

North Northamptonshire Schools Forum: 14 December 2022

Agenda Item 5

2023-24 Mainstream Schools Funding Formula Consultation and Proposal

1. Purpose of this report

- 1.1 This report explores the issues that Schools Forum will need to consider in the January meeting in making recommendations to Cabinet and Council about the mainstream funding formula for 2023-24.
- 1.2 It feeds back of the outcome of the consultation on the mainstream funding formula for 2023-24 with schools.

2. Background

- 2.1 In July 2022, the Department for Education set out key figures and operational guidance for the Schools Block National Funding Formula for 2023-24, to allow planning by Local Authorities, Schools and Schools Forum.
- 2.2 This report sets out this information, identifying how this affects North Northamptonshire including any local issues which may need to be taken account in developing the mainstream funding formula for 2023-24 and what decisions will be needed on the way. As in recent years, the mainstream funding formula (known as the Authority Proforma Tool (APT)) must be submitted to ESFA by 20th January 2023, subject to political sign off.
- 2.3 The ESFA consulted on views on their approach to implementing the direct National Funding Formula (NFF) for mainstream schools. North Northamptonshire's response to the consultation was presented at the October Schools Forum.
- 2.4 The final arrangements for the funding formula for schools are for Cabinet and Council to determine in February 2023, but the proposals they will consider are ones which Schools Forum will have agreed at the 19th January 2023 Schools Forum meeting.
- 2.5 The DFE requires the local authority to consult with all affected schools each year the basis of the funding formula to be used if changes are proposed.
- 2.6 North Northamptonshire Council's mainstream funding formula mirrored the National Funding Formula (NFF) in 2022-23.
- 2.7 2023-24 will be DFE's first year of transition to the direct schools National Funding Formula. All local authorities will only be allowed to use NFF factors in their local formulae and must use all NFF factors. Local authorities will also be required to move

their local formulae factors 10% closer to the NFF values, compared to where they were in 2022-23, unless they are already mirroring the NFF.

2.8 North Northamptonshire is amongst the 78 local authorities (of 150 local authorities in England) deemed to mirror the NFF whose formula factor values are all within 2.5% of the NFF factor value.

3. 2023-24 Estimated Schools Block Funding Summary

3.1 The indicative North Northamptonshire's Schools NFF funding for 2023-24 using the most recent census data of 73% of schools and estimates for the remainder at the time of consultation with schools suggests a Schools Block DSG total of £269.55m.

3.2 Although the School Supplementary Grant has been rolled into the 2023-24 School Budgets by the DfE, North Northamptonshire schools have gained £7.87m overall.

Table 1 - Comparison of Estimated 2023-24 Schools Block with 2022-23

| Component | Final Schools Block composition 2022-23 | | | Expected Available Funding 2023-24 | | | Difference | | |
|------------------------------------|-----------------------------------------|------------|-----------------|------------------------------------|------------|-----------------|------------|------------|---------------|
| | Pupil Nos | PUF / SUF* | Total 2022/23 | Pupil Nos | PUF / SUF* | Total 2023/24 | Pupil Nos | PUF / SUF* | Total Funding |
| | | | £m | | | £m | | | £m |
| Primary NFF | 29,697.50 | £4,526.11 | £134.41m | 29,637 | £4,735.55 | £140.35m | -60.5 | £209.44 | £5.93m |
| Secondary NFF | 19,971.00 | £5,857.68 | £116.98m | 20,367 | £6,190.29 | £126.08m | 396.00 | £332.61 | £9.09m |
| Premises NFF | | | £1.80m | | | £1.82m | | | £0.03m |
| Growth Factor | | | £1.68m | | | £1.30m | | | -£0.38m |
| Total Schools Block DSG | | | £254.88m | | | £269.55m | | | £14.67m |
| Primary SSG | 29698 | | £3.37m | | | £0.00m | | | -£3.37m |
| Secondary SSG | 19971 | | £3.43m | | | £0.00m | | | -£3.43m |
| Total Schools Block funding | | | £261.68m | | | £269.55m | | | £7.87m |

4. Consideration of issues in determining the use of the Schools Block for 2023-24

4.1 The operational guidance for school revenue funding for 2023-24 sets out the requirements for considering the use of the Schools Block funding and the timetable for decision making and reporting.

4.2 The DfE intend to settle all school National Non-Domestic Rates bills nationally but recover the costs from each school via the ESFA (for academies) and LAs (for maintained schools) for 2023-24. North Northamptonshire has already implemented this in 2022-23 so it will not be new to North Northamptonshire's schools.

