

Report subject	School Funding Consultation and Budget Proposals 2024-25
Meeting date	13 December 2023
Status	Public
Executive summary	<p>This report includes the outcome of the school funding consultation for 2024-25 and considers proposals for the DSG budget</p> <p>The proposals include that surplus schools block funding is transferred to support the high needs budget. Also considered is how a higher level of transfer can be achieved through mainstream schools contributing from national formula allocations. The amount of the transfer proposed for 2024-25 will be considered with the DfE as part of the deficit management plan discussions in December and January 2024.</p> <p>The consultation also included proposals for a revised growth fund policy and considered funding allocated through the central school services block for 2024-25.</p> <p>Responses to the consultation are set out in Appendix 2 (to follow).</p>
Recommendations	<p>It is RECOMMENDED that Schools Forum agree the following:</p> <p>All Members:</p> <ol style="list-style-type: none"> 1. Agree that as a minimum, surplus school block funding after the NFF has been applied can be transferred to support pupils with high needs. 2. Agree if further school block funding can be transferred to support pupils with high needs, with NFF allocations reduced, to provide a funding transfer of at least 0.5% in total. 3. Agree if a transfer above 0.5% can be considered with the DfE. 4. Agree that the funding for the central schools service block is allocated fully to support the central services supporting all schools. <p>School Members:</p> <ol style="list-style-type: none"> 5. Recommend to Council how the NFF should be adjusted (if agreed) to provide funding to transfer to high needs. 6. Recommend to Council how the NFF should be adjusted if there is a shortfall in school block funding (without there being a transfer to high needs). 7. Agree the growth fund policy for 2024-25.

Reason for recommendations	The Schools Forum must be consulted on the local funding formula for mainstream schools and agree a range of central DSG budgets.
Portfolio Holder(s):	Councillor Richard Burton, Children and Young People Councillor Mike Cox, Finance
Corporate Directors	Cathi Hadley, Director of Children's Services Ian O'Donnell, Corporate Director of Resources
Report Author	Nicola Webb, Assistant Chief Finance Officer
Classification	For Recommendation and Decision

Background

1. The deployment of the DSG is regulated by the DfE through the School Finance Regulations, which are updated annually. The local School's Forum must be consulted on how the grant is used and has a range of decision-making powers.
2. The council is responsible for setting the funding formula for mainstream schools for reception to year 11, after taking account of the recommendations of the School's Forum which in turn should be based on the views of schools.
3. The School's Forum is responsible for deciding the mainstream schools growth fund policy and level of budget, the level of any transfer to high needs (up to 0.5%) from school block funding and the budgets to be funded from the central school services funding block.
4. The consultation with all schools opened on the 15 November and closed on 7 December, later than initially planned due to an error in the on-line questionnaire. The consultation document is included at Appendix 1. This report and Appendix 2 (to follow) provides the outcome of the consultation.

Mainstream schools funding

5. DSG funding announced for 2024-25 for the schools block totals £263.9 million, with the national funding formula (NFF) providing an increase for BCP of 1.6% compared with 2023-24. The primary and secondary units of funding derived for BCP by the NFF for 2024-25 will be applied to the October 2023 census pupil numbers and finalised in the funding settlement in late December.
6. The local mainstream school funding formula must adopt the factors and methods contained within the NFF with unit values set within 2.5% of those used in the NFF. This is to ensure national convergence to the NFF, manage affordability within the local funding envelope and allow for the potential to transfer funding to support the budget for pupils with high needs.
7. The consultation sought views regarding:
 - whether any transfer of school block funding to high needs was supported
 - how funding could be released from the NFF to support a level of transfer beyond surplus school block funding
 - how any shortfall in school block funding (without any transfer) should be managed
 - the proposed growth fund policy and related budget requirement

8. At the time of writing, responses had been received from 30 schools, representing all categories. As usual, some multi academy trusts responded on behalf of all their schools in BCP with the response rate and data taking this into account. Appendix 2 (to follow) will include the final response to the consultation.
9. The consultation used school census data from October 2022 to model the impact of the 2024-25 NFF to establish formula options. Table 1 below provides a summary of school formula positions. This will change slightly when the October 2023 census data is received in late December and applied to the 2024-25 NFF funding values.

