

SCHOOLS FORUM AGENDA ITEM

For Action

For Information



Brief Description of Item (including the purpose / reason for presenting this for consideration by the Forum)

This report provides an overview / introduction to local formula funding review priorities for 2023/24.

Date (s) of any Previous Discussion at the Forum

The Schools Forum made its recommendations on the 2022/23 DSG and formula funding arrangements on 12 January 2022.

Background / Context

See the details for consideration below.

Details of the Item for Consideration

We normally begin to receive in July detailed information from Government on the next year's Schools Block, High Needs Block and Central Schools Services Block settlements and associated formula arrangements. This enables us to begin to consider affordability issues, and to formulate plans for consultation, which we can begin to discuss with the Schools Forum, and then with schools, academies and other providers, from early in the autumn term. In the last couple of years, the Early Years Block settlement and formula arrangements have not been published until late autumn, after the Chancellor's Autumn Spending Statement. We anticipate the same timetable this year, meaning that, whilst consultation on 2023/24 formula funding arrangements within the Schools and High Needs Blocks will begin in October, our consultation on Early Years Block formula funding is likely to commence later in November / early December. However, if the Early Years Block settlement is published earlier, we will aim to bring our timetable forward.

Overall Guiding Context 2023/24

We have made a number of significant changes to our formula funding approaches across all the DSG Blocks, since the beginning of National Funding Formula-based arrangements. We expect that our recent decisions and actions will inform how we will respond to announcements concerning the 2023/24 DSG and formula funding arrangements and changes.

From recent consultations and announcements, we know that significant changes in DSG management, decision making and formula funding arrangements are on the horizon. In particular, the further transition to, and final establishment of, the hard National Funding Formula within the Schools Block and the implementation of the outcomes of the national SEND review, will have significant implications for the whole DSG, for formula funding arrangements and decision making, as well as for the budgets of individual schools, academies and other providers. The extent to which these two main changes will materially affect our 2023/24 financial year formula funding arrangements might be limited, with the weight of further changes possibly coming after 2023/24. However, we must continue to operate our local arrangements within ever tightening regulations and with an eye to ensuring that we follow (or at least do not go against) the 'direction of travel', so as to minimise the extent to which any decisions we take locally for 2023/24 will cause turbulence in the near future.

From the Chancellor's Autumn Spending Statement October 2021, and from other announcements and guidance, we expect that the growth in the 2023/24 financial year DSG settlement (vs. 2022/23) will not be at the level of 2022/23 (vs. 2021/22). This is because the Autumn Spending Review clearly weighted the current 3 year spending settlement into 2022/23. We expect that a reduction in the level of growth in funding per pupil will come across the board, affecting all 4 of the DSG Blocks. The DfE may review this position, in the light of the current financial climate. We will not know this until the settlements are announced and so must currently plan on the basis of previous guidance. Generally, a lower settlement means that we will have less headroom available than we had in 2022/23 on which to set our formula funding arrangements for 2023/24. We expect that reducing early years entitlement and primary-phase pupil numbers will also contribute to a reduced amount of headroom, especially in the Early Years and Schools Blocks. However, reducing numbers will also affect the High Needs and Central Schools Services Blocks.

In advance of further announcements, at this stage, we anticipate that the 2023/24 DSG setting and formula funding round will be challenging.

Details of the Item for Consideration

Schools Block 2023/24

The DfE has already announced steps in 2023/24 to move all local authorities closer to the National Funding Formula (NFF), for the calculation of budget shares for their mainstream primary and secondary schools and academies. Whilst we await final technical details of the new restrictions, we know that the DfE will require all authorities to use 'all and only' the NFF factors in their formulae, and that all authorities that are not currently mirroring the NFF must move closer to it. Authorities that are mirroring the NFF will only have limited flexibility to move away from mirroring. As we are currently mirroring, and have done since 2018/19, we do not anticipate that the 'all and only' restriction will require substantial new response. A key question, which has not yet been clarified in guidance, is whether the Reception Uplift factor will be available for 2023/24. This factor is not included in the NFF. From a recent email that we received from the ESFA (as we used this factor on a one off basis in 2022/23), it is clear that the ESFA is currently thinking about the consequences of removing this factor and is seeking views on whether this would be an issue.

As presented in Document OP, the DfE has published another round of NFF consultation. The majority of proposals e.g. for the operation of Growth Fund, Falling Roll Fund, Split Sites funding, will not be implemented until (at least) April 2024. There is no timescale set yet for changes to PFI formula factors. Therefore, we do not anticipate that there will be substantial new restrictions on how we can operate these funds and factors in 2023/24, meaning that we can continue our existing approaches, if this is what we decide. However, we need to carry out a split sites 'verification exercise', in order to ensure that the data we provide to the ESFA (so that the ESFA to take over the funding of split site schools and academies from April 2024) is accurate.

We have already highlighted the following to the Forum as specific matters that we will need to respond to in 2023/24. Other specific matters may come out of the publication of the DfE's operational guidance.

