



Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: 24 June 2022

**Committee:
Schools Forum**

Date: Thursday, 30 June 2022
Time: 8.30 am
Venue: Microsoft Teams

You are requested to attend the above meeting.
The Agenda is attached

Tim Collard
Interim Assistant Director
Legal and Democratic Services

Members of Schools Forum

Bill Dowell (Chair)	Kerry Lynch
John Hitchings (Vice-Chair)	Stephen Matthews
Phil Adams	David O'Toole
Michael Barrett	Alan Parkhurst
Mark Cooper	John Parr
Alan Doust	Greg Portman
Sabrina Hobbs	Revell
Sandra Holloway	Darren Reynolds
Colin Hopkins	Mark Rogers
Marilyn Hunt	Andrew Smith
Shelley Hurdley	Charles Thomas
Samantha John	Guy Verling
Sian Lines	

Your Committee Officer is:

Philip Wilson Service Manager Business Support People
Tel: 01743 254344
Email: phil.wilson@shropshire.gov.uk

AGENDA

1 Apologies

2 Minutes and Matters Arising - 27 January 2022 (Pages 1 - 8)

Paper A attached.

3 Updated Dedicated Schools Grant 2022-23 (Jo Jones) (Pages 9 - 10)

Paper B attached.

4 School Balances as at March 2022 (Jo Jones) (Pages 11 - 14)

Paper C attached.

5 Growth Fund Allocations 2021-22 and 2022-23 (Phil Wilson) (Pages 15 - 18)

Paper D attached.

6 Implementing the Direct National Funding Formula - Government Consultation (Phil Wilson) (Pages 19 - 82)

Paper E attached.

7 Dedicated Schools Grant Monitoring 2022-23 (Stephen Waters/Karen Levell) (Pages 83 - 92)


Paper F attached.

8 Communications

9 Future meeting dates

Thursday 15 September 2022	8.30 – 10.30	Microsoft (MS) Teams
Thursday 3 November 2022	8.30 – 10.30	Microsoft (MS) Teams
Thursday 1 December 2022	8.30 – 10.30	Microsoft (MS) Teams
Thursday 12 January 2023	8.30 – 10.30	Microsoft (MS) Teams
Thursday 26 January 2023 (Provisional)	8.30 – 10.30	Microsoft (MS) Teams
Thursday 16 March 2023	8.30 – 10.30	Microsoft (MS) Teams
Thursday 15 June 2023	8.30 – 10.30	Microsoft (MS) Teams

Agenda Item 2

	Schools Forum Date: 17 March 2022 Time: 8.30 am Venue: Via MS Teams	<u>Item/Paper</u> A Public
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MINUTES OF SCHOOLS FORUM HELD ON 27 JANUARY – HELD VIA MS TEAMS

Present

School Forum Members

Bill Dowell (Chair)
Caroline Clode – association secretaries
Mark Cooper – Secondary academy headteacher
John Hitchings – Academy governor
Sandra Holloway – Primary governor
Marilyn Hunt – Primary headteacher
Shelly Hurdley, Early Years Representative
Sian Lines – Diocese of Hereford
Sue Lovecy – Secondary academy headteacher
Kerry Lynch – Primary academy headteacher
Stephen Matthews – Primary governor
Georgia Moss – Academy (MAT) representative
David O’Toole – Secondary academy headteacher
John Parr – Secondary academy headteacher
Alan Parkhurst Primary headteacher
James Pearson - TMBSS
Michael Revell – Primary governor
Mark Rogers – Primary headteacher
Andrew Smith – Post 16
James Staniforth – Post 16
Reuben Thorley – Secondary headteacher
Carla Whelan – Primary academy headteacher

Members

Kirstie Hurst-Knight
Gwilym Butler

Officers

Jo Jones
Stephen Waters
Phil Wilson
Helen Woodbridge

Observers

Nick Bardsley
Roger Evans
Charles Thomas
David Vasmer

The chair welcomed all to the meeting.

1. Apologies

Apologies had been received from Nathan Jones and Neville Ward. Marilyn Hunt, Reuben Thorley, Nick Bardsley and James Pearson had advised of partial attendance.

2. Minutes and Matters Arising

The minutes of the meeting held on 2 December 2021 were considered and agreed as a true record. (The clerk had omitted Kirstie Hurst-Knight in error as she had been in attendance at the meeting.)

Phil Wilson confirmed that the decisions taken at the last meeting had been communicated to schools.

ACTION

Stephen Waters advised that he had investigated the Monkmoor issue and had accessed a Cabinet paper from February 2006. He explained that the project already had significant funding in place but there had been a requirement for around £4m of prudential borrowing for 2007/08 and the revenue costs of this needed to be included in the Children and Young People's revenue budgets from 2007/08 onwards. The final figure for prudential borrowing would be £3.58m with financing costs of £295k to be met from the dedicated schools budget which would benefit from £130k of net savings due to the additional places provided by Severdale school rather than out of county placements. The commitment is until 2035/36 as the first costs were not taken until 2021/11.

The chair asked about Shire Services. He was advised that a paper had gone to Cabinet on 5 January 2022. Cabinet had approved the plans so they are moving forward. Managers are meeting with the 60 schools involved, however, staff absences have delayed the process. Janet Croft had advised that two schools had given notice and so far, six schools had signed up.

Kirstie Hurst-Knight advised that although this was not her paper, she and her colleagues had advised the lead of the need to account for the academic rather than the financial year.

The chair was pleased that there is more time for schools to make their decisions.

Mark Rogers and Marilyn Hunt were still unclear as staff cover has been removed from the management fee but don't know how cover could be provided. Worried that some kitchens will go.

Phil Wilson agreed to feed comments back to managers.

3. School Revenue Funding Settlement and School Arrangements 2022-23

Jo Jones presented the paper.

There had been an increase to the Schools Block of £6.432m from 2021-22 to 2022-23:

- Increase of 229 funded pupils
- National Funding Formula (NFF) core factors increased by 3%, every school will have a minimum 2% increase per pupil

There had been a decrease to the Early Years Block of £0.219m (provisional) from 2021-22 to 2022-23:

- Increase in hourly rate to £4.61 for 3 & 4 year olds and £5.36 for 2 year olds
- Will be updated in July 2022 and July 2023 based on January 2022 and January 2023 census data

There had been an increase to the High Needs Block of £2.885m from 2021-22 to 2022-23:

- Increase of at least 8% per head of 2-18 population from 2021-22
- Provisional import/export adjustment is a loss of £0.936m

There had been a decrease to the Central School Services Block of £0.211m from 2021-22 to 2022-23:

- Historic commitments funding reduced by 20%

School Funding Arrangements 2022-23:

- Schools have been fully funded in line with the NFF
- 0.5% (£0.949m) of the remaining Schools Block will be transferred

to the High Needs Block

- £0.366m has been retained for the Growth Fund
- Technical issue of how School Improvement deductions from schools should be shown – waiting for clarification from ESFA which is causing a delay to release of school budgets

Phil Wilson thanked Jo Jones for the hard work she had carried out. He warned that budgets are likely to be sent to schools slightly later than usual but should be sent out in February.

He advised that regarding the schools supplementary grant, he had attended an f40 meeting which had proved very useful. He undertook to share the slides with Schools Forum members.

PW

He provided an update on the Schools Supplementary Grant 2022-23

- £1.2 billion is being allocated nationally to schools in 2022-23 which is additional to the funding they are receiving through the funding formula
- A further £325 million additional high needs funding is being provided
- Finalised allocations will be published at school level this Spring
- Indicative allocation for Shropshire in December is around £5 million (final figures will be based on latest FSM6 data)
- Local authorities will receive and distribute maintained school funding, while academies will be funded direct
- Intended to provide support for costs of pay awards, costs associated with Health and Social Care Levy, and wider costs and inflationary pressures (eg energy costs)
- From 2023-24 this funding will be rolled into the schools national funding formula (NFF)
- Schools will have flexibility to prioritise their spending of this grant to best support needs of pupils and staff and address cost pressures.

For mainstream schools – the 5-16 funding rates consist of the following three elements which are based on factors already in the schools NFF:

- a basic per-pupil rate (primary - £97, key stage 3 - £137 and key stage 4 - £155)
- a lump sum of £3,680 paid to all schools
- a per-pupil rate for pupil who are recorded as having been eligible for free school meals at any point in the last six years (FSM6) (primary - £85, secondary - £124)

Indicative allocations for primary schools range from £9,000 to £50,000

Secondary school allocations range from £85,000 to £220,000

For local authority high needs budgets – increased local authorities' high needs DSG funding:

- Distributed as a percentage uplift to the original amount calculated in 2022-23 high needs NFF
- Local authorities decide how to allocate additional funding to special schools and alternative provision

James Staniforth asked about Post 16 high needs.

Phil Wilson agreed to find out more about this and will provide more detail on the distribution of the high needs funding at the March meeting.

PW

He advised that post 16 in schools would be £35 per student.

The chair acknowledged the growth in Post 16 high needs and asked that James Staniforth also undertook information finding.

JS

4. **Shropshire Schools Forum Constitution**

Phil Wilson presented the report.

- Annual formal assessment of Schools Forum membership, to apply from April 2022
- Only one mainstream academy conversion between October 2020 and October 2021 means that there is no requirement to re-apportion membership
- Membership: 3 primary headteachers, 3 primary governors, 1 secondary headteacher, 12 academy places, 1 special school place and 1 PRU place
- Issues:
 - secondary maintained school place remains on Schools Forum despite pupil numbers being low
 - a number of terms of office need reviewing and extending
 - currently 3 vacancies for academy representatives – views sought from Schools Forum in general, and academy colleagues in particular, on how to address this
- Updated version of the Constitution is appended to the report and will be reviewed each year in line with any changes in statutory guidance

Schools Forum unanimously approved the proposed membership, to apply from April 2022

Phil Wilson undertook to correct Caroline Clode's union.