4.3 The steps Schools Forum will need to consider to reach the final recommendations to make to Cabinet about the use of the Schools Block in 2023-24 will be:

- a) Should there be any transfers between the Schools Block and any other blocks?
- b) What rate should the Minimum Funding Guarantee be set at?
- c) What funds are to be set aside for Growth Fund and Falling Rolls Fund?
- d) Are there any decisions that need to be submitted to the Secretary of State for ratification?

5. Transfers between blocks

- 5.1 Although the schools block is ring-fenced in 2023-24, local authorities can transfer up to 0.5% of their Schools Block funding into another block, **with the approval of their schools forum.**
- 5.2 In 2022-23 there was a transfer of 0.5% (£1.274m) from Schools Block to High Needs Block due to the increasing growth in EHCP numbers locally which was creating pressure in the High Needs Block.
- 5.3 The protected funding for individual schools has the transfer of 0.5% / £1.274m to the High Needs Block built in. That means that only 99.5% of the Schools Block DSG was used for Schools Block activities and individual schools are protected at the 99.5% level, not the 100% level. If the £1.274m were not again to be transferred to the High Needs Block, this means that schools will be protected at the 100% level when the direct National Funding Formula is implemented.

6. 2023–24 Mainstream Schools Funding Formula - Proposals Considered

- 6.1 The LA intends to continue to mirror the National Funding Formula values for 2023-24, with only the split-site factor determined locally. All factors are pre-determined by the DfE, the funding allocated to schools is determined by the level of the Minimum Funding Guarantee, the amount held centrally for the Growth Fund and any amount transferred to other Blocks of the DSG.
- 6.2 Due to the opening of a secondary academy in September 2023 in addition to a new entry intake at Stanton Cross which is a new and growing school in North Northamptonshire in 2023-24, the isn't much funding flexibility of options open to schools except for the two options set out below:
- **Option A Set MFG at the maximum increase of 0.5%**, no transfer to the High Needs Block and retain the remaining funding in the Growth Fund to support the influx of pupils in North Northamptonshire schools thus creating the need for bulge classes.
 - **Option B Set MFG at the minimum increase of 0%**, no transfer to the High Needs Block and retain the remaining funding in the Growth Fund to support the influx of pupils in North Northamptonshire schools thus creating the need for bulge classes.

7. Impact of Proposals Considered

- 7.1 Consideration were given to what ways do the different funding options affect the distribution and the key points for were:
- **Under Option A** - 10 schools have a formula allocation that require a Minimum Funding Guarantee adjustment to achieve 0.5% Minimum Funding Guarantee
 - **Under Option B** - 3 schools have a formula allocation that require a Minimum Funding Guarantee adjustment to achieve 0% Minimum Funding Guarantee

- 7.2 Except for 10 schools there are no differences between options A and B.
- 7.3 The differences in the 10 schools' range between £510.67 - £7,750.41 in the school's estimated 2023-24 Post MFG Budget or £2.49 - £20.34 per estimated 2023-24 Post MFG per pupil budget. This is due to the 2023-24 MFG Adjustment.

8. Transfer of Schools Block to the High Needs Block

- 8.1 For 2022-23 it was agreed to transfer 0.5% to the high needs block to support the inherited legacy deficit from Northamptonshire County Council's High Needs Block.
- 8.2 The July 2022 DfE schools funding announcement confirmed that the North Northamptonshire's High Needs (HN) DSG for 2023-24 will again see a stepped increase of 5%, albeit smaller than what was received in 2022-23. The indicative HN DSG for 2023-24 is £55.1m, £2.8m more than the current 2022-23 HN DSG of £52.3m.
- 8.3 Budget was set aside in the 2021-22 High Needs Block budget to repay the legacy deficit. The deficit was repaid in 2021-22. This enabled North Northamptonshire to start with a clean slate for High Needs Block in 2023-24 diminishing the need to transfer from Schools Block to High Needs Block in 2023-24.
- 8.4 However the LA continue to work with the ongoing pressures which are still being faced in the High Needs Block with the increase in the number of new EHCP cases as well as inflationary pressure which suggests the High Needs Block may well require a transfer of funding from Schools Block in future years.