- The amalgamation of the 2022/23 Supplementary Grant into 2023/24 core formula funding for mainstream primary and secondary schools and academies. This is very likely to be 'determined for us' where we continue to mirror the NFF (as the DfE will adjust the NFF factors and values, including the Minimum Funding Guarantee and the Minimum Levels of Funding, to include the grant).
- The re-evaluation of business rates (NNDR), which is due at April 2023 and which may have cost implications for the Schools Block.
- The continued affordability of our Schools Block arrangements in relation to the impact of the 'lag' in data between DSG-level funding and school-level formula funding (as we needed to managed in 2022/23).
- The de-delegation of funds from maintained schools, which is subject to annual review. This includes de-delegation for the purposes of replacing the former School Improvement Monitoring and Brokering Grant (SIMB), which fully ceases at the end of March 2023.

In terms of other substantial possible changes that may affect the Schools Block, and our formula funding arrangements, in the 2023/24 financial year,

- We may reasonably expect the DfE to make adjustments to the primary and secondary NFF weightings and variable values, so as to maintain the distribution of funding at national level, when using updated October 2021 Census data. We also know that the DfE is currently reviewing the relative values of each of the NFF factors, but especially the value of the prior-attainment factor, which has been affected by the COVID-19 pandemic as well as by changes in assessments. More substantial changes may be delay until transition to the hard NFF has been completed, but it is possible that the DfE could alter the relative importance of different factors within the 2023/24 NFF. This may have implications for individual school and academy allocations. We know that the Minimum Funding Guarantee (MFG) will continue, which will provide protection, but we are not yet clear how the MFG can be set and what level will be affordable.
- linking with the SEND review, the DfE has stated that new guidance will be provided, which is aimed at moving authorities onto a more consistent basis for determining notional SEND budgets. We will need to respond to this within our 2023/24 arrangements and this may have knock-on implications, including for the High Needs Block.

Early Years Block 2023/24

It is expected that local authorities will continue to exercise local control over their funding of the early years entitlements, via the Early Years Block. The DfE's movement to hard National Funding Formula does not extend to the Early Years Block. There are significant restrictions in place already, which control how local authorities fund providers for their delivery of the early years entitlements. These restrictions could be altered or increased in 2023/24. The DfE has not yet made any announcements. If there aren't any directed changes, at this time, we do not envisage making substantial technical amendments to how our our Early Years Single Funding Formula (EYSFF) operates in 2023/24. We have however, previously identified the following three

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significant matters that we will need to consider within our proposals for 2023/24. These are more focused on values of rates of funding that our EYSFF allocates to providers, rather than technical changes in how our EYSFF operates.

- We previously began to reduce the proportion of our 3&4-year-old Early Years Single Funding Formula (EYSFF) that is allocated via the Deprivation & SEND supplement, with the original intention to reduce this down over 3 years from 9.5% to the average of our statistical neighbours, which is rounded at 6%, in support of maximising our Universal Base Rate whilst securing the financial sustainability of our Early Years Block. However, recognising the impact of the COVID-19 pandemic, we did not take the planned second step (to reduce from 8% to 7%) in 2021/22. We paused this again in 2022/23. This is now however, perhaps the most pressing matter for specific review for 2023/24. We have continued to allocate reserves (one off monies from brought forward balances) held within the Early Years Block to protect the value of the 3&4-year-old Universal Base Rate at its current year level of £4.39 per hour. Our modelling clearly indicates that we cannot continue to afford a Base Rate at this level when we also spend 8% on the Deprivation and SEND supplement. The critical matters for us to resolve are how our EYSFF arrangements are financially sustainable by the time one-off monies are no longer available, and what the balance should be between Base Rate funding and additional funding that is targeted towards deprivation.
- Our spending on the 2-year-old offer currently exceeds the funding we receive in the Early Years Block specifically for the 2-year-old offer. This places financial pressure on the Early Years Block, as well reduces the funding that is available to support the 3&4-year-old entitlement, which is linked to the matter explained above. Recognising this, we began in 2022/23 to take small steps, by not fully passing through to providers the increase in the 2-year-old funding rate that we received from the DfE. We must review how this action continues (and increases) in 2023/24 in order to contribute to securing the financial sustainability of the Early Years Block.
- The continuation (or otherwise) of the maintained nursery school supplement from April 2023 is a significant matter for the Early Years Block. This supplement is used to protect the rates of funding received by nursery schools at pre-2017 national reform levels. If this supplement was to cease, or to substantially reduce, this would have direct implications for the financial sustainability of our nursery schools, but also potentially for the commitments that are placed on the surplus carry forward balance that we hold within the Early Years Block. This will affect whether this balance continues to be available to support the wider costs of our current EYSFF or whether it must be re-directed to manage the impact of the cessation of the supplement.