PW

5. **Allocation of Early Years Block 2022-23**

Phil Wilson presented the paper due to the absence of Neville Ward.

- Increase in all funding rates for the new academic year
- Aim to pass as much of the increase as possible on to settings through the hourly funding rates
- Need to retain some additional funding to meet increasing costs of 1:1 provision for SEND children
- Settings very concerned at level of increasing costs
- Shropshire remains in group of lowest funded local authorities in the country.

Shelly Hurdley was able to confirm that the levels of SEN in Early Years are increasing. She added that recruitment is very difficult and costs are rising.

Phil Wilson wondered where there is any additional funding for Early Years. He will watch out for further news on this.

PW

The chair passed on best wishes to Neville Ward for an early recovery. He also thanked him for the provision of the detailed paper. Lobbying needs to continue

to support Early Years.

6. **Dedicated School Grant Monitoring 2021-22**

Stephen Waters presented his paper.

- The 2021-22 forecast outturn position for the DSG is a £0.906m in-year surplus.
- This surplus needs to be added to the £0.870m DSG deficit carried forward from 2020-21 resulting in a projected cumulative DSG surplus of £0.036m as at the end of 2021-22.
- The final DSG deficit carried forward figure from 2020-21 has been revised to £0.870m from £0.659m.

Early Years Block

- A small overspend of £0.018m is forecast on the early years SEND support budget.
- The demand placed on the early years SEND support budget continues to grow as Shropshire is seeing a growing number of children presenting with a range of development and emotional difficulties which require support.

High Needs Block

- Shropshire's High Needs Block DSG allocation has increased by £3.781m from £28.016m in 2020-21 to £31.797m in 2021-22
- In-year surplus forecast of £0.982m.
- Main variances summarised on next slide.
- On budget lines 1.2.1 and 1.2.2, shown in the Appendix, there is a forecast underspend of £0.784m. This accounts for the majority of the £0.982m projected in-year surplus on the High Needs Block DSG. The largest underspend relates to the Post 16 college placements budget (£0.442m).
- Important to note that despite the underspends being reported, actual expenditure is increasing across all 3 large budget headings, reflecting the national picture.

De-Delegated Items

- £0.098m forecast overspend on de-delegated maternity pay for schools where forecast expenditure is £0.330m but the de-delegated value from schools based on £19.27 per pupil is £232,000.

Summary

- Given that the overall DSG position is forecast to move from a revised deficit carried forward of £0.870m to a cumulative DSG surplus of £0.036m, this is positive in terms of the Council meeting the Department for Education's requirement to reduce or manage down the deficit.
- It is important to note that this projected removal of the deficit is as a result of forecast less growth in expenditure in 2021-22 compared to growth in High Needs Block DSG allocation rather than any reductions to High Needs Block DSG expenditure itself.

Mark Rogers acknowledged the good news story in terms of the reducing deficit.

He checked where any surplus in the High Needs would go. Stephen Waters advised that any surplus would roll forward to next year but is not necessarily ringfenced.

Mark Rogers added that it is important to note that the spend is rising but that the funding rose too.

He was worried about the rise in SEN in other phases for the future.

Phil Wilson noted that the SEND Review (due in spring) is long awaited.

He also advised that other LAs have sizable High Needs deficits.

An update on staffing changes was provided:

Karen Levell - SEND and Inclusion Manager 21/2/2022

David Shaw – Assistant Director for Education and Achievement 1/3/2022

7. **Schools Forum Work Programme 2022-23**

Phil Wilson went through the work programme

- Outline programme for Schools Forum through to the end of the Spring term 2023
- Highlights the timetable for the standard reporting that Forum members will be familiar with
- Scope for adding topical issues and/or reports commissioned by Schools Forum
- Areas where reports are expected in 2022-23 include:
 - the SEND review is due out this spring and Forum will want to consider any financial aspects within this
 - the formal response to the first phase of the National Funding Formula consultation last summer is due out shortly, with further phases planned which will need to come to Forum
 - any further in-year funding announcements from the Department
- Schools Forum members are invited to suggest any other areas of work they would like to commission from officers over the programme period

Phil Wilson asked Schools Forum members to advise of any other areas they would wish to cover.

Alan Parkhurst asked about the effectiveness of the Graduated Support Pathway (GSP), reminding colleagues that a report on this had been requested from Nathan Jones. He asked for this to be chased up as the fear is that they are EHCPs via the back door. Phil Wilson agreed to do this.

PW

Andrew Smith asked about the 2019 Alternative Provision Task Group work. Phil Wilson and Alan Parkhurst advised that an Inclusion Task Force has taken over this work. An Outreach programme from TMBSS is up and running (although COVID may have delayed) in primary. James Pearson from TMBSS confirmed that this is now in place in primary from January 2022.

The chair suggested that Karen Levell will need to review the working groups. Phil Wilson advised that there are lots of strands/issues in this area to be pulled together.

Kirstie Hurst-Knight intends to have weekly meetings with David Shaw and Karen Levell and is involved in SEND Partnership Board about which she will feed back to schools.

The chair raised the need for more focus on and raising of the profile of Early Years. Phil Wilson undertook to talk to Neville Ward about this.

PW

8. **Communications**

The chair suggested the need for Neville Ward to continue to lead on lobbying for Early Years funding.

David Vasmer had been asked about ventilation/energy costs and wondered if there was anything he could feed back to parents.

Phil Wilson advised of communications from WM Energy re rise of 33 - 38% Gas, 18-22% electricity. Only 7% had been allowed for in school budgets. In maintained schools this will cost £75k more and £167k more respectively. Although there is now more funding in the system there is an estimated total increase of around £500k when academies are included.

Mark Rogers was environmentally uneasy regarding the balance of heating/ventilation. Air cleaning units are being ordered but more research is required. Kirstie Hurst-Knight had met with Rachel Robinson (Shropshire Public Health lead) and will ask her about any research.

Phil Wilson explained about the air cleaning units which are coming from the DfE. CO2 monitors have also been provided.
(Mark Rogers clarified that the units are free if needed but can also be paid for.)

KHK

Mark Cooper reported that he had received 45 CO2 monitors which show that things are very affected by opening windows as they are very sensitive. Adherence to uniform policy is being surrendered for warm coats. Schools Forum agreed to revisit as more information/advice becomes available.

9. **Future meeting dates:**

Thursday 17 March 2022

Thursday 16 June 2022

The meeting closed at 9.50 am

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Schools Forum

Date: 30 June 2022

Time: 8:30 a.m.

Venue: Microsoft Teams Meeting

Paper

B

Public

Updated Dedicated Schools Grant (DSG) 2022-23

Responsible Officer Jo Jones

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Tel: 01743 254343

Summary

The Department for Education (DfE) announced provisional 2022-23 local authority Dedicated Schools Grant (DSG) allocations in December 2021, as reported to Schools Forum in January 2022. In March 2022 the DfE announced an update to the DSG allocation for the 2022-23 financial year.

This report provides a summary of Shropshire's updated 2022-23 DSG allocation comparing with Shropshire's initial provisional DSG allocation as reported to Schools Forum in January 2022.

Recommendation

This report is for information only.

REPORT

1. In January 2022 Schools Forum members received a report summarising the 2022-23 funding blocks making up Shropshire's provisional DSG allocation and listing the key financial headlines for each of the blocks.
2. Shropshire's 2022-23 DSG allocation was updated in March 2022 to include recoupment for academies and deductions for high needs places funded by the Education and Skills Funding Agency (ESFA).
3. A summary of the provisional 2022-23 DSG (as provided to Schools Forum members in January 2022), and the latest updated 2022-23 DSG allocation including recoupment for academies and deductions for high needs places funded by the ESFA, is shown in the table below.

	Provisional DSG £m	Recoupment/ Deductions for HN places £m	Latest DSG £m
Schools Block	189.815	128.485	61.330
Early Years Block (Provisional)	16.809	0	16.809
High Needs Block	35.754	6.287	29.467
Central Schools Services Block (CSSB)	2.388	0	2.388
Total DSG	244.766	134.772	109.994

4. The Schools Block recoupment shown in the table above relates to the budget shares, calculated through Shropshire's local funding formula, of 62 Shropshire academies. The funding is recouped from Shropshire's DSG and passed on to providers by the ESFA. The DSG recoupment will be updated throughout the financial year to reflect new academy conversions.
5. The High Needs Block deduction relates to pre and post 16 high needs place funding for Severndale Specialist Academy and pre 16 high needs places at Woodlands School. It also includes pre 16 and post 16 high needs place funding for mainstream academies and maintained schools in Shropshire and post 16 high needs funding for Further Education and Independent Learning Providers.
6. The funding is deducted from Shropshire's DSG and passed on to providers by the ESFA.
7. The provisional DSG amount for high needs differs slightly than what was reported in January 2022 as the ESFA has now added the High Needs Supplementary grant of £1.342m to this allocation.
8. We have now also been notified that Shropshire's allocation for the Schools Supplementary Grant for 2022-23 is £1.682m, however this has yet to be updated in the DSG allocation. We expect this to be reflected in the July 2022 update.



Schools Forum

Date: 30 June 2022

Time: 8:30 a.m.

Venue: Microsoft Teams meeting

Paper

C

Public

School Balances as at March 2022

Responsible Officer Jo Jones

e-mail: jo.jones@shropshire.gov.uk

Tel: 01743 254343

Summary

This report analyses the actual levels of individual local authority maintained schools' balances as at 31 March 2022 and compares these with the previous year's position.

Recommendation

This report is for information only.

