

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 outlines the working principles that are being considered for the development of Bradford's formula funding arrangements for 2024/25 for the Schools and High Needs Blocks.

Date (s) of any Previous Discussion at the Forum

These principles have not yet been considered specifically for 2024/25 but follow from principles established in the Forum's previous formula funding recommendations and decision making.

Background / Context

Please see Document QF for discussion on the Early Years Block and the Early Years Single Funding Formula (EYSFF). This report here follows from Document QG that is presented to this meeting.

The background and principles that are presented here are intended to be considered, prior to the finalisation of the Authority's formal proposals for formula funding arrangements for 2024/25. The Authority expects consultation reports to be presented to the Schools Forum at the next meeting, with these consultations published immediately after. Following this timetable, responses to these consultations will be considered by the Forum at its December meeting. The Schools Forum will be required to make its final recommendations on 2024/25 DSG and formula funding arrangements at its January 2024 meeting.

As we set out in July 2023 (Document QD), we expect that our recent decisions will inform how we will respond to announcements concerning 2024/25 financial year DSG and formula funding arrangements and changes.

Recently within the Schools Block, we have:

- Not transferred monies from the Schools Block to the High Needs Block (no transfers since 2019/20).
- Moved to fully mirror the DfE's National Funding Formula (NFF) for mainstream formula funding. We would expect to continue to mirror the NFF in 2024/25, subject to affordability.
- Adopted, as required, the DfE's mandatory minimum levels of pupil-led funding (MFLs).
- Identified how significant decisions about the Minimum Funding Guarantee (MFG) are for the formula allocations that are received by individual mainstream schools and academies, especially in the primary phase. This is again likely to be a key recommendation for the Schools Forum to make for 2024/25. We set the MFG at the maximum permitted positive 0.5% in 2023/24.
- Closely considered the financial impact of the lag in data, most recently between the October 2021 Census (on which the DSG is funded in 2023/24) and the October 2022 Census (on which schools and academies are funded in 2023/24). Ultimately, this lag increased the cost of our 2023/24 formula by £1.07m, which was covered by surplus balances. Lag is expected again in 2024/25 and we must set out our formula funding proposals with caution.
- Continued to use our local formulae for split-sites and PFI funding (DSG Affordability Gap), prior to the DfE's 'hard' National Funding Formula being extended to cover these elements. We have identified that the funding of PFI is a specific area to watch in the development of the Schools Block NFF. The DfE has confirmed that a new mandatory NFF-led spit sites factor will be introduced for 2024/25.
- Identified issues related to falling rolls and to under-subscription, especially in the primary phase, following demographic changes. We established a Falling Rolls Fund for the primary phase in 2019/20. No allocations have yet been made from this fund (no schools or academies have been eligible). We continue to operate a Growth Fund, which is now principally funding the remaining growth in the secondary phase. The DfE has consulted on changes to both Falling Rolls and Growth Fund arrangements for 2024/25.
- Highlighted how the forecasted net reduction in pupil numbers in Bradford, as a result of demographic changes, will reduce the headroom that exists within the Schools Block, which will have implications for the affordability of our formula funding proposals in the lead up to the 'hard' National Funding Formula.
- Amended our definition of Notional SEND budgets for mainstream primary and secondary schools and academies in 2023/24, to improve the fairness of this definition and to bring us closer to the average of similar local authorities.
- Continued to operate de-delegated funds, largely unchanged in recent years, but with the addition at April 2022 of de-delegation for the purpose of replicating the DfE School Improvement Monitoring & Brokering Grant (SIMB), which has now ceased.

Background / Context

- Mainstream primary and secondary schools and academies in 2023/24 have received a new Mainstream Schools Additional Grant (MSAG). The DfE stated, at the time of its initial announcement, that the intention is to merge this grant into core formula funding in 2024/25.

Recently within the High Needs Block:

- 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 were substantially uplifted in both 2021/22 and in 2022/23 and were further uplifted in 2022/23 and in 2023/24.
- For mainstream primary and secondary schools and academies, we introduced, initially for 2021/22 and in trial for one year, an amended SEND Funding Floor mechanism. The Floor seeks to financially support schools and academies that have higher proportions of pupils with EHCPs, in support of inclusion. We decided to continue this Floor in 2022/23, unchanged. In deciding to continue the Floor in 2023/24, we adjusted the eligibility trigger with the aim of incrementally controlling growth in cost and seeking to keep the scope of the mechanism as originally intended.
- Crossing over with the Schools Block, we amended our definition of Notional SEND budgets for mainstream primary and secondary schools and academies in 2023/24.
- We have reviewed and re-shaped responsibilities, between the High Needs Block and mainstream schools and academies, in respect of the funding of school-led Alternative Provision.
- We have identified the critical significance, for the development of our high needs formula funding models, of the DfE's publications and consultations on the outcomes of the national SEND and Alternative Provision Review. Whilst the DfE has indicated that this represents a longer-term programme of change, the Review will be significant to the future of high needs provision and high needs funding. Although the details of the future changes in funding systems, that are indicated by the Review's publications so far, are still to be known, the Review does strongly indicate, for example, an increased focus on early intervention, on mainstream inclusion and on alternative provision, as well as the introduction of a national system of banding for the allocation of EHCP top-up funding. The DfE's High Needs Block operational guidance for the 2024/25 financial year, however, has confirmed that the values of place-element funding (£10,000 and £6,000), and the positions of the main 'levers' of the high needs place-plus funding system, remain unchanged. Local authorities continue to hold responsibility for calculating and allocating top-up funding.
- We have had conversations with the Schools Forum, including within a working group, about the surplus balance that was held within the High Needs Block at the end of the 2021/22 financial year. We presented a final report to the Forum's 6 July 2022 meeting (Document OR), in which the Authority explained the rationale for the retention of the majority of the surplus balance and set out a plan to begin additional investment, focused on supporting inclusion. The estimated value of this investment, initially for the 2022/23 academic year, was £920,000. The impact of this investment is to be assessed prior to decisions being taken about continuation.
- The Authority presented to the Schools Forum on 11 January 2023 the latest version of the DSG Management Plan (Document PP). Within this plan, the Authority stated that our forecast currently identifies that there is clear risk of a cumulative deficit building within our High Needs Block by the end of the 2025/26 financial year, as a result of recurrent structural in-year over spending, and that the risk of cumulative deficit by the end of the 2026/27 financial year is then high. We stated that our forecast identifies that mitigating action will need to be taken in order to prevent the accrual of a cumulative deficit balance within our High Needs Block, and that this will be a piece of work for the Authority to discuss within the Schools Forum during 2023. We indicated that mitigating action would need to be considered within the 2024/25 DSG and formula funding decision making cycle. Following the presentation of an update in May 2023, The Schools Forum resolved that a working sub-group of Forum members is convened at the point that the Authority has developed a draft (or outline) of a strategic mitigation plan, which is expected early in the autumn term.

For both the Schools and the High Needs Blocks, we signalled to the Schools Forum in July 2023 that the 2024/25 DSG setting and formula funding round will be challenging. This is because we anticipated that the DSG settlement levels (increases) may be lower in 2024/25 than in recent years and that we are likely to have significantly less budget headroom within which to construct our formula funding arrangements. We identified that this would happen at a time when costs in schools, academies and in other providers are increasing and when the financial position of our High Needs Block is expected to substantially worsen.

The purposes of this report are to set out the background, thoughts and principles that are being developed for Schools and High Needs Block formula funding for the 2024/25 financial year, to check with the Schools Forum that 'we are on the right lines', and to allow Forum members the opportunity to provide feedback, in advance of more formal consultation documents being presented.

Details of the Item for Consideration

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.

Please note that the Authority will contact the District Achievement Partnership to arrange to directly discuss the proposals for the continuation of EHCP Banded Model (the special school funding formula) for 2024/25.

Schools Block – Mainstream Primary and Secondary Formula Funding

We are in an extended period of system change, one of the most significant changes being the movement towards a 'hard' National Funding Formula (NFF) for the calculation of mainstream primary and secondary core formula funding allocations. To give context to our proposals that will come forward for next year, it is helpful to provide a little more detail about the recurrent decisions that we have taken in the Schools Block at and since the NFF was first introduced by the DfE at April 2018:

- In 2018/19, we replaced our local formula with the DfE's National Funding Formula, using this to calculate individual formula allocations for both primary and secondary phases. We have continued this 'mirroring' policy in each year since, adopting annual changes in the NFF construction and uplifts in formula variable values. We have also adopted, as required, the Minimum Levels of per Pupil Funding (MFLs).
- We have set a Minimum Funding Guarantee (MFG - protecting / ensuring a minimum increase in individual maintained school and academy per pupil funding year on year) as follows. For the last 4 years, we have set our MFG with reference to the maximum level that has been permitted by the Regulations, which in 2023/24 was 0.5%.
- Since 2018/19, we have not applied a ceiling, which would have capped the values of annual increases in per pupil funding received by individual maintained schools and academies. All formula funding gains, from annual data changes, have been passed through to maintained schools and academies.
- We have not transferred monies from the Schools Block to the High Needs Block since 2019/20.
- We have retained unchanged our approaches in the areas of formula funding that, up to and including 2023/24, the DfE's NFF has not covered. These are: Business Rates (NNDR) at actual cost; Split Sites; PFI (Building Schools for the Future); Growth Fund (at individual school level); Falling Rolls Fund.
- In 2023/24, following the DfE's guidance and our benchmarking, we amended our definition of Notional SEND budgets for mainstream primary and secondary schools and academies, to improve the fairness of this definition and to bring us closer to the average of similar local authorities.

