

Consultation on the local School
Funding Formula for Bath and North
East Somerset Mainstream Schools
for 2023-24

Closing Date: Thursday 3rd November 2022

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List of Appendices attached to the email with this Consultation

Appendix 1 – Estimated impact of transferring 0.5% from the school's block to the high needs block on each schools funding for 23-24 compared to 22-23

DRAFT

Section 1 - Introduction

In July 2022, the government announced 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.

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.

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.

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

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. B&NES had already made the decision in 2020-21 to move fully to the NFF methodology.

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.

The DFE have published the NFF for 2023-24 and the key changes which affect local formulae are described in Section 2 of this consultation.

This consultation will cover the:

- A. changes in the local authority school's formula for 2023-24 that will be used to fund all B&NES mainstream schools
- B. Continuation of utilisation of school block resources to support High Needs

The Schools Forum will also be consulted on the proposals set out in the questions in this consultation.

Section 2 – Changes to schools funding formula for 2023-24 and transition requirements to bring local formulae closer to the NFF

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.

There are a few consultation questions to answer below with regard to the Minimum Funding Guarantee (MFG), a Cap on Gains or scaling back factor values and a 0.5% transfer of funding from the schools' block to the high needs block.

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

- Adding an amount representing what schools SSG receive through the grant into schools NFF baseline calculation for 2022-23
- 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
- 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

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

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

- 4.3% to free school meals at any time in the last 6 years (FSM6) and income deprivation affecting children index (IDACI)
- 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.
- 0.5% to the floor and the minimum per pupil levels (MPPL)
- 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).

2.3 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.

2.4 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.

2.5 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.

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

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)

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.

Question 1

Should the LA set the MFG at **+0.5%** change in pupil funding in 2023-24 compared to the revised 2022-23 baseline?

2.7 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. It was agreed for 2022-23 that the LA scale back eligible factors if the resources were not sufficient.

Question 2

Should resources allocated by the DFE for the LA schools block not be sufficient to support the NFF in full, should the LA either A) introduce a cap on gains for 2023-24 to restrict schools with the largest gains to balance the schools block allocation or B) scale back the value of all eligible factors?

2.8 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

2.9 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.

2.10 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.

2.11 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. For the purposes of tightening criteria, local factor values within 2.5% of the respective NFF values are deemed to be mirroring the NFF. 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.

2.12 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

2.13 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. 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.

There is currently no national approach to the calculation of school's notional budget for pupils with SEN through the NFF. 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

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.

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.

B&NES has calculated 10.77% for the notional SEN budget of the schools' block formula before the MFG for 2022-23.

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.

Question 3

Should the LA increase the % of total deprivation funding in the calculation of the schools notional SEN budget and what % increase do you suggest?

Question 4

Should the LA include a % of other factors such as the lump sum in the calculation of the schools notional SEN budget and what % of the lump sum?

2.14 Falling Rolls Fund

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.

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.

Question 5

Do you agree that the LA should create a small Falling Rolls Fund?

Section 3 - Utilisation of Schools Block for High Needs

The DFE have confirmed the funding floor for the High Needs NFF for 2023-24 will be set at 5% per head of 2 to 18 population, so each local authority can plan for an increase of at least that percentage.

The NFF gains cap will be set at 7%, allowing authorities to see up to this percentage increase under the formula, calculated on a per pupil head of population.

Officers have estimated that B&NES may receive an additional £2.13 million in the high needs block for 2023-24. This increase is welcomed by the LA but significantly below the current overspend on SEND issues which is estimated at around £4 million per annum.

Local authorities will continue to be able to transfer up to 0.5% of their school's block funding into the high needs block with school's forum approval. Transfers above 0.5%, or any amount without school's forum approval will require Secretary of State Approval even if ministers agreed the same amount in the past two years.

Schools are aware that the high needs pressures in B&NES are growing and that schools are receiving a significant increase in schools block funding.

In 2018-19 the Council contribution to the DSG pressures amounted to £2.223m however the DFE have restricted local authorities from supporting DSG overspends by introducing legislation. In 2019-20 the overspend of the DSG amounted to £1.25m and as the LA was restricted from supporting this the deficit was carried forward to 2020-21 and has now increased to £13.4 million at the end of 2021-22. This deficit will need to be reduced in the coming few years.

The impact is such that the DSG will need to support all the pressures from within the overall DSG allocation.

The Councils SEN strategy of increasing local provision will take time to generate the efficiencies anticipated. As part of the strategy the LA is seeking the continuation of the 0.5% transfer of Schools Block funding to the High Needs Block.

The LA consulted with schools on the transfer of 0.5% from the school's block to the High Needs Block in 2018-18, 2019-20, 2020-21, 2021-22 and 2022-23. The Schools Forum agreed the transfer in each year following consultation. The resources that transferred in 2022-23 was £614k. The estimated resources that will be transferred in 2023-24 is £646K

The Local Authority is therefore proposing that a request should be made to the school's forum to continue the transfer of 0.5% schools block funding to the high needs block for 2023-24.

Question 6

Do you agree to extend the current arrangement of transferring 0.5% of Schools Block funding to the High Needs Block for 2023-24?

The estimated impact of transferring 0.5% from the school's block to the High Needs Block on each schools funding for 2023-24 is shown in **Appendix 1**. These estimated calculations have been complicated by the lack of accurate data about overall funding to the LA from the DFE for 2023-24 therefore the estimates have been generated using the same pupil numbers and factor data used in the formula calculations for 2022-23. Some assumptions have also been made which are detailed in the appendix.

It must be stressed that the figures shown in Appendix 1 are for LA modelling purposes only and schools should not utilise any of this information as part of their budget planning as the DFE have yet to confirm the final DSG allocations for 2023-24. The main driver of budget changes (pupil numbers and pupil characteristics) has been extracted from this modelling.

Question 7

Do you have any other comments you would like to make about the local National Funding formula for 2023-24?

Section 4 - How to respond to this consultation

This consultation is being sent to all Head teachers of maintained schools and Chief Executive Officers of Academy Trusts

It is our intention to take the responses received from either maintained schools or academy trusts, but to record the trust responses as a response for all schools in the trust. There-fore if a trust has 2 secondary schools and 5 primary schools then their responses would be counted as 7 schools in total.

If 2 responses are received from an individual school and its trust, then the trust responses will override the school response.

Responses to the consultation will be **required by Thursday 3rd November 2022** in order for officers to process the responses to submit the LA school funding proposals to the schools forum meeting in November 2022 and if required for the LA to submit a disapplication request to the DFE, the deadline for which is 18th November 2022.

An electronic response form has been attached to the email with the consultation. The form will allow you to make comments on the LA proposals. These views will be fed to the Schools Forum who will make the final decision. Please return your completed electronic response forms to the email address below.

Should you have a question about the proposals could you also e-mail them to: -

SchoolsStrategic_FinanceTeam@bathnes.gov.uk

Your query can then be passed to the most appropriate individual