REPORT

Background

1. Shropshire maintained schools' surplus balances at the end of each financial year are carried forward and earmarked specifically for each individual school's use. Multi-academy trusts will have their own arrangements for the treatment of individual academy balances.
2. Deficit balances of Shropshire maintained schools are also carried forward and set against the individual school's budget for the following year. Any maintained school planning in a deficit budget is required to agree a licensed deficit arrangement with the local authority stipulating how and when the school will move out of a deficit position. Academies in a similar position will make arrangements with the Education and Skills Funding Agency (ESFA).

3. All such requirements for Shropshire maintained schools are contained within Shropshire's approved Scheme for the Financing of Schools (available on the Shropshire Council website at <https://shropshire.gov.uk/media/7107/scheme-for-the-financing-of-schools.pdf>). Whilst Shropshire's Scheme no longer includes a schools' balance control mechanism, maintained schools holding an excessive surplus balance will be required to provide a clear plan of how it will be used to benefit pupils.

Actual levels of maintained schools' balances as at 31 March 2022

4. The overall aggregate level of school balances held by maintained schools in Shropshire has increased over the last financial year by £880,017 (17%) to a total balance of £6,212,979.
5. A summary is provided in the table below:

	March 2021 Number of Schools	Balance March 2021	March 2022 Number of Schools	Balance March 2022	Variance	
					£	%
Primary Schools						
In Deficit	2	-10,203	3	-19,520	-9,317	91%
In Surplus	82	5,567,677	80	6,309,930	742,253	13%
Net Total	84	5,557,474	83	6,290,410	732,936	13%
Secondary (inc All-Through) Schools						
In Deficit	1	-437,621	1	-435,694	1,927	-0.44%
In Surplus	0	0	0	0	0	0%
Net Total	1	-437,621	1	-435,694	1,927	-0.44%
Special Schools						
In Deficit	1	-53,198	0	0	53,198	-100%
In Surplus	1	266,307	1	358,263	91,956	35%
Net Total	2	213,109	1	358,263	145,154	68%
All Schools						
In Deficit	4	-501,022	4	-455,214	45,808	-9%
In Surplus	83	5,833,984	81	6,668,192	834,208	14%
Net Total	87	5,332,962	85	6,212,979	880,017	17%

6. During the financial year 2021-22, one primary school and one special school transferred to academy status taking the total number of Shropshire maintained schools from 87 at 31 March 2021 to 85 at 31 March 2022.

Maintained Schools Surplus Balances

7. Overall surplus balances have increased by £834,208 (14%) during the year, not as large as the increase in the previous year. The increase in overall surplus balances in 2021-22 relates to the primary and special school sectors. The two academy conversions also relate to these sectors.
8. Primary school surplus balances increased by £742,253 (13%). There are no secondary school surplus balances and special school surplus balances increased by £145,154 (68%) over the year.

Maintained School Deficit Balances

9. Overall deficit balances have decreased by £45,808 (-9%). Deficit balances have increased in the primary sector and decreased in the secondary and special sectors.
10. Primary school deficit balances increased by £9,317 (91%) over the 2021-22 financial year. The number of primary schools in deficit increased to three (schools new to deficit). The two schools in deficit at 31 March 2021, fully repaid their deficits in 2021-22.
11. Of the three primary schools in deficit at 31 March 2022, all moved into a deficit position during the year. None of the schools had a licensed deficit agreement with the local authority. Appropriate support and challenge are being taken with these schools to ensure the unlicensed deficit positions are fully addressed in 2022-23.
12. Secondary school deficit balances decreased overall by £1,927 (-0.44%) over the year. This relates to one secondary school.
13. Special school deficit balances decreased over the year due to the remaining maintained special school converting to academy status. The school converted on 1 April 2021 and once all the outstanding transactions were finalised, and the final closedown figure determined, the deficit was paid off.
14. Financial monitoring meetings will be held between the local authority and the schools with year end deficit balances where appropriate. As and when necessary, headteachers, school business managers and chairs of governors/chairs of finance will be called in to meetings with the Principal Education Improvement Adviser to discuss the budget position at the school.
15. Maintained schools are now submitting three year budget plans which are being discussed with the local authority in the event that they are indicating issues in schools maintaining a balanced and sustainable budget position. Again, call in meetings will be arranged in the few cases where actions are required to address this.

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Schools Forum

Date: 30 June 2022

Time: 8:30 to 10.30 am

Venue: Virtual via
Microsoft (MS) Teams

Paper

D

Public

Growth Fund Allocations 2021-22 and 2022-23

Responsible Officer Phil Wilson

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Tel: 01743 254344

Summary

Growth funding for schools is provided through local authorities' Schools Block national funding formula allocations. Introduced in 2019-20, growth funding is allocated to local authorities using a formulaic method based on lagged growth data.

Growth funding enables local authorities to support schools, including academies, with significant in-year pupil growth which is not otherwise immediately recognised by the lagged funding system.

The growth fund can be used to:

- support growth in pre-16 pupil numbers to meet basic need
- support additional classes needed to meet the infant class size regulation
- meet the costs of new schools.

Recommendation

Schools Forum is asked to:

- note the individual allocations made to schools from Shropshire's Growth Fund in 2021-22 and the use of the year end underspend to support the ongoing pressure on the Dedicated Schools Grant (DSG) High Needs Block
- note the current allocations from Shropshire's 2022-23 Growth Fund.

REPORT

1. Growth funding enables local authorities to support schools with significant in-year pupil growth, which is not otherwise immediately recognised by the lagged funding system.

2. The Growth Fund for schools is provided within local authorities' Schools Block allocations as part of the DSG, calculated through a national formula based on lagged pupil growth data. Shropshire received Growth Fund allocations of £959,993 in 2021-22 and £910,113 in 2022-23.
3. In November 2018, Schools Forum agreed the Growth Fund element of the Schools Block be held centrally and allocated for growth funding directly to Shropshire schools meeting the Department for Education's (DfE's) eligibility criteria.
4. The DfE allows the Growth Fund to be used to:
 - support growth in pre-16 pupil numbers to meet basic need
 - support additional classes needed to meet the infant class size regulation
 - meet the costs of new schools.
5. The DfE states that the Growth Fund may not be used to support:
 - schools in financial difficulty
 - general growth due to popularity, which is managed through lagged funding.
6. In line with the DfE's expectations for allocating the Growth Fund, Shropshire's Schools Forum agreed the following in November 2018:
 - where the predicted numbers for a school (excluding nursery classes and post-16) for the following September show an increase, due to basic need, requiring the running of additional classes they may be able to access additional funding
 - where schools have chosen to admit above their Published Admission Number (PAN) to meet parental preference from outside their agreed planning area, and not basic need, they will not be eligible to receive funding from the Growth Fund in recognition that the local authority could have secured places for the children concerned at other schools
 - the requirement for additional classes or forms of entry will be reviewed on a case by case basis
 - allocations will be based on appropriate costs of resourcing additional classes
 - initial growth funding requests will be evaluated using admission data and demographic forecasts to aid schools with budget setting - where there is uncertainty or disagreement around the predicted pupil numbers, funding will not be allocated until receipt of the actual October census data
 - in instances where actual growth was at lower levels than original estimates, schools will not be subject to claw-back on any funding already allocated
 - for maintained schools any growth funding is available to the end of the financial year, while for academies any growth funding is available to the end of the academic year

- to avoid double funding, any maintained primary school attracting funding from the Growth Fund will not receive funding from the de-delegated pupil growth contingency in that financial year.

Growth Fund allocations to Shropshire schools in 2021-22

7. For the qualifying secondary schools, the funding of each additional form of entry was set at £48,000 for the seven month period September 2021 to March 2022.
8. For the qualifying primary schools, the funding for each additional classroom was set at £40,000 for the seven month period September 2021 to March 2022.
9. Eligible academies are also entitled to growth funding for the period April 2022 to August 2023. This will be funded from Shropshire's 2022-23 Growth Fund allocation based on £30,000 per additional classroom for primary academies and £35,000 per additional form of entry for secondary academies.
10. Reviews of secondary and primary school pupil allocations for September 2021 identified 2 secondary academy schools were eligible for growth funding in 2021-22 (total £96,000), with another 4 secondary academies receiving funding for the summer term having been allocated growth funding in 2020-21 (total £140,000).
11. The total available from the Growth Fund in 2021-22 was £438,187 leaving £202,187 remaining as unspent at the financial year end. The underspend can either be carried forward into 2022-23 for Growth Fund or used to offset pressures on any other area of spend within the 2021-22 DSG. Shropshire's Growth Fund underspend in 2021-22 has been used to further support the High Needs Block.

Growth Fund allocations to Shropshire schools in 2022-23

12. Shropshire's Growth Fund allocation within the Schools Block of the DSG in 2021-22 is £ 910,113. At the point of allocating the Schools Block for 2022-23 to Shropshire schools and academies, Schools Forum supported the transfer of 0.5% of the total Schools Block to the High Needs Block to support the ongoing pressures on this budget area. The 0.5% transfer of £949,076 included £544,045 of the Growth Fund element of the Schools Block, leaving £366,068 for Growth Fund allocations to eligible schools and academies in 2022-23.
13. Initial reviews of secondary and primary school pupil allocations for September 2022 has identified 2 primary schools (of which one is an academy) and 2 secondary academies eligible for growth funding, while 2 secondary academies will receive funding from the 2022-23 growth allocation for the summer term 2022 relating to pupil growth from September 2021.
14. A new mainstream primary school will be opening in September 2023 in west Shrewsbury, to be operated by The 3-18 Education Trust. The Trust is eligible of draw down pre-opening costs from the Growth Fund. These costs will be split across the 2022-23 and 2023-24 Growth Funds. A total of £180,000 has been budgeted - £100,000 in 2022-23 and £80,000 in 2023-24.

15. Any Growth Fund balance remaining at the end of 2022-23 can either be carried forward in 2023-24 for growth or used to offset pressures in other areas of the 2022-23 DSG.