9. Future years considerations to transfer to the High Needs Block

- 9.1 North Northamptonshire Schools Forum has approved 0.5% transfer in previous years, and this continues to support the ability to increase top up rates and distribute funds to schools.
- 9.2 A High Needs Sub-Group is looking at the plans for getting the High Needs Block back to balance as well as addressing the High Needs requirements in North Northamptonshire and one of the options being considered is to transfer resource from the Schools Block to the High Needs Block.
- 9.3 Growing numbers and costs of EHCPs will either result in more funding going to mainstream schools (via high needs top-ups) or funding will shift from mainstream schools to specialist provision (as pupils are funded through the High Needs block).
- 9.4 The LA has seen that many other LAs have experienced High Needs deficits and it is important to avoid reaching a point where the deficit is so large that it becomes irrecoverable.

10. Growth and Falling Rolls Fund

- 10.1 Current Growth Fund guidance allows LAs to set aside funding to meet the costs of new schools and growing schools. North Northamptonshire have seen the significantly increase in demand for Growth Fund over the past year with the opening of new and

growing schools and the unanticipated significant increase in pupil roll numbers causing bulges in North Northamptonshire schools.

10.2 Current Falling Rolls Fund guidance allows LAs to set aside a small fund for good schools with falling rolls, where local planning data shows that the surplus places will be needed within the next 3 financial years schools. North Northamptonshire currently do not have a Falling Rolls Fund.

10.3 In July 22 the DFE consulted regarding change to the operational guidance to expand the criteria of the current Growth and Falling Rolls Fund.

10.4 The proposal recognised that costs associated with school closures and amalgamations and down-sizing schools might be absorbed by the schools' own budgets or may ultimately fall on the LA or ESFA.

10.5 The proposed change is to “**permit local authorities to spend growth and falling rolls funding on the revenue costs associated with repurposing or reducing school places**”

11. Consideration to allow funding to be set aside for Growth and Falling Rolls Fund

11.1 North Northamptonshire has been working with primary and secondary schools to meet the authority's duty to manage school places sufficiently and efficiently.

11.2 Currently North Northamptonshire have had significant demand in pupil places, and this will continue to grow over the next decade until the world become a safer place. These pressures, combined with falling real terms funding for schools and the impact of the pandemic, are placing a significant strain on North Northamptonshire's schools and Growth Fund budget.

11.3 The financial implications on revenue costs being met by the school may impact future amalgamations particularly with the growing number of schools in deficit.

11.4 The proposal of the Growth and Falling Rolls Fund criteria changes for 2023-24 to allow scope to fund support for repurposing of school places falls in line with North Northamptonshire's Place Planning Strategy and would also be prudent to allow for some support to enable smooth transition of change in future years.

12. Illustrations

12.1 The impact of the two options A and B of the consultation based on estimated pupil numbers expected from final October 22 census were worked out.

12.2 Option A show that 92.54% of schools do not rely on MFG adjustment to fund school.

12.3 Option B show that 97.76% of schools do not rely on MFG adjustment to fund school.

12.4 **Table 1** under paragraph 3.2 estimates there will be **£269.55m** available in 2023-24 Schools Block DSG. The illustrations show that if

- **Option A: If MFG is set at the maximum increase of 0.5%** and no transfer to the High Needs Block this will distribute **£52k distributed via MFG and set aside £92k for Growth Fund.**
- **Option B: If MFG is set at the minimum increase of 0%** and no transfer to the High Needs Block this will distribute **£15k distributed via MFG and set aside £129k for Growth Fund.**

12.5 **Appendix A** is a comparison of both options using published NFF values for 2023-24, October 2022 pupil numbers with October 2021 pupil characteristics with the 2022-23 formula values using the same data.