Table 1: Summary of 2024-25 NFF outcomes using school data from October 2022

Number of schools	2023-24	2024-25
With Minimum Funding Guarantee (MFG) top up	6	7
With Minimum Per Pupil Funding Level (MPPFL) top up	33	32
Fully formula funded	52	52
Total Schools	91	91

10. An appendix in the consultation paper provided the indicative impact for individual schools, using the data applicable to the 2023-24 local formula. This removes the impact of changing pupil numbers and data, enabling a direct comparison to be made with 2023-24 funding levels.

Transfer of surplus school block funding to high needs (consultation question 1)

11. Schools Forum is to decide if any schools block funding should be transferred to high needs up to the permitted limit of 0.5%. Any higher level of transfer requires the agreement of the DfE.
12. In the last two financial years, Schools Forum did not support transferring surplus funding to reduce the high needs funding gap.
13. Surplus funding in 2022-23, was applied to increase the base rate in the early years funding formula. This recognised the recent low increases in early years funding and the significant contribution made by the sector in preparing children for school.
14. Surplus funding in 2023-24, was applied to an early years project for pupils with special needs with a view to evaluating its invest-to-save potential. It is too soon to establish if the aims of the project have been met.
15. The majority of responses to date supported surplus schools block funding being used to support pupils with high needs.

Transfer of NFF school block funding to high needs by reducing NFF allocations to schools (consultation questions 2 to 4)

16. It is accepted that any reduction in NFF funding for schools is not welcome but there is a need to balance the demands of the high needs budget with funding for individual schools.

17. The DfE signalled in their DSG consultation last year that reducing NFF allocations for schools is one option being considered to support the management of DSG deficits. The DfE consultation included that future DSG arrangements could allow all schools in a local area to contribute NFF funding, including those receiving the funding top up through the MPPFL. The regulations for 2024-25 still contain mandatory levels for the MPPFL but a disapplication can be requested from the DfE through the safety valve process in considering the deficit management plan.
18. Reducing NFF unit values impact only on formula funded schools. Alternatively, only formula funded schools with the greatest increases could be asked to contribute through implementing a per pupil cap mechanism in the formula.
19. Excluding MPPFL schools (just over a third) would mean funding reductions would need to be greater for other schools, including potentially also schools receiving only the MFG uplift (maximum permitted of 0.5% per pupil).
20. No schools in the replies received so far have supported reducing individual school NFF allocations to provide a level of transfer beyond surplus schools block funding.
21. In considering **if** a level of transfer was agreed by Schools Forum or the DfE beyond surplus funding, there were mixed responses in how the NFF should be adjusted. Some schools supported that all schools should contribute funding, not just those receiving formula allocations but to also include those with regulation top up funding from the minimum funding guarantee (MFG), and minimum per pupil funding levels (MPPFLs). There was also a level of support for implementing a cap to limit per pupil funding growth. Some schools were unable to select any option as they were fundamentally opposed to reduced NFF allocations.
22. In any option to reduce NFF allocations it should be acknowledged that:
 - Schools have expressed reservations each year through the consultation process.
 - Schools also have cost pressures and the increase already for 2024-25 in low for the NFF unit values, MPPFLs and 0.5% MFG.
 - Any adjustment to enable all schools to contribute to the funding transfer will require the DfE to agree reduced values for the MPPFLs and this might not be achieved.
 - The DSG deficit management plan (separate item on the agenda) currently includes further financial support for mainstream schools to be more inclusive.
23. Schools Forum is recommended to consider what level of transfer can be agreed for 2024-25 and how the NFF should be adjusted if a level greater than surplus school block funding is agreed.

