

## 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 2024/25.**

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

The Schools Forum made its recommendations on the 2023/24 DSG and formula funding arrangements on 11 January 2023.

### **Background / Context**

See the details for consideration below.

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

We normally begin to receive in July information from Government on the next year's Schools Block, High Needs Block and Central Schools Services Block settlements and formula arrangements. This enables us to begin to consider affordability issues, and to formulate plans, 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 few years, the Early Years Block settlement and formula arrangements have not been published until late autumn, after the Chancellor's Spending Statement. We anticipate the same timetable this year, meaning that, whilst consultation on formula funding arrangements within the Schools and High Needs Blocks will begin in October, our consultation on Early Years Block funding is likely to commence in December at the earliest. However, if the Early Years Block settlement is published earlier, we will aim to bring our timetable forward.

#### Overall Guiding Context 2024/25

We have made a number of 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 2024/25 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 are on the horizon. In particular, the final establishment of the hard National Funding Formula within the Schools Block, the implementation of the outcomes of the national SEND Review, and the extension of the early years entitlements, will have 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, including early years providers. The extent to which these changes will materially affect our 2024/25 financial year formula funding arrangements might be limited, with the weight of further changes possibly coming after 2024/25. 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 will cause turbulence in the near future. This being said, we do expect to have to manage certain specific changes in our arrangements in 2024/25, such as in Growth and Falling Rolls Funding within the Schools Block.

From the Chancellor's Autumn Spending Statement October 2022, we expect that the growth in the 2024/25 financial year DSG settlement (vs. 2023/24) will be 'more modest' than has been seen in recent years. The DfE may review this position, in the light of the current financial climate (and discussions on pay awards). However, 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 on which to set our formula funding arrangements for 2024/25. 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 this context, Forum members are reminded that, in establishing the planned budget for 2023/24, we allocated one off monies (reserves) to all 4 DSG Blocks, including £1.79m to the Schools Block, £0.96m to the Early Years Block and £4.2m to the High Needs Block, in order to fund our formula funding arrangements. We also currently estimate that our High Needs Block will be in deficit by the end of 2025/26.

In advance of further announcements, at this stage, we anticipate that the 2024/25 DSG setting and formula funding round will be challenging.

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

### Schools Block 2024/25

For 2024/25, the DfE has already announced the following:

- There will be further tightening of the Regulations, which will require local authorities to move closer to the National Funding Formula (NFF) for the calculation of budget shares for their mainstream primary and secondary schools and academies. As we are currently mirroring the NFF, and have done since 2018/19, we do not anticipate that this will require substantial new response.
- The Mainstream Schools Additional Grant (MSAG) will be amalgamated into the NFF and will cease as a separate grant. We expect that the MSAG will be merged into the base £app, lump sum, and FSM6 formula factors (as was the case for the Supplementary Grant in 2023/24).
- A new mandatory NFF-led split sites factor will be implemented. Individual schools and academies will be protected against losses via the Minimum Funding Guarantee.
- Amended (more consistent, but more flexible and more 'fit for purpose') Growth Fund and Falling Rolls Fund arrangements will be established. The way these two funds are financed at Schools Block level will change. We will need to review both our Growth and Falling Rolls Funds, in line with the DfE's changes, as well as review their affordability. This potentially will be a major area of change.
- That the guidance for local authorities regarding the definition of Notional SEND budgets may be strengthened. We won't know the details of this until the DfE publishes the Schools Block operational guidance. However, we have already identified that it may be helpful, in the transition to the hard NFF, for us to annually incrementally adjust our definition.

Other specific matters that we will need to continue to consider and also that may come out of the publication of the DfE's operational guidance are:

- The absorption and impact of any wider changes in the NFF that is constructed by the DfE. 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 2022 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. 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. We also currently do not know the level of the Minimum Level of Funding.
- The 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. We used £1.79m of reserves to afford the full mirroring of the NFF in 2023/24. We do not have the same value of uncommitted reserves left within the Schools Block to employ again, should the cost of data lag for 2024/25 be similar to the cost in 2023/24. In this scenario, we would be looking at alternative ways of reducing the cost of our Schools Block funding formula to bring this in line with the value of Schools Block funding that is available.
- The de-delegation of funds from maintained schools, which is subject to annual review.

### Early Years Block 2024/25

It is expected that local authorities will continue to exercise 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 entitlements. These restrictions could be (are likely to be) altered or increased in 2024/25, especially in the context of the extension of the entitlements across 2024/25 and 2025/26. Please see Documents PW and QC for further discussion on the types of changes that might be required following the entitlement extensions, and wider DSG implications.