Schools Forum

Date: 30 June 2022
Time: 8.30 am to 10.30 am

Venue: Virtual via Microsoft
(MS) Teams

Paper

E

Public

Implementing the Direct National Funding Formula – Government Consultation

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Summary

On 7 June 2022 the Department for Education (DfE) launched the next stage of their consultation on reforms to the National Funding Formula (NFF), seeking views on their approach to implementing the 'direct' NFF for mainstream schools.

This follows the first stage of the consultation in the summer of 2021 – '*Fair school funding for all: completing our reforms to the National Funding Formula*' - which focused on the principles of moving to a direct formula. The DfE published their response to this first consultation in March 2022, confirming their commitment to the introduction of the direct NFF.

This further consultation is for local authorities, schools and academy trusts, and any other interested organisations and individuals. Responses have to be submitted by **9 September 2022**.

Recommendation

That Schools Forum consider the DfE's consultation on '*Implementing the Direct National Funding Formula*' and how the response is taken forward as Schools Forum's next meeting is after the closing date for submissions.

REPORT

Background

1. The DfE launched a consultation on 8 July 2021, in what was presented as the first stage of a process of seeking views on their approach to completing the move to a direct or 'hard' NFF, completing the reform of school funding that was started with the introduction of the NFF in 2018-19. It was made clear that following this first stage of consultation and based on the feedback from this, a further and more detailed and technical consultation would take place. This paper briefs Schools Forum on this next stage of consultation which was launched on 7 June 2022 under the title '*Implementing the Direct National Funding Formula*'.

2. Schools Forum received and considered a report on the first stage of the consultation on '*Fair school funding for all: completing our reforms to the National Funding Formula*' at their meeting on 16 September 2021.
3. In their response to the first stage of the consultation the DfE has advised that:
"The majority of respondents (59%) were in favour of the Secretary of State allocating funding for all pupil-led and school-led factors as part of the direct NFF. This funding would be allocated directly to schools, without further adjustment by LAs. There also was strong support for our proposals for transitioning towards the direct NFF, by requiring LAs to use each of the NFF factors from 2023-24 and move their local factor values closer to the NFF factor values by 10%."
4. The full DfE response to the consultation is available at [Completing the reforms to the National Funding Formula - government consultation response \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)
5. As a consequence, they have indicated that:
"The Department will implement the direct NFF where all mainstream schools funding would be allocated on the basis of a single national formula, replacing the current system where LAs allocate funding. To get there, the Department will require LAs to use each of the NFF factors, and only NFF factors, and move their factor values at least 10% closer to the NFF in 2023-24."
6. The consultation survey can be accessed at: [Implementing the direct national funding formula - Department for Education - Citizen Space](#) ,
while the full consultation document is available at: [Implementing the direct national funding formula - government consultation \(education.gov.uk\)](#)
7. A summary of the 25 questions in the consultation are appended to this report – Appendix 1. Schools Forum are invited to consider these questions and to provide an initial view to inform a response that will be submitted on their behalf by the closing date of 9 September 2022. As Schools Forum do not meet again until 15 September, they are asked to consider how a formal response is taken forward.
8. The consultation document states that the move to a direct NFF supports the objective set out in the schools white paper '*Opportunity for all*'. A change will be required in legislation to allow the Secretary of State to determine schools' funding allocations directly. This proposal therefore forms part of the Schools Bill which was introduced to Parliament on the 11 May 2022. A Schools Bill Factsheet is attached to this report at Appendix 2, which will help Schools Forum in understanding the specifics of the proposed reforms .

Proposals

9. The *'National Funding Formula Reforms: Schools Bill Factsheet'* in Appendix 2 provides helpful context to the potential impact of the proposed reforms, which can be summarised as:
- a duty will be placed on the Secretary of State to determine funding for all mainstream schools (both academies and maintained schools) through a single, directly applied NFF, with freedom and flexibility to modify this formula annually as needed
 - the schools NFF will determine the core funding allocations for Reception through to Year 11
 - the Secretary of State will have flexibility in the future to fund special and alternative provision schools directly through their own formula
 - the Secretary of State will have the power to request information from LAs and academies on pupil numbers, school reorganisations (planned school closures and mergers), planned school expansions and on school split sites – this is to enable them to determine the annual schools NFF
 - the LA will be able to apply to the Secretary of State to reallocate funding between NFF blocks in order to meet local funding pressures, replacing the power to transfer 0.5% of the Schools Block to the High Needs Block (the 'block transfer')
 - instances where LAs can continue to allocate schools' funds are likely to be limited to Private Finance Initiative (PFI) contracts and funding for in-year increases in pupil numbers in local schools
 - LAs will continue to receive funding for other education provision, in particular:
 - high needs funding for pupils with SEND in special and independent settings (including alternative provision), as well as top funding for pupils with SEND attending mainstream schools
 - central school services to both maintained schools and academies such as admissions and monitoring school attendance
 - early years funding to provide early years entitlements for 2 to 4 year-olds
 - LAs will receive a 'locally-determined education budget' in order to deliver their education responsibilities which will include:
 - 'locally-determined supplementary funding' where the Secretary of State determines LAs are best placed to determine funding in line with their other duties
 - other local education expenditure, covering high needs, early years and central school services
 - the continued ability to 'de-delegate' funding from maintained schools' budgets to fund central services for these schools

- Schools Forums' advisory role will be limited to supplementary school allocations and other locally-determined education expenditure (early years, high needs and central school services), and they will no longer advise on setting local formula for core schools funding
 - other funding streams including Pupil Premium, PE and Sport Premium and post-16 funding, are not in the scope of these reforms
 - no 'end date' has been set for the full implementation of the reforms
 - high needs funding will continue to be allocated through the high needs NFF, consisting of 12 formula factors – the Government will be reviewing how high needs funding is allocated, in the light of the SEND Review green paper
 - the current early years funding system will remain in place
 - the ongoing responsibilities element of the Central School Services Block is being reviewed as part of the consultation exercise this summer.
10. The 25 questions in the consultation – see Appendix 1 – cover a range of areas, including:
- the flexibility in transferring funding to high needs – Shropshire has in recent years transferred the maximum 0.5% of funding from the Schools Block to High Needs Block
 - indicative SEND budget – in mirroring the NFF since 2018-19, the issue of whether this is set locally has effectively already been agreed by Shropshire Schools Forum
 - growth and falling rolls funding – this has not historically been a significant issue in Shropshire
 - premises funding – the questions focus on split sites, which again has not been an area of significant spend in Shropshire
 - allocation of funding – focus on split sites is not particularly relevant to Shropshire at present
 - the minimum funding guarantee (MFG) under the direct NFF – quite technical questions that need further work to fully understand and respond to
 - the annual funding cycle – further work required to fully understand and respond to these questions.
11. The authority will be looking to the draft response of the f40 lobby group on this consultation, to inform and advise on the response on behalf of Shropshire Schools Forum. It is hoped that this initial response might be available before the end of term. The fact that Shropshire has mirrored the NFF for the last 4 years would suggest that the proposals will critically have little or no negative impact on Shropshire schools and academies, particularly during any transitional period to the full implementation of the direct NFF.



Department
for Education

National Funding Formula Reforms

Schools Bill Factsheet

May 2022

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Schools Bill Factsheet: National Funding Formula Reforms

What is the government's policy objective?

In our 2016 consultation on the national funding formula (NFF), we consulted on the principles which should underpin a new school funding system. The majority of the sector supported the principles of a funding system for mainstream schools that:

- **supports opportunity** – every child is given the same opportunities, based on a consistent assessment of their needs
- **is fair** – each mainstream school should be funded on the same objective measures of need, wherever it is in the country
- **is efficient** – a single national formula through which funding is matched to relative need means that resources can be distributed across the system as efficiently as possible
- **gets funding straight to schools** – empower school leaders to drive up academic standards by maximising the resources available for teaching and learning
- **is transparent** – a single national formula will mean that the funding an individual school receives and the basis on which it was calculated will be transparent to all in the system
- **is simple** – one national formula is simpler to understand and engage with than 150 different local formulae
- **is predictable** – a single national funding approach will create greater predictability in funding, supporting the system to make best use of resources

The directly applied NFF is the only way to ensure that schools funding fully reflects all these principles.

What does this measure do?

This measure places a duty on the Secretary of State to determine funding for all mainstream schools (both academies and maintained schools) in England through a single, directly applied national funding formula. The government will use the schools NFF to decide how much core funding to allocate for 5–16-year-old pupils (reception through to Year 11) in mainstream state-funded schools in England. This will make funding fairer and more consistent for mainstream schools, no matter which local authority they are in.

The introduction of the NFF

The introduction in 2018-19 of the NFF for mainstream schools was a crucial step towards a fairer funding system and replacing the postcode lottery of the past. The schools NFF calculates an allocation for each school, based on pupil numbers and characteristics from the school census (a data collection that happens three times a year – we currently use the October census).

At present, the NFF is made up of 14 ‘factors’ that relate to pupil or school-led characteristics. Each factor has a ‘factor value’ which determines how much funding a particular characteristic attracts (for example, £3,217 for every primary age pupil; and an additional £1,060 for each pupil entitled to free school meals¹ in 2022-23). Factors and their associated factor values are subject to change each year to respond to changing priorities and circumstances.

The NFF was introduced as a “soft” NFF, whereby a formula calculates a notional allocation for every school in England, which the government aggregates for all the schools in each local authority to create a total allocation for that local authority. Local authorities then set their own local formulae to distribute their total allocation between all the schools in their area. Schools (both maintained schools and academies) receive their budget allocation based on their local authority’s formulae. This means that while the NFF determines how much money a local authority receives, it is the local authorities’ own formulae that determine how much each school finally receives. Therefore, an individual school’s funding can, and often does, vary from that which the NFF itself allocates, resulting in continued differences in individual funding levels across the country.