We continue to roll out the new Bradford Provider Headcount Portal for the collection of entitlement delivery information from providers. This Headcount Portal replaces the previous Bradford Provider Gateway that PVI providers, and also that schools and academies that deliver the 2-year-old entitlement, used to submit their entitlement delivery information to the Local Authority. The Authority's medium-term aim is that the Bradford Provider Headcount Portal will also be used to collect 3&4-year-old entitlement delivery information from schools and academies, meaning that the submission of this entitlement delivery information via the Headcount Portal will replace the current approach, whereby this information is extracted from the school's / academy's termly census return that is submitted to the DfE. There are significant advantages to using a discrete mechanism for the collection of entitlement delivery information from all providers. At this time, whilst we move towards the new Portal, and in advance of us having the opportunity to review again with all providers the pros and cons of a different (starters and leavers style) approach that could be based on the new Portal, we do not envisage changing how provider entitlement delivery is counted. This means that, at this time, we envisage continuing to use in 2023/24 the existing termly headcount methodology, with a 2nd termly headcount for the 2-year-old entitlement.

Finally, whilst we currently do not envisage making substantial technical changes to our EYSFF in 2023/24, unless required to do so by the DfE, the DfE's national SEND review does propose that the early years sector is brought into the national SEND system. This will potentially alter early years SEND and EHCP systems and support mechanisms, including financial support mechanisms. The DfE has indicated that these changes will likely require a review of the Early Years Block, especially in relation to the Early Years SEND Inclusion Fund (EYIF) and the Disability Access Fund (DAF). At this time, we do not have any details, and we are not clear about timescales for changes, but it is possible that the DfE could alter its guidance for local authorities on how the EYSFF, EYIF and DAF mechanisms are to operate 2023/24. If changes are made, we would review our responses with the Early Years Working Group and then consult with providers.

High Needs Block 2023/24

At April 2020, we introduced a new Banded Model for the allocation of 'top up' funding for EHCPs. We also introduced a new Day Rate Model for the funding of the PRUs / Alternative Provision Academies for pupils permanently excluded. These models have been consolidated and uplifted in both 2021/22 and in 2022/23. In 2021/22, we introduced, initially in trial for one year, an amended SEND Funding Floor. In advance of the SEND review publication, we chose to continue the Floor mechanism in 2022/23. Since the introduction of the

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National Funding Formula within the Schools Block, we have chosen not to amend our definition of Notional SEND, but we have identified that this definition does need closer attention, including with reference to any changes that may be directed following the national SEND review.

Although significant changes are on the horizon, it is not yet clear the extent to which the proposed SEND review reforms will impact on 2023/24 high needs formula funding arrangements. This should become clearer as operational guidance is published for local authorities, from July. We do anticipate that the DfE will adjust guidance in relation to the determination of notional SEND budgets for mainstream schools and academies. However, we suspect that the more significant structural funding changes that are proposed (or that are “hinted at”) in the DfE’s review document – the development of a national top-up banding system, the redesign of place-element and element 2 (£6,000 threshold) funding, the redesign of the approach to funding PRUs and Alternative Provision academies, the incentivisation of inclusion in mainstream settings – will not be implemented before April 2024.

Pending this further guidance from the DfE, which we will need to respond to as necessary, we do not at this time envisage making substantial technical changes to our high needs formula funding approaches in 2023/24. We anticipate that the most pressing issue for our high needs formula funding arrangements will be their affordability within the 2023/24 High Needs Block funding envelop. As we have previously warned, we are likely to need to exercise restraint, especially in determining the level of any increases in EHCP top-up funding in 2023/24. We are also likely to need to exercise restraint with the aim of managing the cost of the SEND Funding Floor, should this mechanism continue in 2023/24. This restraint will be discussed ‘in the round’ with the Schools Forum in the autumn term, as part of our formula funding consultations and also within the current and continuing discussions regarding the position of the surplus balance that is held in the High Needs Block.

Timetable

At this time, we anticipate following the timetable that we have used in previous years for the development of consultation, and decision making, on DSG formula funding arrangements for 2023/24.

This begins by inviting Forum Members to attend one of 3 Formula Funding Working Group sessions that have been arranged for Tuesday 27 September (8am), Wednesday 28 September (8am) or Tuesday 4 October (8am). As last year, these sessions will enable Forum Members to consider in more detail the impact of formula funding decisions and to explore and guide the proposals for 2023/24 that are anticipated will be set out for consultation in October. It is anticipated that these sessions will be held remotely.

The Early Years Working Group will be convened early in the autumn term to begin to more closely consider the Early Years Single Funding Formula (EYSFF) for 2023/24.

Implications for the Dedicated Schools Grant (DSG) (if any)

As set out in the report (this is an item for information)

Recommendations

- (1) The Schools Forum is asked to consider and to note the information provided.**
- (2) Forum Members are asked to note that the Early Years Working Group will be convened early in the autumn term to begin to more closely consider the Early Years Single Funding Formula for the 2023/24 financial year.**
- (3) Forum Members are invited to (remotely) attend a ‘Formula Funding Working Group’ session, on Tuesday 27 September (8am) or Wednesday 28 September (8am) or Tuesday 4 October (8am). As in previous years, these sessions will enable Forum Members to consider in more detail the impact of national formula funding decisions and to explore and guide the proposals for 2023/24 for Bradford’s Schools and High Needs Block formula funding arrangements that are anticipated will be set out for consultation in October.**

List of Supporting Appendices / Papers (where applicable)

None

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