

## 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 update on the DfE's development of the 'hard' National Funding Formula for the Schools Block.**

**Date (s) of any Previous Discussion at the Forum**

The Forum considered, on 14 September 2022, the Authority's response to the DfE's summer 2022 consultation (Document OT).

**Background / Context**

The DfE in 2018/19 implemented the National Funding Formula (NFF) across the Dedicated Schools Grant (DSG), and within the Schools Block, in 'soft' format, meaning that local authorities can still decide the formulaic calculations that are used for distributing Schools Block funding to mainstream primary and secondary schools and academies, albeit within tight (and annually tightening) Regulations. Authorities in 2023/24 continue to set their own Growth Fund and Falling Rolls Fund arrangements. There are also elements of Schools Block funding that are not yet covered by the NFF, the most prominent of these being PFI (Building Schools for the Future).

The DfE has for some time now stated that its intention is to transition to a 'hard' formula approach, where Schools Block formula allocations will be calculated by the DfE, rather than by local authorities, using a national funding formula (NFF). Although there isn't a date for when the hard NFF will be implemented, the DfE has stated the aim for full implementation by 2027/28 at the latest; sooner if possible, but no later. We have previously emphasised to the Schools Forum that:

- In anticipation of the transition to 'hard' NFF, we have already moved to using the NFF for our local Schools Block formula (have done since 2018). So, much of what the DfE directs about requiring authorities to move closer to the NFF isn't an immediate worry. Any concerns that we have are more related to cost control during the final transition period.
- One of the biggest potential risks for us is the funding of PFI (Building Schools for the Future) within the Schools Block, where the Council and individual schools and academies have contractual commitments.
- The SEND Green Paper (the national review of SEND and Alternative Provision), most recently updated for the publication in March 2023 of an implementation plan, places significant emphasis on developing (and potentially changing) SEND and AP funding systems within the development of the 'hard' National Funding Formula and following its timescales.

In early consultations the DfE has emphasised that:

- Transition must be actioned carefully, to minimise turbulence. Change will happen gradually and following impact review at each stage. The DfE, in particular, continues to recognise the complexities of moving premises factors, as well as Growth Fund and Falling Rolls Fund arrangements, into a hard NFF. Regarding Growth and Falling Rolls, the DfE is now minded to continue local management of these funds, with greater flexibilities for the management of surplus places.
- A review will be conducted of the services that are delivered by the Central Schools Services Block. The option of de-delegation by local authorities will continue under the hard NFF. Multi Academy Trusts will continue to be permitted to 'top slice' and to pool funding, although the DfE is to investigate changes that could improve the transparency and consistency of these processes.
- The DfE will "not prioritise" bringing the funding of local authority maintained schools onto an academic year basis, in line with academies.
- The Schools Forum will have an adjusted roll in the future, as there will be minimal direct Schools Block formula funding activity to manage. However, the Forum will still be an important local body going forward, including for early years, for high needs and for central services. How the Forum will sit alongside other partnership bodies, that are proposed to be developed from the SEND review, in the management of the High Needs Block, will be a specific aspect to consider.

## **Background and Context**

In the most recent consultation in summer 2022, the DfE proposed that:

- The NFF will contain a split-sites factor, from April 2024. Local authorities will be required to use this factor, replacing their previous methodologies. The consultation sets out a proposed split-sites formula, which will quite significantly alter levels of funding for split-sites, especially in the secondary phase. In particular, the DfE proposed to exclude split playing fields from split-sites funding purposes. This will directly impact on the funding of 2 of our secondary schools / academies.
- Whilst, to achieve greater consistency, there will be further prescription and restriction, the Growth Fund and the Falling Rolls Fund are likely to continue to be managed locally. This approach is preferred by the DfE, rather than seeking to operate these funds on a single national basis. How the Growth Fund and the Falling Rolls fund will operate, and how these funds can be used to support schools and academies, is being reviewed and also potentially extended, including explicitly to incentivise the management of surplus places (supporting the “repurposing and removing” of space). Change is expected for April 2024, with funding ring-fenced and ‘re-baselined’ at 2023/24. Levels of growth funding allocated to authorities may not continue at current levels, as both the growth and reduction in numbers will be taken into account. Within our 2023/24 DSG planned budget, we have held balances within the Schools Block to be available to support this matter.
- Whilst work is continuing on an approach to PFI funding, the DfE does not yet give any timescales for the implementation of a new NFF mechanism nor any details of this.
- There will continue to be a local option for the movement of Schools Block funding to the High Needs Block, with local agreement but via application to the ESFA, using a standard ‘menu’ of options. The role of the Schools Forum here, in relation to the local partnership arrangements that are proposed by the SEND review, is to be further considered.
- The composition of the NFF itself is being reviewed, to ensure that this remains relevant and fit for purpose. A specific area of review that is highlighted is the Low Prior Attainment factor, which has recently been affected by the COVID-19 pandemic and by changes in assessments.
- The concept of a ‘notional SEND’ budget will continue under the hard NFF. It is expected that a fully consistent definition will be applied at the point the hard NFF is implemented. In advance of this, for 2023/24, the DfE provided new guidance for local authorities, with the aim of improving consistency.
- The timing of local consultations on still locally-relevant Schools Block matters, such as transfers to the High Needs Block and de-delegation, will likely need to take place earlier in the cycle than it does now (‘by’ autumn rather than ‘in’ autumn), in order to pass on the critical information that the ESFA will then use to calculate individual allocations for schools and academies.
- The DfE will continue the ‘popular growth’ funding mechanism, that is currently applied to academies, where academies that have taken over underperforming undersubscribed schools see significant in year growth in pupil numbers can be funded on estimates of in year numbers, rather than on actual lagged census numbers. The DfE states that there has been criticism that maintained schools are not eligible for this mechanism and so the DfE asked for views on whether this mechanism should be extended to maintained schools.

Whilst waiting for confirmed details, we have outlined to the Schools Forum (8 March meeting Document PT) that we expect further direction and restriction to affect 2024/25 mainstream formula funding arrangements.

## **Details of the Item for Consideration**

The DfE published on 26 April 2023 its response to the Summer 2022 consultation. This response was not very detailed, in the sense of providing the technical detail and instruction that is needed to enable us to formulate our responses to the changes that will be required for the 2024/25 financial year and to understand their impact. It is expected that this detail will come in the usual July funding and operational guidance announcements, meaning that we will be developing our formula funding responses for 2024/25 over the summer holidays, for presentation and consultation with the Schools Forum (and then wider) from the beginning of the autumn term.

This DfE’s response also did not contain much further discussion about how the development of SEND and AP funding within the National Funding Formula (NFF) will be aligned with the SEND Green Paper and what specific changes in mainstream funding mechanisms may be implemented e.g. changing the £6,000 threshold and changes that may come from the adoption of national standards in relation to EHCPs. The response simply states that NFF development will be aligned with the SEND Green Paper objectives (now set out in the recent Improvement Plan), and will be subject to further review.

The DfE has however, confirmed the following key points:

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- A new NFF-led split sites factor will be implemented from 2024/25, with the final detail of the construction of this factor to be announced in July, but with this factor based on the allocation of lump sums for eligibility and for distance. This factor will replace our current local factor. The NFF factor will not fund split sites playing fields. Schools and academies that lose funding in 2024/25 as a result of this change (including where schools are no longer eligible for split sites funding) will be protected under the Minimum Funding Guarantee. We anticipate that the number of schools and academies in Bradford that will receive split sites funding will reduce from 11 to 6 in 2024/25, and that the overall total of funding will also reduce because of this.
- Amended arrangements will be in place from 2024/25 for the allocation of Growth and Falling Rolls Funds, and we will need to review our Schools Block policies in the light of these changes:
  - National changes will be introduced incrementally, with the first step being the introduction of 'minimum requirements' in 2024/25 – minimum requirements on eligibility circumstances, values of funding and consistency of formulae. The details of the minimum requirements, and further operational guidance, are still being developed and will be published in July.
  - There will continue to be an element of local management of these funds (rather than the adoption of a national single process).
  - A new Schools Block-level DSG funding mechanism will be introduced for 2024/25, which will allocate funding to local authorities for both growth and falling rolls. These funds will not 'net off' from each other, which was one of our major concerns. Local authorities will be permitted to retain any underspends in funds within their DSG accounts. However, the DfE expects that, as a result of the changes, local authorities typically will in the future allocate more funding for growth and falling rolls than they are currently. The DfE however, will not 're-baseline' Schools Block funding until after 2024/25 and following further review of the impact of the changes.
  - The DfE intends to remove the restriction on the allocation of Falling Rolls Fund monies only to schools and academies that are rated good or outstanding by Ofsted. Authorities must however, use SCAP data to allocate Falling Rolls Fund monies and will only be able to do so where the SCAP data shows that places in the school or academy will be required in the next 3 to 5 years. On their own, pending further detail, we do not anticipate that these changes will significantly alter the funding landscape in Bradford (as the primary reason why Falling Rolls Funding has not been allocated to schools and academies so far is because surplus places are not forecasted to be needed within 3-5 years, not because of the Ofsted status of the school).
  - From 2024/25, local authorities will be permitted to use both growth and falling rolls funds to fund the revenue cost associated with repurposing or reducing school places. Further details on this will be published in July. This is a critical development for us, in terms of options for supporting the primary phase through the current pupil numbers reduction due to demographic trends, and we will closely analyse what the DfE's July guidance says.
  - Regarding the allocation of funding for 'popular growth' rather than for basic need, the DfE states that it will ensure there is equivalence in access to funding between maintained schools and academies, and will review this further. No further details on this are given at this time.
- Following the full implementation of the hard NFF, there will continue to be the flexibility for local authorities to transfer Schools Block funding to the High Needs Block, adjusting mainstream schools and academies formula funding to do so. Further details of the 'menu' of options, and the requirements for local consultation, are still to be decided and published. The DfE states quite clearly that, under the hard NFF, the Secretary will decide on the transfer of all funds (whereas currently local authorities, with their Schools Forums, can decide on the transfer of up to 0.5% of the Schools Block).
- Within the hard NFF allocations for individual schools and academies, the DfE will calculate an 'indicative SEND budget', which will continue the concept of the notional SEND budget. The design of this budget will be further developed, aligning with the SEND Green Paper reforms. The DfE is currently looking at whether the guidance that is provided for local authorities, on the definition of notional SEND budgets, should be strengthened for 2024/25, with any changes to be set out in July.
- At the point the hard NFF is finally introduced, the DfE intends to move to a simplified pupil-led funding protection mechanism, which will be developed from, but which will replace, the Minimum Funding Guarantee and Funding Floor. There are a number of aspects of this mechanism that need review. The DfE is concerned to carefully consider the impact of protection changes on individual schools and academies.
- De-delegation will continue under the hard NFF, with a single data collection arrangement (for local authorities to tell the DfE about their de-delegation arrangements). The DfE has confirmed that a collection exercise will take place in December each year, with a short turn around, for local authorities to inform the DfE about school re-organisation activity (which will then feed into the DfE's NFF calculations). The DfE plans to develop a calculation tool for schools and academies to use to predict their formula funding allocations, in advance of final publication. The DfE currently anticipates following a similar publication timetable as now, but will continue to review this, as well as data collection arrangements, and will continue to engage with stakeholders.

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- The DfE does not plan to make any changes in payment arrangements, meaning that academies will continue to receive GAG funding directly from the ESFA, and maintained schools will continue to receive their formula funding allocations via the local authority. Regarding de-delegation, local authorities will then continue to deduct de-delegated funds contributions from maintained school allocations before passing these on.
- The DfE's response does not say anything further about the review of PFI funding arrangements, other than there will be further engagement.

Although we will not get the detailed instruction and information that we need to review our Schools Block formula funding arrangements for 2024/25, we anticipate that our review will need to incorporate:

- Adjusting to replace our local split site formula with the new NFF split sites formula. Alongside this, adjusting our Minimum Funding Guarantee calculation to protect against split site funding losses for individual schools and academies (whereas we have in recent years excluded split sites funding from the MFG).
- Adjusting our Growth and Falling Rolls Fund arrangements, in line with the DfE's changes. Reviewing the affordability of our arrangements as our Schools Block-level funding will change.
- Further incremental review of our notional SEND budget definition, including in response to any changes that may be directed (or strongly encouraged) by the DfE.
- Ensuring that our Schools Block funding formula complies with the expected further tightening of the Regulations, which will require all local authorities to move closer to the National Funding Formula at local level.
- Responding to any other directed changes, including changes in the National Funding Formula itself (changes in factors and values). Within this, we know already that the National Funding Formula in 2024/25 will incorporate the new Mainstream Schools Additional Grant.
- Ensuring that our Schools Block spending remains affordable. This, as in recent years, will continue to include consideration of the level of the Minimum Funding Guarantee and of the options that are available should we not be able to afford the full mirroring of the NFF, including due to the impact of 'data lag'.

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

NFF developments will directly influence the Schools Block, from April 2024, as set out in this report.

### **Recommendations**

**Recommended – the Schools Forum is asked to consider and to note the information presented.**

### **List of Supporting Appendices / Papers (where applicable)**

None

### **Contact Officer (name, telephone number and email address)**

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