The “direct” NFF

Our intention since the introduction of the NFF has always been to move in time to a “direct” NFF in England where every school’s final funding allocation is determined by the same, national formula, and no longer be subject to further adjustment from one of 150 local authority formulae.

This measure will allow the government to fulfil the commitment to move to a direct NFF, ensuring that funding is distributed solely on the basis of schools’ and pupils’ characteristics and not affected by which local authority the school happens to be in. This will mean the funding system is fair for every school, with funding matched to a consistent assessment of need.

This measure allows for local authorities to continue to allocate some aspects of schools’ funding where the government judges that is necessary because local authorities have

¹ This includes both current FSM and Ever6 FSM entitlement.

the most detailed knowledge about the needs of their local schools. We expect this supplementary funding to be limited to use where the local authority has a Private Finance Initiative (PFI) contract for that school, or where the local authority asks a school to provide additional school places to meet its sufficiency duty.

Local education funding

This measure will also provide for the Secretary of State to continue to fund local authorities for other education provision, alongside the funding local authorities receive for mainstream schools through the direct NFF, and the supplementary funding they receive to distribute to maintained schools and academies. This is funding for high needs, central school services and early years, allocated for the following:

- local authorities use high needs funding to provide for pupils with SEND in special and independent settings (including alternative provision), as well as to top up funding for pupils with SEND who attend mainstream schools
- local authorities receive funding for central school services for their ongoing responsibilities for both maintained schools and academies such as admissions, or monitoring school attendance
- local authorities receive early years funding to provide the early years entitlements for 2–4-year-olds

Consultations

We have consulted with stakeholders in the education sector at every stage of the process of implementing a soft NFF and as we transition to a direct NFF:

- **Schools national funding formula government consultation response (2016)**
We set out the principles and approach for our funding system.
(https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/577357/Schools_national_funding_formula_government_consultation_response_stage_1.pdf)
- **Analysis of and response to the schools national funding formula consultation (2017)**
We outlined our approach to a schools NFF and the factors that would be used to determine funding.
(https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/648553/Schools_national_funding_formula_consultation-response.pdf)
- **Fair school funding for all: completing our reforms to the National Funding Formula (2021)**
We consulted on the implementation of a directly applied NFF and how we would

transition from the current system to achieve this.

(https://consult.education.gov.uk/funding-policy-unit/completing-our-reforms-to-the-nff/supporting_documents/Fair%20Funding%20For%20All%20Consultation.pdf)

- **Completing the reforms to the National Funding Formula (2022)**

In this government response to the 2021 consultation, we confirmed our approach to transitioning to a direct NFF, requiring local authorities to use all NFF factors, and bring their factor values 10% closer to the NFF.

(https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1062107/Completing_the_reforms_to_the_National_Funding_Formula_-_government_consultation_response.pdf)

Before Summer 2022, we will be publishing a second stage consultation detailing how the direct NFF will be implemented.

Why is legislation needed?

Under a direct NFF, there will be new roles and responsibilities for the Secretary of State and local authorities in relation to school funding. The legislative framework will place a duty on the Secretary of State to determine a funding formula for mainstream schools, with the freedom and flexibility to modify this formula annually as needed. The legislation will fund academies and maintained schools on a consistent legal basis, replacing the existing provisions in the 1998 School Standards and Frameworks Act which only apply to maintained schools.

Legislation will replace some of the existing provisions in the School Standards and Framework Act 1998, so far as they apply in England, and will make some consequential changes to sections of the 1998 Act that will remain in place to make sure these sections continue to work alongside our new framework in England. The Secretary of State will also have flexibility to include other types of schools in future. This will allow the Secretary of State to fund special and alternative provision schools directly, through their own formula, in future, should that be appropriate.

What is the effect of the legislation?

The measure will mean that the Secretary of State in relation to England:

- must determine funding for all mainstream schools through a single, national funding formula
- must pay this funding to academy trusts and to local authorities for maintained schools
- has the power to request information from local authorities and academies, such as pupil numbers, information on school reorganisations (planned school closures)

and mergers), planned school expansions, and information on whether a school has split sites

- has the ability, on application of the local authority, to reallocate funding from the NFF allocations to local education budgets in order to meet local funding pressures (most likely relating to high needs), in place of the current “block transfer” mechanism

This measure will mean that local authorities:

- will have a local education budget (“locally-determined education budget”) in order to deliver their education responsibilities, which will be provided by the Secretary of State
 - this includes providing any supplementary funding provided to schools (“locally-determined supplementary funding”) where the Secretary of State determines that local authorities are best placed to determine funding in line with their other duties
 - and includes spending on and other local education expenditure, covering high needs, early years, and central school services
- can continue ‘de-delegation’, which is where local authorities can deduct funding from maintained schools’ budgets to fund central services for those schools

This measure will mean that Schools Forums:

- will retain their responsibilities around local education spending, with both supplementary school allocations and other locally-determined education expenditure (early years, high needs, central school services)
- will no longer advise on setting local formula for core schools funding

This measure involves making some changes to existing legislation (Chapter 4 of Part 2 of the School Standards and Framework Act 1998).

How will this work in practice?

Nationally-determined funding

The Secretary of State will determine how much funding each mainstream school will receive, calculated through the schools NFF.

The formula will be reviewed each year. The Secretary of State will publish the formula with the values attached to each factor and notify schools in advance of the funding period which the funding relates to.

In the current NFF, the vast majority of funding is distributed on the basis of pupil numbers and pupils’ characteristics, which ensures that resources are delivered where they are needed most. In 2022-23, 75.4% of the schools NFF was allocated through basic per pupil funding, which every pupil attracts. A further 17% (£6.7bn) of all funding was allocated through additional needs factors based on deprivation, low prior

attainment, English as an additional language and mobility, because evidence shows that pupils with additional needs are more likely to fall behind and need extra support. Small and remote schools attract additional funding through the sparsity factor. The NFF also includes funding protections - a minimum per pupil level to target funding to the lowest funded schools, and a funding floor to protect schools against excessive losses in their per-pupil funding, compared to the previous year. The Secretary of State will have flexibility to amend the formula annually to ensure the government can adapt to changing circumstances and priorities.

Schools funding, as determined by the Secretary of State, will then be allocated to academies by the Education and Skills Funding Agency (ESFA) and to maintained schools by their local authorities.

Local authorities and those in charge of schools will be required to provide information to the Secretary of State as requested to enable schools NFF funding to be determined. This replaces the existing Authority Proforma Tool (APT) process where the government collects data required for schools funding in addition to the school census. This may include pupil numbers, particularly in cases of new and growing schools; information on school reorganisations such as planned school closures and mergers; planned school expansions to meet basic need; and information on whether a school is split over more than one site, to underpin the provision of additional “split sites” funding.

As set out in the SEND Review ‘Right Support, Right Place, Right Time’ Green Paper, the government is committed to further support and reform to the SEND system so that local authorities’ high needs budgets can reach a position of financial sustainability. We recognise that, in advance of the SEND Review reforms realising their full impact, some local authorities face a mismatch between their high needs funding and the pressures on their high needs spending (for example because of the particular nature of SEND provision in their local area). Currently, local authorities can have flexibility to transfer funding from mainstream schools funding to high needs – this is known as a “block transfer”. This legislation provides a new mechanism, in place of the current block transfers, that will allow for the Secretary of State to reallocate funding from schools’ national funding allocations to local authorities’ high needs budgets, on application of the local authority. We will be consulting on the implementation of this mechanism in the second stage direct NFF consultation.

Additional funding streams that schools may receive, such as the Pupil Premium (additional funding for disadvantaged pupils) or PE and Sport Premium, are distributed separately to the schools NFF and therefore not in scope for this measure. Moreover, there is a separate post-16 national funding formula, which also is not in scope of this measure.

In our 2021 consultation, 'Fair school funding for all: completing our reforms to the National Funding Formula'², we set out our approach to implementation of a direct NFF. We proposed to take a measured approach to transition, and at this stage we are not setting an "end date" for full implementation until we have reviewed the impact of moving local authorities' local formulae progressively closer towards the NFF. We believe this will allow us to achieve greater fairness and consistency in funding, but also providing the opportunity to consider the impact of each step before making the next move.

Locally-determined funding

The Secretary of State will allocate funding to local authorities to spend on their other education provision ("locally-determined education budget"). One element of this could be school supplementary funding, to be provided to schools as determined by local authorities ("locally-determined supplementary funding"), in circumstances where the Secretary of State believes local authorities are better placed to determine the amount of funding each school should receive, and which local authorities must pass on to schools. While the vast majority of funding for schools will be allocated through the nationally-determined funding, in some cases, it may be appropriate for the Secretary of State to require local authorities to provide schools with supplementary funding linked to their existing duties and responsibilities. Examples may include funding for schools have significant in-year increases in pupil numbers, linked to local authorities' sufficiency duty, or funding for PFI, linked to local authorities' role in managing existing contracts.

In addition, local authorities will allocate other local education funding ("other locally-determined education expenditure") which funds early years, high needs (covering both special schools and high-needs top ups in mainstream schools) and central school services. We will retain regulations and restrictions on how local authorities can spend this funding.

Schools forums will continue to play an advisory role in determining this funding.

Key questions and answers

What does this mean for high needs funding?

Local authorities will continue to be responsible for funding high needs in England. This funding supports provision for children and young people with special educational needs and disabilities (SEND) from ages 0-25 years. It also supports alternative provision (AP) for pupils of compulsory school age who, because they have been excluded or

² https://consult.education.gov.uk/funding-policy-unit/completing-our-reforms-to-the-nff/supporting_documents/Fair%20Funding%20For%20All%20Consultation.pdf

suspended, or because of illness or other reasons, cannot receive their education in mainstream or special schools.

Funding for high needs will continue to be allocated to English local authorities through the high needs national funding formula (NFF). The formula consists of 12 factors designed to indicate the level of need within a local authority.