Whilst the Local Authority in 2024/25 is still responsible for deciding Schools Block formula funding arrangements for the Bradford District, as in 2023/24, the DfE continues to require all authorities to use all National Funding Formula factors, and only these factors. Authorities that do not currently 'mirror' (fully use already) the NFF must move 10% closer. Authorities that currently mirror the NFF must continue to do so by staying within 2.5% of the NFF formula factor variable values. As Bradford already directly mirrors the NFF, we assess that this restriction will require minimal response within our arrangements for 2024/25. However, this does affect the extent to which we could move away from the NFF, either to allocate additional funding (via budget headroom, where available) or to reduce the cost of our formula funding arrangements in order to secure their affordability (due to the impact of data-lag).

There is only one DfE directed change, which we assess to materially affect our 2024/25 formula funding arrangements. The DfE has introduced a new NFF-factor for the allocation of additional funding to split sites schools and academies. This is a mandatory split sites factor, which all authorities must now use.

For 2024/25, the DfE has clarified and updated its guidance on the operation of Growth and Falling Rolls Funds and has directed some new mandatory requirements. However, our assessment is that these directions and updates do not materially alter our local Growth Fund and Falling Rolls Fund arrangements. We will take the opportunity to re-draft our criteria, to make the wording of these clearer, and we are likely to propose amendments to the triggers that are applied in the allocation of our Falling Rolls Fund, but these changes are not assessed to be material to the actual allocation of Growth and Falling Rolls Funding to schools and academies in 2024/25.

Other than these changes, there is a great deal of continuity in 2024/25:

Details of the Item for Consideration

- The funding of PFI (Building Schools for the Future) continues not to be included in DfE's National Funding Formula and we will continue to apply local arrangements. There currently is no timescale for the inclusion of PFI funding in the NFF.
- The construct of the National Funding Formula is the same as it was in 2023/24, incorporating the same factors and how these are applied.
- The Minimum Levels of Per Pupil Funding (MFLs) are still in place and continue to be mandatory. The Minimum Funding Guarantee (MFG) is also still in place.
- Local authorities continue to have the flexibility to set their own Growth Fund and Falling Rolls Fund mechanisms but must now comply with DfE's updated guidance and new mandatory requirements.
- The existing framework for the de-delegation of funding from maintained schools continues unchanged.
- Although the DfE has updated its guidance on Notional SEND, and has encouraged authorities to continue to review, this guidance still stops short of prescribing local arrangements. Authorities continue to have flexibility to define their own Notional SEND budgets. However, the DfE has asked that authorities in particular review the sufficiency of their Notional SEND budgets and has stated that the DfE may intervene (to require authorities to amend their definitions for the purpose of increasing Notional SEND budgets) where these budgets are assessed to be too low.
- There are no changes in operational guidance, which alter the way SEND funding works for mainstream schools and academies in 2024/25 e.g. the £6,000 threshold (element 2) is still £6,000.
- We will need to continue to absorb the cost of the 'lag' in data. In 2024/25, this will be the lag between the funding of schools / academies on October 2023 Census data and the funding of the Dedicated Schools Grant (DSG) Schools Block on October 2022 Census data.
- We will need to continue to manage the cost of Business Rates (NNDR) and changes in cost.

Responding to the settlement, and the changes that have come from the continued movement towards the 'hard' NFF, there are 7 core decisions that we need to take on Bradford's 2024/25 Schools Block mainstream primary and secondary funding formula arrangements. These are:

1. Whether we transfer budget from Schools Block to the High Needs Block and, if we do, the value of this transfer. *(We do not anticipate proposing a transfer in 2024/25).*
2. Whether we continue to fully mirror the DfE's National Funding Formula (NFF). *(Yes)*
3. The value (% level) of the Minimum Funding Guarantee, which can be set between 0% and positive 0.5%. *(We would seek to set this at the highest value that is permitted by the Regulations, subject to affordability).*
4. Whether we continue our existing local approaches to the factors that in 2024/25 are still not covered by the National Funding Formula – Business Rates (NNDR) and PFI. *(Yes)*
5. Considering the DfE's recently updated guidance, whether we continue to take steps to review and to incrementally adjust our definition of Notional SEND budgets in the movement towards the 'hard' NFF, also having regard for updated benchmarking information. *(Subject to the completion of our current review work, we are minded to enact some small adjustments to our Notional SEND definition in 2024/25).*
6. How we would amend our mainstream primary and secondary funding formula, if necessary for affordability reasons, should the total cost of our formula substantially increase (and be unaffordable) when the October 2024 Census dataset is used. *(As we did for 2023/24 arrangements, we will wish to consider further with the Schools Forum the options that will be available, and to give warning to schools and academies about these options within our published Schools Block consultation document).*
7. Whether we continue to retain the funds that are currently managed centrally within the Schools Block and agree the criteria for eligibility and for allocation of these funds.
 - a. Growth Fund. *(Yes)*
 - b. Falling Rolls Fund (primary phase). *(Yes – with some amendments to the triggers).*
 - c. Funds de-delegated from mainstream maintained primary and secondary schools. *(This will be further discussed in detail in a separate report that will be presented to the Schools Forum at the October meeting).*

Details of the Item for Consideration

Our current Schools Block modelling, including the assumption that we will continue to directly mirror the NFF and set an MFG at the maximum 0.5%, indicates that our total Schools Block spending in 2024/25 can be afforded within our total Schools Block funding, without reliance on the deployment of reserves. This modelling, however, whilst using estimates of October 2023 Census numbers and estimates of other costs e.g. Growth Fund and PFI, is still based on the October 2021 dataset for schools and academies and so does not yet bring in the additional cost of data-lag. Schools and academies will be funded in 2024/25 using the October 2023 Census-based dataset (where FSM, IDACI, Low Prior Attainment, EAL and Pupil Mobility data will change). As we stated earlier in this report, the cost of data 'lag' in 2023/24 was £1.07m and was £0.95m in 2022/23. Our modelling at this stage also does not factor in any adjustment to Business Rates costs in 2024/25. These are matters that we will need to continue to monitor and to consider with the Schools Forum.

High Needs Block and Place-Plus Funding

The DfE's High Needs Block operational guidance for 2024/25 confirms the continuation of the existing technical funding system and confirms that the value of place-led funding (£10,000) and that the positions of the other main 'levers' of the high needs place-plus funding system, including the £6,000 threshold and notional SEND arrangements, remain unchanged. Authorities continue to be permitted to transfer up to 0.5% of the Schools Block to the High Needs Block, with the approval of the Schools Forum. We have not put forward a proposal for transfer since 2019/20 and we do not anticipate proposing a transfer in 2024/25.

On current estimates, our High Needs Block allocation in 2024/25 is £122.10m, which is £5.20m higher than received in 2023/24. This represents an increase of 4.5% in cash terms and 5.0% in per pupil terms. The annual growth in High Needs Block funding is to be allocated across four main pressures, a) growth in the cost of provision (as a result of inflation and increases in salaries costs), b) growth in the number of EHCPs and in the needs of pupils with EHCPs reflected in their placement costs, c) continued expansion of high needs specialist places capacity (special school and resourced provision places), and d) expansion of central support SEND services capacity in response to increased demand.

Whilst this also needs to be considered as part of the Authority's strategic deficit mitigation plan for the High Needs Block, it is already clearly evident that it will be necessary to prioritise continuing to meet the cost of growth in the number of EHCPs and requirement for specialist placements, and of the expansion of high needs places capacity, over uplifting the values of top-up funding in 2024/25. We currently estimate that we will need to deploy in 2024/25 a very substantial proportion of the High Needs Block brought forward balance. This estimate is made, prior to the inclusion of wider mitigation action, but does assume that we have already taken steps to control expenditure, including having exercised 'restraint' in uplifting top-up funding and in controlling the cost of the SEND Funding Floor. In assessing our overall position, and formula funding options, it is important to highlight that significantly higher values of High Needs Block funding are being allocated already to both the specialist and mainstream sectors, as a result of our recent substantial uplifts in top-up funding, and, for mainstream schools and academies, as a result of the growth in the number of pupils on roll with EHCPs. The 'stacking' facility in our Banded Model has also increased funding levels per pupil. We assess that our approaches to top-up funding are now much stronger, due to the changes that we have made since April 2020. Our approaches must remain affordable.