Managing a shortfall in schools block funding for the NFF (consultation question 5)

23. Surplus school block funding has been reducing each year and to allow for the possibility that the full NFF unit values were unaffordable (even without a transfer to high needs) views were sought regarding how the NFF should be adjusted.

24. The school funding arrangements provide options of how a funding shortfall can be managed :
- a by allowing deviation from unit values in the NFF by 2.5%,
 - b flexibility to reduce the MFG below 0.5% (a reduction below 0% requiring DfE approval),
 - c ability to cap per pupil increases,
 - d and as a last resort applying for a disapplication of the regulations to reduce the level of the MPPFLs.
25. The consultation question mirrored this approach and suggested an order to apply the adjustments to achieve affordability. As this question was missed from the on-line questionnaire until late in the consultation period there were few responses at the time of writing. All responses to this question will be in Appendix 2 to follow.

Growth fund (consultation question 6)

26. The Schools Forum is responsible for deciding the policy and level of the growth fund.
27. The growth fund policy must be updated for 2024-25 following a change in the regulations. There are some areas for local discretion with the consultation proposing the DfE example methods are adopted as a national mechanism may be introduced in future.
28. We could instead maintain some aspects of the current scheme where possible, but this has not been proposed.
29. In recent years, the growth funding within the schools block allocation has been in surplus and used to subsidise the NFF allocations. This has been necessary due to significant data movements and a reduction in the number of schools supported by the MFG or MPPFL (both circumstances where pupil characteristic data changes have no overall funding impact for the school).
30. Funding for the September 2024 intake of Livingstone Academy (new year groups) and permanent growth in Cornerstone Academy will be through the formula as intrinsic growth, the latter previously being funded as extrinsic growth through the central growth fund policy.
31. The discretionary aspect of the policy relates to the central growth fund for temporary growth through bulge classes and the contingency for basic need places not yet commissioned.
32. A recommendation for the central growth fund policy will be included in Appendix 2, following the closure of the consultation. The central budget requirement according to the agreed policy will be provided in the January report.

Central School Services Block (CSSB)

33. As in previous years, there have been few comments concerning the CSSB in the consultation responses received to date. It is proposed that the budgets are again set at the level of funding, which will be finalised in late December to take account of pupil numbers from the October 2023 census. The January 2024 report to Schools Forum will include the final budgets to be agreed for this group of services supporting all schools.

Summary of recommendations for schools block funding 2024-25

34. Schools block proposals for 2024-25 are set out in Appendix 2 (to follow) and due to the level of the accumulated DSG deficit will include that schools contribute funding from their NFF allocations to support pupils with high needs funded from the high needs block.

Summary of financial implications

35. The budgets for the schools and central school services blocks are set within the available DSG funding.
36. A level of funding transfer from the schools block is proposed to reduce the high needs funding gap as allowed within the statutory provision, or as specifically agreed by the DfE in support of the deficit management plan.

Summary of legal implications

37. The consultation undertaken and the recommendations are compliant with the School Funding Statutory Framework for 2024-25.
38. School budgets must be finalised and notified to maintained schools by 28 February 2023 with the DfE timetable the same for academy budgets.

Summary of human resources implications

39. Implications for staffing levels from mainstream funding changes rests within individual schools.

Summary of sustainability impact / public health implications

40. None

Summary of equality implications

41. An equalities impact assessment has not been undertaken. The DfE have undertaken equality impact assessments in determining how DSG funding is to be allocated and the structure of the mainstream funding formula. The local budgets are aligned with the national scheme.

Summary of risk assessment

42. There remains a financial risk for the council attributable to the unsustainable level of the high needs budget and accumulated DSG deficit.

Background papers

Links are within the School Funding Consultation Paper 2024-25 at Appendix 1.

Appendices

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| Appendix 1 | School Funding Consultation Paper 2024-25 |
| Appendix 2 | Consultation outcome and proposals for the mainstream formula, transfer to high needs and growth fund (to follow after the consultation closes). |