The measure provides flexibility to bring other types of schools in scope, creating the possibility of a directly applied high needs NFF in future. We will be reviewing how high needs funding is allocated, in light of the SEND Review Green Paper, and this measure will allow us to implement the outcomes of that consideration.

What does this mean for early years funding?

The current early years system will remain in place in England, with early years funding for local authorities' 2–4-year-olds education entitlements calculated through an early years national funding formula, which includes the following:

- the 3-4-year-olds formula is made up of a universal hourly base rate factor and funding supplements, including a mandatory deprivation supplement, and discretionary rurality or sparsity, flexibility, quality, and English as an additional language supplements; there is a separate formula that sets the hourly funding rates for 2-year-olds
- maintained nursery schools (MNS) receive supplementary funding to enable local authorities to protect their 2016 to 2017 funding rates for the universal 15-hour entitlement used prior to the introduction of the EYNFF
- the disability access fund (DAF) supports eligible disabled children's access to the entitlements for 3 and 4-year-olds. Funds could be used to support providers in making reasonable adjustments to their settings for example
- the early years pupil premium (EYPP) gives providers additional funding to support disadvantaged 3 and 4-year-old pupils, if a child receives the universal 15 hours entitlement and meets the eligibility criteria (such as their family receives income support or they are a looked after child)

What does this mean for central schools services funding?

Central School Services are the ongoing services that are delivered for all schools, such as admissions and attendance monitoring. They will continue to be provided by local authorities and funded through central school services government funding in England. This is calculated using a simple per-pupil formula where 90% of funding is distributed through a basic per-pupil factor, and 10% of funding through a deprivation factor based on the proportion of pupils eligible for free school meals within the past six years (FSM6) in mainstream schools. Both elements are adjusted for area costs.

We plan to review the services funded through the ongoing responsibilities element of CSSB and will include further details in our second stage consultation due to be published in Summer 2022.

How does the schools NFF determine funding for mainstream schools?

Details of the national funding formula for England can be found here: [National funding formula for schools and high needs - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/policies/national-funding-formula-for-schools-and-high-needs). The majority of funding that goes through the schools NFF is 'pupil-led', meaning that it is calculated based on the number of pupils in the school and their characteristics. Pupils attract funding to their school for all the factors for which they are eligible. All schools get a basic amount for each pupil (with different amounts for different ages), and attract extra funding for pupils with additional needs, including disadvantage, low prior attainment, English as an additional language and pupils who have joined at a non-standard point in the school year (mobile pupils).

Schools also receive 'school-led' funding, based on the characteristics of the school itself. This includes a lump sum for every school, and extra funding for schools with certain characteristics, such as a school that operates across more than one site (split sites), a school with a PFI contract, a school with certain exceptional circumstances, or a school that is particularly small and remote.

An area cost adjustment (ACA) is applied to funding allocations to reflect higher costs in some parts of the country, due to differences in salary costs.

Finally, the formula offers two different forms of protections for schools. The minimum per pupil level guarantees a minimum amount of funding for every pupil – if a school's allocation is below the minimum per pupil level, they receive a top up to reach the minimum level. The funding floor protects schools from excessive year-on-year funding decreases in funding.

Part 2: Additional detail on delegated powers

Overview

This section outlines the delegated powers required to operate the new funding framework that delivers our reforms to achieve fairer funding for schools. The approach to delegated powers is largely based on the existing primary legislation on school funding (in Chapter 4 of Part 2 to the School Standards and Framework Act 1998 or ‘SSFA 1998’) that relies on parameters and controls set out in secondary legislation. This approach allows us to establish a long-term and flexible funding framework for schools in England. The delegated powers this note will cover are:

1. [The power to apply a national funding formula to non-mainstream schools \(which would otherwise be funded locally\)](#)
2. [The power for the Secretary of State to fund schools outside the NFF in exceptional circumstances](#)
3. [The power to require local authorities to provide schools with supplementary funding](#)
4. [The power to require local authorities to determine and administer other locally determined education expenditure](#)
5. [The power for local authorities to apply to the government to move funding from schools’ national formula allocations to locally determined education budgets](#)
6. [The power for local authorities to make budget adjustments for excluded pupils](#)
7. [The power to allow deductions from maintained schools’ core budgets for pooled education expenditure](#)

Some of these powers (such as adjustments for excluded pupils, or controls on how local authorities can use their funding) are similar to delegated powers relating to maintained school funding in the SSFA 1998, and we anticipate continuing to make broadly similar annual regulations to those made by School and Early Years Finance Regulations (SEYFRs). While other delegated powers relate to the Secretary of State’s new funding duty, including the power to add in other types of school to the scope of this duty.

This approach allows the Secretary of State to adjust and adapt the operation of the funding system to respond to changing situations and policy. As is current practice, we would continue to make one set of funding regulations and consult on any significant changes to the funding system. This will allow experts – such as local authorities and school business professionals – to effectively scrutinise the implications of these technical changes and updates.

The power to apply a national funding formula to non-mainstream schools (which would otherwise be funded locally)

What does this delegated power do?

The government is committed to funding mainstream schools through the NFF determined by the Secretary of State as this will make funding fair, simple and transparent. This delegated power enables this to be extended to a wider group of schools. If used, it would place a duty on the Secretary of State to determine, through a national formula, allocations of funding to certain types of school that are not mainstream maintained schools or academy schools (specifically, maintained and non-maintained special schools, special and alternative provision academies, and pupil referral units). The Secretary of State would be able to determine different formulae for non-mainstream schools to the formula determined for mainstream schools.

Otherwise, where the Secretary of State does not determine funding allocations for such schools, the schools would be exclusively funded locally, through local authorities' locally determined education budgets, albeit in accordance with the regulations that limit how that budget is spent.

How does the government intend to use this power?

The government does not currently have specific plans to introduce a similar schools NFF for types of schools other than mainstream schools. The SEND and Alternative Provision Green Paper, Right support, right place, right time, published on the 29 March 2022 (SEND Green Paper), however, proposes a national framework covering standards and funding for provision. This power would support the implementation of a new funding system that includes the determination of special and alternative provision schools' allocations using a national formula, should that be one of the outcomes of the current SEND Green Paper consultation.

Before exercising this power, one or more separate national funding formulae would need to be developed for the different categories of school. The development of such formulae would include public consultation including with the schools affected, as well as local authorities and other stakeholders (as occurred, for example, with the development of the NFF for mainstream schools).

The inclusion of this power in the Bill is therefore to ensure that the new funding framework can accommodate reforms that may come about as a result of the SEND Green Paper, and that the benefits from directly funding schools could be applied to a wider range of state-funded schools in the future.

Further information about the implementation of the SEND Green Paper proposals will be published after the conclusion of the consultation.

Will there be any further consultation on this issue?

In the event that the government develops firm plans to use this power, as noted above, we would do so through careful consultation with the affected schools and other interested bodies, including on the design and detail of the funding formula for determining schools' allocations of funding.

Key questions and answers

Why don't you apply clause 33 to special schools from the outset? After all they currently receive £10,000 per place.

It will be vital that the funding system for special schools properly supports the wider reforms we will make to SEND and alternative provision, and it is important that we do not pre-empt the decisions that we will be making following the SEND Green Paper consultation.

Why haven't you included independent special schools in Part 2 on school and local education funding?

The SEND Green Paper makes a number of proposals that could impact on independent special schools, in particular that national funding bands and tariffs would apply across the breadth of education provision in the SEND system, including places in independent specialist provision. Following the SEND Green Paper consultation, there will be more work to do to understand how the wider SEND and alternative provision system changes should apply to independent schools, and whether further legislative changes might be appropriate. For now, we do not intend to bring independent schools into the scope of this part of the legislation.

The power for the Secretary of State to fund schools outside the NFF in exceptional circumstances

What does this delegated power do?

The NFF exists to ensure that schools are fairly funded according to pupils' and schools' need. However, there may be instances when the NFF would not be suitable to fund a school, as their special circumstances cannot appropriately be addressed in the formula.

This power allows the Secretary of State to calculate the national formula allocation for a school, outlined in Regulations, on a different basis than the NFF, where the Secretary of State considers there are exceptional circumstances that mean that the NFF would not be an appropriate way to determine the school's allocation for a funding period.

How does the government intend to use this power?

Currently, there are a small number of schools which are not funded by the NFF but rather specific arrangements which satisfy the special circumstances of these schools. We would want to continue to fund some of these schools outside the NFF if the schools' circumstances and the scope of the NFF stay the same. Below we set out the exceptional circumstances of three schools which we would currently expect this power to apply to.

- The Five Islands Academy on the Isles of Scilly is a small all-through school (including both primary and secondary provision) which serves the five islands, with primary bases on four islands and boarding facilities for secondary pupils who attend the secondary base on one of the islands. This is a unique situation in England.
- There are two City Technology Colleges (CTCs), Thomas Telford School and Emmanuel College CTC that are funded in accordance with their specific funding agreements, which pre-date and are different from the NFF. The government will continue to fund these schools outside the NFF for the foreseeable future, unless agreement is reached with the schools themselves that we should start funding them through the formula.

In almost all instances the government would continue to fund mainstream schools through the NFF, as this will achieve fair and consistent funding. This may not be appropriate in exceptional circumstances relating to the specific pupil and school characteristics of a particular school. We will not use this power to impact the funding of specific regions or local areas, nor as a systematic mechanism of providing funding to existing types of schools (beyond these two specific CTCs).

As above, in the future the Secretary of State may make regulations that extend the scope of national formula allocations to non-mainstream schools which would mean that the Secretary of State would be under a duty to determine the national formula allocations for these schools. It may be the case that a special school or alternative provision funding formula would not be suitable for a particular school due to the

exceptional circumstances of that school, and the government may need to fund that school on an alternative basis. As with mainstream schools, there would be a strong presumption towards funding all schools through the appropriate NFF, with alternative funding being reserved for a school with special circumstances.