We are currently developing our high needs funding formula approach for 2024/25 on the basis that

- Subject to further mitigation plan development work, we do not anticipate making application or technical construction changes to our existing EHCP Banded Model, nor to our existing PRU / AP Academy Day Rate Funding Model, other than to amend the top-up funding values that these models allocate. We expect to follow the same approach to amending values as we took in 2023/24 (with reference to the fixed £10,000 and £6,000 contributions, meaning that bands change by different percentages). We will comply with the terms of the DfE's Minimum Funding Guarantee for Special Schools / Academies.
- The former Teacher Pay / Teacher Pensions Grants will continue to be allocated to high needs providers, separately from place-element and top-up funding, on a fixed place-led basis using 2023/24 values.
- We will continue to pass through to special schools, special school academies, PRUs and alternative provision academies, the additional "3.4% place-element" funding that was allocated in 2023/24, as required by the DfE and the 2024/25 DSG Conditions of Grant.
- We expect to continue unchanged the setting needs-led factors within our specialist setting model e.g. small setting protection and split sites, with the variables retained at 2023/24 values.
- We are minded to slightly amend our definition of Notional SEND for mainstream schools and academies.
- Subject to further mitigation plan development work, we expect to continue our existing SEND Funding Floor mechanism in support of Element 2 funding for SEND and EHCPs in mainstream primary and secondary settings, but with continued review and amendment of the eligibility trigger.

Details of the Item for Consideration

Overview - Use of DSG surplus balances within the 2024/25 Planned Budget (ESTIMATE)

Presented to the Schools Forum, under matters arising, is a summary of the final carry forward balances that were held within the DSG at the end of the 2022/23 financial year. In total, we held £36.856m.

On current modelling, which is very indicative and is based on possible proposals, as outlined, we estimate that we may use around £15.25m of balances within the 2024/25 planned budget, as summarised in the table below. This is primarily in the High Needs Block.

Block	March 2023 Balance	2023/24 Budget	2024/25 Budget	Remaining Balance
Schools Block	£5.391m	£1.787m	£0.000m	£3.604m
High Needs Block	£26.594m	£4.200m	£14.000m	£8.394m
Early Years Block	£4.639m	£0.957m	£1.100m	£2.582m
Central Schools Services Block	£0.232m	£0.054m	£0.150m	£0.028m
Total	£36.856m	£6.998m	£15.250m	£14.608m

It must be emphasised that this is very rough modelling, which is based on a series of estimates, prior to any consultation. It has been constructed for 2024/25 DSG 'planning' purposes – so that we can assess what we are likely to be able to afford to propose in terms of formula funding. Please also note that the modelling assumes that there isn't any change in the values of balances between March 2023 and March 2024 i.e. there aren't any further over or under spends in 2023/24, other than balances that were allocated within the 2023/24 planned budget (agreed in January 2023). Please also note we have not differentiated between committed and uncommitted balances in the table above. Some values within these balances are already committed to specific items. It also assumes that the specific funding issue in the Early Years Block (as explained under agenda item 7) is not resolved by the DfE. Whilst the numbers will most certainly move (both up and down), and are subject to further discussions and consultations, this modelling indicates at this time:

- That we are likely to need to use (including deliberate planned use) surplus balances across all 4 DSG Blocks in 2024/25.
- These balances go beyond covering 'one-off' spending or 'blips' in expenditure. We will be using balances in some instances to support recurrent expenditure, which is an approach which we have previously sought to restrict. This is one of the markers of the reduction in the 'headroom' that we have within the DSG, as a result of the lower settlement and the reduction in pupil numbers from demographic changes. The spending of balances on recurring items is arguably less concerning for the Schools Block for the longer term, as the 'hard NFF' is expected to take away most of the pressure that remains on our local DSG. However, it is a concern, to varying degrees, for the other 3 blocks. We discuss the position of the Early Years Block in the separate report to this meeting. We will discuss the position of the Central Schools Services Block with the Forum in the October meeting.
- The High Needs Block is of most concern. This estimate is made, prior to the inclusion of wider mitigation action (it shows an unmitigated forecast) but does assume that we have already exercised 'restraint' in uplifting top-up funding and in controlling the cost of the SEND Funding Floor. Whilst still based significantly on estimates of growth in spending (there is a lot here that is very uncertain), this forecast emphasises that we now need to plan our spending with caution and begin to take mitigating actions in order to achieve a balanced High Needs Block position going forward.
- Where the DfE does not resolve the specific funding issue in the Early Years Block (as explained under agenda item 7 – the 22 weeks vs. 26 weeks issue), this issue may exhaust the surplus balance that is carried forward into 2025/26 within the Early Years Block.

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 comment on the working principles.**
- (2) Members are invited to attend a 'Formula Funding Working Group' session.**
- (3) Members are asked for feedback on how best to communicate as early as possible this term with schools, academies and other providers about arrangements for 2024/25 (in advance of more formal consultation beginning in October).**

List of Supporting Appendices / Papers (where applicable)

None

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