13. Consultation Responses

13.1 Eighteen schools responded to the Mainstream Schools Funding Consultation 2023-24.

13.2 Their responses are as follows:

| Do you agree to the proposal set 2023-24 MFG at 0.5%? | Do you agree that the LA do not transfer out of the Schools Block to the High Needs Block in 2023-24? | Are you supportive of the proposal that there should be funding set aside in Growth Fund to support the unforeseen increase in pupil number growth in North Northamptonshire schools? | Do you have any other comments about the funding arrangements outlined in this paper? | School Name | Job Title |
|-------------------------------------------------------|-------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|--------------------------|
| Yes | Yes | Yes | No | South End Junior School | Business Manager |
| Yes | Yes | Yes | no | ST Mary's CE VA Primary Academy | Business Manager |
| Yes | Yes | No | It would be helpful to understand, at school level, what the proposed impact of each option is so this can be assessed prior to submitting a response. | Mears Ashby CE Primary | Executive Headteacher |
| Yes | Yes | Yes | no | Danesholme Junior Academy | Executive Principal |
| Yes | No | Yes | n/a | Bishop Stopford School | Business Manager |
| Yes | Yes | Yes | No | Millbrook Junior School | School Business Manager |
| Yes | Yes | No | It would be helpful to understand, at school level, what the proposed impact of each option is so this can be assessed prior to submitting a response. | Loddington CE Primary School | Headteacher |
| Yes | Yes | No | It would be helpful to understand at school level, what the proposed impact of each option is so this can be assessed prior to submitting a response. | St Barnabas Church of England School | Headteacher |
| Yes | Yes | No | It would be helpful to understand, at school level, what the proposed impact of each option is so this can be assessed prior to submitting a response. | Cottingham CofE | Headteacher |
| Yes | Yes | No | It would be helpful to understand, at school level, what the proposed impact of each option is so this can be assessed prior to submitting a response. | Ringstead CE Primary School | Headteacher |
| Yes | Yes | No | It would be helpful to understand, at school level, what the proposed impact of each option is so this can be assessed prior to submitting a response | Weldon C E Primary School | Head of School |
| Yes | Yes | No | It would be helpful to understand, at school level, what the proposed impact of each option is so this can be assessed prior to submitting a response. | St Andrew's C of E Primary School | Head Teacher |
| Yes | Yes | Yes | No | Rothwell Victoria Infant and Rothwell Junior School | Executive Headteacher |
| Yes | Yes | Yes | No | Wrenn School | Regional Head of Finance |
| Yes | Yes | Yes | No | Weavers Academy | Regional Head of Finance |
| Yes | Yes | Yes | No | Earls Barotn Primary School | School Business Manager |
| Yes | Yes | Yes | no | Hayfield Cross | SBM |
| Yes | Yes | Yes | No | Corby Primary Academy | Principal |

14. Conclusions

- 14.1 North Northamptonshire has transitioned over the past few years to the National Funding Formula values. The intention is to continue this ongoing strategy to ensure that less schools are supported by MFG and operate within the funding levels available as all schools transition to the hard NFF within the next five years.
- 14.2 The outlook for future changes in the landscape of schools in North Northamptonshire continues to be unstable based on current projections of pupil numbers. There will be the need to support the sustainability of changing cohort and the strategy for place planning in future years. It would be prudent for forward planning to allow a contingency to support this in line with the change in regulations to growth fund in 2023-24.
- 14.2 Whilst the High Needs Block may have temporarily return to a balance position it is still facing continued pressures in future years with the increase in EHCPs and inflationary increases.
- 14.4 In light of the above, whilst Option B is most suitable to North Northamptonshire's circumstances and allows for future planning in and sustainability for pupil place planning strategy which will impact all schools, the LA recognise the challenging financial climate schools currently operate within therefore **Option A – to set a MFG at 0.5%** is recommended for North Northamptonshire

15. Recommendations for Schools Forum

- 15.1 Schools Forum are asked to approve:
- a) The adoption of the 2023-24 ACA adjusted National Funding Formula values in setting the 2023-24 mainstream funding formula for schools and academies.
 - b) The formula will continue to use the current local factors for split sites unless otherwise instructed by the DfE.
 - c) The Minimum Funding Guarantee to be set at 0.5%.
 - d) That there will be no transfer to the High Needs Block in 2023-24.
 - e) All remaining funding in Schools Block will be allocated to the Growth Fund.

16. Next steps

- 16.1 Once Schools Forum approval for items in this report and the de-delegation reports are agreed in this meeting, it will allow officers to construct final draft allocations of the schools' budgets based on the December 2022 DfE Funding Settlement for approval at the 19th January 2023 Schools Forum meeting.
- 16.2 The final Authority Proforma Tool (of mainstream local formula allocations) will be despatched to the ESFA on the 20th January 2023 and will be used to seek formal political approval for school budgets in line with the formal Cabinet and Council in February 2023 Council meeting.

17. Financial implications

- 17.1 The figures in this report are estimated and will change following the release of the 2023-24 Authority Proforma Tool with the October 2022 census and the 2023-24 Funding Settlement by the DFE expected on the 21st December 2022.

18. Legal implications

- 18.1 Schools funding is governed by The School and Early Years Finance (England) Regulations 2022. It is important to ensure decisions are made within the regulations set.

19. Risks

- 19.1 There is the risk that an adverse financial decision may be made by Schools Forum based on the content of this report. There is also the risk that decisions made could be ultra vires.

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