Will there be any further consultation on this issue?

It is standard practice for the schools not currently funded by the NFF to be consulted on their funding allocation. Under the new funding arrangements, this practice of consultation will continue and will be a statutory requirement. Before making regulations in relation to a school under this power, there is a statutory requirement for the Secretary of State to consult the relevant school and (if a maintained school), the local authority.

The government would continue to review the special circumstances of the school, and whether the NFF would be a more appropriate funding mechanism.

Key questions and answers

Will you only ever calculate schools' allocation on a different basis in the case of the small number of schools you have named above?

The schools listed are those it may be appropriate for the Secretary of State to fund on an alternative, exceptional basis, unless and until their particular circumstances change in the future. The power is linked to a funding period and so the government will need to regularly review these schools. These also provide examples of the types of special circumstances where it might be appropriate for the Secretary of State to use this power.

We expect that these special circumstances will continue to arise in relation to a very small number of schools. In the future there may be other instances, where the Secretary of State considers that there are exceptional circumstances that make it appropriate for a school to be funded on a different basis to the formula in order to receive sufficient funding for those circumstances. We cannot at this stage say what circumstances those would be since it would depend on the specifics of the case, and the government needs the flexibility to adapt to any changing circumstances.

Why do you not just allow an adjustment to the formula for these schools?

The government has considered whether it would be viable simply to make an adjustment to the NFF for these schools, but it would not be possible to reflect the calculations which are made. For example, in the case of the two CTCs, their funding allocation is calculated for a wider age cohort than the NFF and covers their post-16 pupils as well as their 5-16 pupils.

Will this result in the Secretary of State being able to choose schools he would like to underfund?

The NFF will only be disapplied to ensure schools receive sufficient funding to address their specific, special circumstances. It will not be used to fund schools less than their NFF allocation would otherwise have been.

The power to require local authorities to provide schools with supplementary funding

What does this delegated power do?

The government intends for schools' NFF allocations to be determined, as far as is possible, by the Secretary of State at a national level. However, there may be some instances where the government is not be able to do this: for example, where this is related to specific roles and duties of local authorities, or where local authorities have better access to information that would allow them to determine the funding more accurately.

This delegated power gives the Secretary of State the ability to specify that, for schools which receive national formula allocations, some elements of their funding must be determined and administered by local authorities rather than by the Secretary of State. The Secretary of State can set limits and constraints in the regulations including requiring local authorities, to apply and/or disapply factors and criteria, to make certain determinations, and to set out the consultation process that local authorities must follow.

How does the government intend to use this power?

The government will use this power so that, where local authorities are best placed to determine a particular element of schools' funding, the Secretary of State can require them to do so.

The government has consulted extensively on the factors currently used within the NFF. Our recent consultation *Completing the Reforms to the NFF: Fair Funding for All Schools* included proposals for how specific factors within the NFF would need to change and develop in order to be allocated nationally. However, we recognise issues raised by respondents in relation to two elements of the formula, that are currently allocated at a local level, where it may not be appropriate for the Secretary of State to determine funding allocations for schools directly: funding for Private Finance Initiatives (PFI) contracts, and funding for schools seeing significant growth or falling numbers.

Funding for Private Finance Initiative (PFI) Schools

Currently, local authorities can use a PFI factor in their local funding formulae to support schools that have unavoidable extra premises costs because they are a PFI school, and to cover situations where the PFI 'affordability gap' is delegated to the school, and paid back to the local authority.

In our consultation *Completing the Reforms to the NFF*, we focused on improving the PFI factor so that allocations can be based on a consistent, objective assessment of current need. We recognise that a number of respondents raised concerns about the complexity of PFI contracts and the additional costs PFI schools incur. We are committed to ensuring that we fund PFI schools appropriately and will look at developing a new approach to PFI funding for schools, working closely with the sector, that reflects the variety of contracts and issues. Local authorities may be best placed to continue to

allocate funding in respect of the additional costs associated with PFI, as local authorities, as PFI signatories, have access to detailed contract information.

Funding for growth and falling rolls

Currently, local authorities can allocate ‘growth funding’ to schools who face a significant increase in the number of pupils they will educate that year, to bridge the gap before the school receives greater core funding the following year which takes into account the increase in pupil numbers. In addition, local authorities can allocate “falling rolls” funding for schools with declining pupil numbers, where local planning data shows that the surplus places will be needed within the next three financial years. More information on how the government currently allocates growth funding, and how local authorities can determine funding allocations to schools can be found in the NFF policy document for 2022 to 2023.

Local authorities may be best placed to continue to provide this funding, due to their role in local pupil place planning to ensure there are sufficient school places. In our response to the Completing the Reforms to the NFF consultation we said that we would consult further on a proposal to allow local authorities to retain their role in growth and falling rolls allocations – while still achieving greater fairness and consistency than the current system. In this case, the government would expect local authorities to determine and administer growth and falling rolls funding, but would place further regulations on the amount and criteria local authorities should use to ensure greater consistency in the allocation of growth funding.

Local authorities will be able to place terms and conditions on the funding made available to schools to ensure that it is spent appropriately.

Will there be any further consultation on this issue?

Yes. In line with current practice, the government will continue to consult extensively on the structure and factors within the NFF.

Our second stage consultation, Implementing the Direct NFF, will contain detailed proposals for our approach to growth funding, including a proposal to allow some continued local flexibility on how this funding is allocated to individual schools. The government also intends to consult on the approach to PFI in advance of implementation.

Key questions and answers

Will the duty to determine elements of schools funding apply to all local authorities?

Any duty on local authorities to determine and administer elements of schools’ funding would apply to all local authorities – the Secretary of State would not be able to specify certain local authorities that this would or would not apply to under this power. In practice, some local authorities will not need to determine additional funding, for example, if none of their local schools are subject to PFI contracts.

What about special and alternative provision schools?

As above, in the future, the Secretary of State may make regulations that add non-mainstream schools to the scope of national formula allocations; this would require the Secretary of State to determine the funding allocation for these schools through a formula. It may be the case that some aspects of funding for special or alternative provision schools would best be determined at a local level. This would be based on similar principle to the mainstream NFF, for example, where local authorities have better access to information that would allow them to determine the funding more accurately.

The power to require local authorities to determine and administer other locally determined education expenditure

What does this delegated power do?

This power enables the government to continue the current funding arrangements for high needs provision, early years provision and central services for schools.

This power gives the Secretary of State the ability to require that local authorities determine and administer education expenditure for 'other locally determined education expenditure'. This is education expenditure of a class or description set out in regulations and will include:

- funding for children and young people with special educational needs and/or disabilities (SEND) or who are in alternative provision
- funding for non-mainstream schools not receiving nationally determined funding
- funding for early years providers and nurseries
- other expenditure by local authorities for education purposes

The Secretary of State will be able to place regulations around how this budget can be spent, but it can also allow a local authority's schools forum (or equivalent) and/or the Secretary of State to 'disapply' limits and conditions set out in the regulations where local circumstance demands it.

How does the government intend to use this power?

Funding will continue to be provided to local authorities through a grant, as currently through the relevant 'blocks' of the Dedicated Schools Grant (DSG). This power broadly replaces the provision within s45A of the SSFA 1998 for local authorities to determine planned expenditure in accordance with regulations.

Broadly, we intend this expenditure to continue to be subject to provisions similar to those we currently have in place in the SEYFRs. In the current system, local authorities can determine the amount to be spent from its schools budget on areas of provision set out in regulations. In the 2022 SEYFRs, this expenditure is set out in regulation 6 and Schedule 2.

The Secretary of State will retain the ability to place limits and conditions on expenditure in regulations – for example, the requirement that local authorities pass-through at least 95% of their 3 and-4-year-old early years funding from the government to early years providers.

High needs funding

The government provides local authorities with a block of funding within their DSG for children and young people with high needs – both those with SEND and those requiring alternative provision. Using this block of funding (and other funding sources as necessary), current regulations require the local authority to provide an amount per place

for its maintained special schools and other categories of specialist provision, comprising those schools' budget shares, and permit the authority to incur expenditure on a range of other items, as set out in schedule 2 to the SEYFRs.

The government issues guidance giving more detail on the operation of the current high needs funding arrangements, and this is updated each year: [High needs funding: 2022 to 2023 operational guidance – GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/high-needs-funding-2022-to-2023-operational-guidance).

The SEND Green Paper proposes a number of changes to the funding arrangements, and to the wider SEND and alternative provision system, which may require adjustments to the distribution of high needs funding and the regulations governing how local authorities spend their high needs budgets, but these will be subject to further consultation in due course. This includes, as above, that the government may fund some or all special and alternative provision schools via national formula allocations.

Early years funding

The government provides local authorities with 6 relevant funding streams to make the early years block of the DSG. These include funding for funding for early years entitlements for childcare, and for the early years pupil premium (EYPP) and the disability access fund (DAF).

As set out in the SEYFRs, local authorities are required to set a local early years funding formula in consultation with their schools forum and in accordance with those regulations. We expect to continue with key features of the current regulations, for example: that local authorities have a deprivation supplement for 3 and 4 year-olds.

Further information can be found here: [Early years entitlements: local authority funding of providers operational guide 2022 to 2023 – GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/early-years-entitlements-local-authority-funding-of-providers-operational-guide-2022-to-2023)

Central services

The government also provides local authorities with DSG funding through the Central Schools Services Block (CSSB), which local authorities use to provide central functions on behalf of both maintained schools and academies. These are set out in Schedule 2 of the SEYFRs. This includes, for example, local authority functions in relation to admissions, the operation of schools forums, and other functions where the local authority has a statutory duty to deliver for all pupils in maintained schools and academies.