Subject to further announcements by the DfE, the principal technical EYSFF (Early Years Single Funding Formula) matters that we envisage we will need to consider for 2024/25 are:

- Establishing for the first time the Universal Base Rates for the funding of the extended 2-year-old entitlement and for the new 9 months to 2-year-old entitlement.
- Reviewing whether the extended and new entitlements should be funded using Supplements e.g. a Deprivation Supplement, and establishing these where necessary.

### Details of the Item for Consideration

- Whether our current 3 terms arrangement, as a way of counting individual provider entitlement delivery, will be an accurate and appropriate way of counting the delivery of the extended and new 9 months to 2 years entitlements.

Regarding other technical EYSFF matters, for 2024/25:

- We will need to consider the implications of the entitlement extensions on our Early Years Inclusion Fund (EYIF).
- Within our consultation on 2023/24 financial year EYSFF arrangements, we signalled that we would wish to review the on-going position of the Teacher Employers Contribution Pensions Supplement, which was newly established at April 2023 following the transfer into the Early Years Block of the former Teacher Pay and Pensions Grants that were received by maintained schools and academies.
- The DfE has already confirmed the continuation of the Maintained Nursery School supplement in 2024/25, so we expect to continue to protect the funding of nursery schools as we do currently.

There are then two other on-going significant matters that we will need to consider within our proposals for 2024/25. These are more focused on values of rates of funding that our EYSFF allocates to providers, than technical changes in how our EYSFF operates.

- Our spending on the existing 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.
- Our spending on the Deprivation and SEND Supplement within the 3&4-year-old EYSFF. In 2023/24, we took the previously identified and planned second step, of the three steps in total, to reduce our spending on our Deprivation & SEND Supplement. The first step was taken in 2020/21, reducing our spending from 9.50% to 8.00%. The second step in 2023/24 has reduced spending from 8.00% to 7.00%. We stated in our 2023/24 consultation that the third step will be further reviewed and discussed in our consultation to be published for 2024/25 arrangements. We indicated that we are minded to propose a reduction from 7.00% to 6.00%, to bring us in line with the average of our statistical neighbour local authorities and we stated that we are very likely to propose this in our 2024/25 EYSFF arrangements.

### High Needs Block 2024/25

In recent years we have made some significant changes to our formula funding of high needs:

- 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 since been consolidated and uplifted.
- In 2021/22, we introduced an amended SEND Funding Floor for mainstream primary and secondary schools and academies. We have continued the Floor mechanism in 2022/23 and in 2023/24.
- In 2023/24, we adjusted our definition of Notional SEND for mainstream schools and academies.

Although significant changes are on the horizon, it is not yet clear the extent to which the SEND review reforms will impact on 2024/25 high needs formula funding arrangements. This should become clearer as operational guidance is published for local authorities, from July. We anticipate that the DfE may adjust again its guidance in relation to the determination of notional SEND budgets for mainstream schools and academies. However, we assess that the more significant structural changes that are proposed (or that are "hinted at") in the DfE's review document will not be implemented before April 2025. At we reported to the Forum at the last meeting, Document PZ, in its recent messaging to local authorities, the DfE has stressed that the SEND Green Paper represents a longer term programme of change.

Pending further guidance from the DfE, which we will need to respond to as necessary, whilst the Authority has committed to the development of a High Needs Block deficit mitigation plan, and notwithstanding that technical changes may be made in future years, and that these changes may incrementally begin in 2024/25, we do not envisage making immediate substantial technical changes to our high needs formula funding approaches in 2024/25. However, we anticipate that a most pressing issue for our high needs formula funding arrangements will be their affordability within the 2024/25 High Needs Block funding envelop. In this regard, we are likely to need to exercise restraint, especially in determining the levels of any increases in EHCP top-up funding in 2024/25. We are also likely to need to continue to exercise restraint with the aim of managing the cost of the SEND Funding Floor. This restraint will be discussed 'in the round' with the Schools Forum in the autumn term and as part of our formula funding consultations and within our discussions on our High Needs Block deficit mitigation plan.

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

#### **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 2024/25.

This begins by inviting Forum Members to attend one of 3 Formula Funding Working Group sessions that have been arranged for Wednesday 27 September (8am), Thursday 28 September (8am) or Tuesday 3 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 2024/25 that are anticipated will be set out for consultation in October. It is expected that these sessions will be held remotely.

The Early Years Working Group has been convened (meeting on 24 July) and will continue to meet to more closely consider the Early Years Single Funding Formula (EYSFF) for 2024/25.

### **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 invited to (remotely) attend a 'Formula Funding Working Group' session, on Wednesday 27 September (8am) or Thursday 28 September (8am) or Tuesday 3 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 2024/25 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

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

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