3.22 The LA are proposing an MFG of a +0.5% change in pupil funding in 2023-24 compared to the 2022-23 baseline (including the funding representing SSG funding allocated in 2022-23) to mirror the DFE funding floor.
- 3.23 The DFE have not yet confirmed how much total funding the LA will receive and whether the total funding to be allocated will fully support the NFF methodology for 2023-24. The LA will have to anticipate that a cap on gains or a scale back of eligible factor values may need to be introduced to avoid any overspend in the school's block funding allocated to the LA. A cap on gains would restrict schools with the largest increases in funding however scaling back eligible factor values would restrict funding to all schools.
- 3.24 It was agreed for 2022-23 that the LA scale back eligible factors if the resources were not sufficient. The LA is again proposing to scale back allocations to all factors if resources available do not allow a fully funded NFF allocation.
- 3.25 The minimum per pupil funding levels (MPPLs) will remain mandatory at new NFF values and the increase in the MPPL's will ensure that in 2023-24:
- every secondary school will receive £5,503 per KS3 pupil and £6,033 per KS4 pupil. This will ensure that standard secondary schools with five-year groups receive at least £5,715 per pupil.
 - every primary school will receive £4,405 per pupil
- 3.26 Local Authorities will only be allowed to use NFF factors in their local formulae which means that the looked after children (LAC) factor will no longer be an allowable factor. B&NES did not use the LAC factor in their local NFF.
- 3.27 Local Authorities must use all the NFF factors – except for the locally determined premises factors which remain optional. This means that LA's will have to use all 3 deprivation factors (FSM, FSM6 and IDACI) as well as LPA, EAL, mobility, sparsity and the lump sum. B&NES already use all 3 deprivation factors and the other factors in the local NFF.
- 3.28 LA's must move their local formula factor values at least 10% closer to the NFF, except where local formulae are already mirroring the NFF. The criteria will not apply to locally determined factors – notably the premises factors such as split site.
- 3.29 For the purposes of tightening criteria, local factor values within 2.5% of the respective NFF values are deemed to be mirroring the NFF.
- 3.30 There are 78 LA's of 150 across England whose formula factors are all within 2.5% of the NFF factor values and B&NES LA is one of them.
- 3.31 LA's must use the NFF definition for the EAL factor (see section 2.5), although flexibility over the sparsity factor methodology will remain in 2023-24.

SEND NOTIONAL BUDGET

- 3.32 LA's are required to identify a notional budget for mainstream schools which helps them comply with their duty to use their best endeavours to meet the special educational needs (SEN) of their pupils for up to the first £6,000 of additional need. The notional SEN budget is not a separate budget but is identified within a maintained schools delegated budget share or an academies GAG and is calculated by LA's using their local mainstream schools funding formula factors.
- 3.33 The notional SEN budget is not intended to provide £6,000 for every pupil with SEN, as most such pupils support will cost less than that. Nor is the notional SEN budget intended to provide a specific amount per pupil for those with lower additional support costs.
- 3.34 There is currently no national approach to the calculation of school's notional budget for pupils with SEN through the NFF.
- 3.35 The current methodology that B&NES LA uses to calculate the notional SEN budget for primary and secondary schools is as follows:

Primary Schools

7% of total basic per pupil entitlement +

1% of total deprivation funding +

All the funding allocated to prior attainment (LPA factor) +

9.19% of the Lump sum allocation

Secondary Schools

3.25% of total basic per pupil entitlement +

1% of total deprivation funding +

All the funding allocated to low prior attainment (LPA factor) +

9.19% of the Lump sum allocation

3.36 The DFE expect the calculation of the notional SEN budget to include:

A small part of the basic entitlement factor

A larger part of the deprivation funding, reflecting the higher prevalence of lower level SEN amongst disadvantaged pupils, and

The majority or whole of the LPA factor as this is the best proxy we currently have for pupils with low-cost, high-incidence SEN

The LA generally meets all the above DFE expected criteria in its calculation of the notional SEN budget other than using a larger part of the deprivation funding.

3.37 The national average % that LA's calculate for the notional SEN budget is 11.3% of the schools block formula before the MFG for 2022-23.

- 3.38 B&NES has calculated 10.77% for the notional SEN budget of the schools' block formula before the MFG for 2022-23.
- 3.39 Other elements of the funding formula may also be used for example to reflect the prevalence of SEN amongst particular groups of pupils such as those who frequently move between schools, captured by the mobility factor. A proportion of the lump sum could reflect any fixed costs of making SEN provision that would apply to all local schools or diseconomies of scale relevant to small schools.
- 3.40 Following consultation with schools and in anticipation of changes to the SEND approach on a national basis it was felt inappropriate to amend this section of the funding formula at this point in time.

FALLING ROLLS FUND

- 3.41 Local authorities may set aside schools block funding to create a small fund to support good or outstanding schools, at their last Ofsted inspection, with falling rolls, where local planning data shows that the surplus places will be needed within the next 3 financial years.
- 3.42 In order to create a falling rolls fund, the LA will top slice an agreed amount per pupil from all mainstream schools and create an agreed policy on how to fund schools that meet the criteria set.
- 3.43 Following consultation it was felt that a fall rolls fund was not required in B&NES at this point in time.

4 STATUTORY CONSIDERATIONS

- 4.1 The decision to set the school funding formula factors forms part of the school funding regulations for 2023-24. These regulations require the LA to set its funding formula within the parameters of the guidance prescribed by the DFE.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1 The overall funding allocation of resources for schools is provided by a ring fenced element of the Dedicated Schools Grant (DSG) known as the Schools Block.
- 5.2 The Schools block funding allocation for 2023-24 will be provided by the DFE and will provide the funding allocation based on the NFF allocations of the schools in B&NES.
- 5.3 It is possible that the total funding allocation is insufficient to support the full allocation and this report explains how this will be dealt with to ensure that the schools allocations do not exceed the funding provided by the DFE.
- 5.4 The Local Authority can request the Schools Forum to transfer resources from the ring fenced DSG schools block to support pressures on the remainder of education funding. For the past 5 years the Schools forum have agreed to a transfer to support the pressures on SEND provision. The schools and Schools Forum have again been asked to provide agreement to such a transfer and have agreed to ½% transfer of the schools block to the High Needs funding. This equates to approximately £646k in 2023-24.

5.5 The transfer of funding to the High Needs Block increases the possibility of there being insufficient resources to funding the NFF factors in full.

6 RISK MANAGEMENT

6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

7 EQUALITIES

7.1 The National funding Formula has been developed in line with the DFE equalities impact assessment
<https://www.gov.uk/government/publications/schools-national-funding-formulae-equalities-impact-assessment>

8 CLIMATE CHANGE

8.1 This report allocates resources to schools and does not impact on climate change

9 OTHER OPTIONS CONSIDERED

9.1 Several options for the allocation of the resources to schools were considered prior to the consultation of schools on the proposals in this report. Several alternatives were set out the in the schools consultation paper.

10 CONSULTATION

10.1 Schools and schools forum have been consulted widely (responses forming part of the report)

10.2 The papers have been cleared by the council's Finance and Monitoring Officers.

Contact person	Richard Morgan, Service Manager - 07368 456392
Background papers	DFE consultation on School funding.
Please contact the report author if you need to access this report in an alternative format	