In our consultation on 'Fair funding for all schools' we consulted on the future of Central Schools Services funding. The government plans to review funding for local authorities' ongoing responsibilities to ensure it aligns with the roles and responsibilities outlined for local authorities in the recent Schools White Paper. We will ensure the outcome of that consultation is factored into any changes to the operation of central services. In addition, we will retain the regulations and legacy funding provided for local authorities who have historic commitments (such as prudential borrowing commitments) as part of CSSB. We will also keep under review whether this funding would be better provided through the local government finance settlement.

The power for local authorities to apply to the government to move funding from schools' national formula allocations to locally determined education budgets

What does this delegated power do?

This will give the Secretary of State the ability, on application from a local authority, to move funding from the national formula allocations for schools in a local authority area (determined via the NFF) to the local authority's locally determined education budgets – which includes funding for high needs. The exercise of this power, in individual cases, could therefore help local authorities meet cost pressures due to provision for complex SEND.

How does the government intend to use this power?

Background

In the current funding system, local authorities have flexibility to transfer funding between the notional blocks of their DSG allocations. In the majority of cases, local authorities transfer funding from their schools block (that is, funding for mainstream schools) to their high needs block. Local authorities' local funding formulae then determine how the schools block funding (after any transfers) is distributed to mainstream schools. As set out in the DSG Conditions of Grant, local authorities can transfer up to 0.5% of their schools block with schools forum approval – but transfers above 0.5%, or where the schools forum does not agree, must be decided by the Secretary of State.

This is an important flexibility in the current system, to help local authorities manage pressures due to high needs costs. In particular, it allows adjustments to be made where the allocations of mainstream schools and high needs funding would otherwise be significantly out of line with the local pattern of demand for, and supply of, provision for children with SEND, and which will take time to change locally. To support local changes in the longer term, the proposals set out in the SEND Green Paper aim to establish a more consistent approach to provision standards and funding, which should help to address some of the causes of the current cost pressures, and to move towards a system that is financially sustainable. However, both local changes and a new national framework will take time to implement and achieve the intended impact.

We therefore envisage a continuing need for such a flexibility, though with the expectation that it will be used with decreasing frequency, as local systems change in accordance with the national reforms envisaged by the Green Paper, and as financial sustainability is achieved. While we are clear that this flexibility should be retained, it will need to operate differently from the current system, once we move to the new system of funding mainstream schools under this part of the Schools Bill.

How we envisage the new system will operate

Local authorities would have responsibility for submitting applications to the Secretary of State for funding to be transferred to their high needs (or other centrally held education) budgets, via an adjustment to the national formula allocations for mainstream schools in their area. The Secretary of State would make the final decisions, on the basis of the applications submitted. This differs from the current system, where local authorities can take certain decisions themselves on the transfer of funding to their high needs budgets, within set limits and with the agreement of the local schools forum.

Regulations would cover the local authority application process, timing and other aspects of the operation of the funding transfers. For example, as in the current system, we propose that local schools forums should continue to have a role in giving their views on a local authority's proposal to transfer funding from mainstream schools.

Will there be any further consultation on this issue?

In the government response to the first stage of the direct national formula consultation, we committed to retaining the facility for a transfer of funding from mainstream schools to local authorities' high needs budgets. Our second stage consultation, Implementing the Direct NFF, will include proposals on the technical detail of how such transfers will be made, and this will enable us to develop the content of the regulations that will prescribe the operation of this facility. There would then be further consultation before regulations under this power are made.

Key questions and answers

The whole purpose of the legislation is to take away from local authorities the responsibility for determining schools' funding allocations, so isn't this provision effectively giving local authorities a veto over the national formula?

No. The Secretary of State will still retain the responsibility for determining the national formula allocations, including any adjustments required on account of local funding transfers. We believe that some limited local flexibility will still be needed, and this provision will allow us to place clear limits on that.

Isn't this in direct contradiction to the aim of funding mainstream schools on a consistent basis?

We expect that this flexibility will be used in exceptional cases only – the majority of schools will have their NFF allocations without adjustment due to funding transfers.

Where there is an adjustment to NFF allocations because of an agreed funding transfer, the Secretary of State will be the decision maker in all cases, in order to ensure a consistent approach.

The power for local authorities to make budget adjustments for excluded pupils

What does this delegated power do?

This gives the Secretary of State the ability to make regulations that require local authorities to make in-year adjustments to schools' funding allocations where pupils are permanently excluded and move to a new school within the school's funding year. This is a continuation of existing policy: where pupils are excluded, funding should flow in-year from the school that has excluded the pupil to the provision that takes responsibility for the pupil.

This power replaces the powers in section 47(2)(c) of the SSFA 1998, that allows local authorities to make adjustments to maintained schools' budget shares. This power within the new funding framework will also allow local authorities to make adjustments to academies' (alongside maintained schools') funding allocations. Previously local authorities have relied on provisions in academies' funding agreements which required academies to make the same adjustments to their budgets if requested to do so by their local authority. This will put the adjustments on a consistent statutory footing across the sector.

How does the government intend to use this power?

Regulation 29 of the SEYFRs currently require that local authorities determine the reduction to a schools funding by calculating how much money the excluded pupil would attract under the formula – not just the basic entitlement the child attracts, but also the relevant amounts attracted under other, per pupil funding factors, for example, for pupils in receipt of free school meals, or who have English as an additional language – as set out in the [Schools operational guide: 2022 to 2023 – GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/101442/schools_operational_guide_2022_to_2023.pdf). This is reduced pro-rata dependant on when in the financial year a pupil is excluded. The equivalent amount of funding is then added to the nationally determined formula of the school that is receiving the pupil. It aligns with the principle that schools should not be better off financially from excluding pupils – and correspondingly that schools who receive previously permanently excluded pupils in-year should not be financially worse off. Under the new funding framework, we will follow the same principle and approach through this delegated power.

Will there be any further consultation on this issue?

No. This continues the policy that is set out in section 47(2)(c) of the SSFA 1998 and regulation 29 of the SEYFRs and therefore there are no plans for further consultation on this at this stage. If there was a substantial change to the policy on exclusion and funding, there would be further consultation.

Key questions and answers

Does this power allow local authorities or the government to ‘fine’ schools for excluding pupils?

No. This power allows a continuation of regulation 29 in the SEYFRs to reallocate funding allocated through the school formula, and so this does not allow for any fining mechanism.

There is no legal basis for local authorities to impose a levy on schools that permanently exclude pupils, regardless of whether the school is maintained or an academy.

Is the government considering fining schools for excluding pupils?

No. The government backs headteachers in using suspension and permanent exclusion as a sanction where warranted as part of creating calm, orderly, safe and supportive environments where both pupils and staff can thrive and reach their potential in safety and dignity. However, we are clear that permanent exclusion should only be used when absolutely necessary as a last resort and this should not mean exclusion from education.

The financial adjustment to the local authority provides a balance between the additional costs of arranging alternative provision for permanently excluded pupils or if it chooses, pass the amount of the financial readjustment to the pupil's new school.

The power to allow deductions from maintained schools' core budgets for pooled education expenditure

What does this delegated power do?

This delegated power is intended to enable local authorities to continue to fund some services for maintained schools (only) from their school funding allocations. This enables maintained schools and local authorities to manage their resources more effectively, in circumstances local authority provision of services on behalf of maintained schools in their area can achieve economies of scale and so reduce costs.

This clause enables regulations to authorise local authorities in England in certain cases to deduct funding from their maintained schools' funding allocations to pay for the provision of certain services for those schools. Regulations may provide that deductions can only be made with the agreement of the local authority school's forum, the Secretary of State or another specified person.

How does the government intend to use this power?

The power is similar to an existing power contained in section 47(2)(dd) of the School Standards and Framework Act 1998 (the SSFA 1998).

Local authorities can currently provide services and administrative functions relating to their maintained schools, which are set out in schedule 2 to the SEYFRs . Examples include expenditure relating to the provision and administration of clothing grants, or their landlord responsibilities in relation to maintained schools. The regulations may allow expenditure to be deducted only where it is authorised by the local authority's schools forum, the Secretary of State or another specified person.

This practice is often currently known as 'de-delegation', reflecting the fact that funding for these services is initially delegated to schools, and the "de-delegated" to be retained by the local authority. The government's presumption is that the local authority will additionally offer such services on a buyback basis to those schools and academies in their area not covered by the de-delegation. De-delegation does not currently apply to special schools, nursery schools, or pupil referral units (PRUs).

Will there be any further consultation on this issue?

This delegated power is similar to an existing power contained in the SSFA 1998 and it is expected that regulations made under this power will reflect regulations that set out the current practice. The government will continue its longstanding approach to consulting on any changes to the nature of services which can be funded through a deduction from maintained schools' core budgets.

Key questions and answers

This applies to local authority maintained schools, what about academies?

Academy trusts also have an equivalent process known as ‘top-slicing’ in order to provide similar services to their individual academies. This also helps trusts deliver services across their academies efficiently.

As we set out in the recent ‘Schools White Paper, Opportunity for All: Strong schools with great teachers for your child’, we will work with academy trusts to identify changes to trusts’ financial reporting arrangements to ensure the financial health of academies within trusts is transparent and introduce new transparency measures to ensure it is always clear to academies and parents how this flexibility is being used.



Department
for Education

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Department
for Education

National Funding Formula Reforms

Schools Bill Factsheet

May 2022

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Schools Bill Factsheet: National Funding Formula Reforms

What is the government's policy objective?

In our 2016 consultation on the national funding formula (NFF), we consulted on the principles which should underpin a new school funding system. The majority of the sector supported the principles of a funding system for mainstream schools that:

- **supports opportunity** – every child is given the same opportunities, based on a consistent assessment of their needs
- **is fair** – each mainstream school should be funded on the same objective measures of need, wherever it is in the country
- **is efficient** – a single national formula through which funding is matched to relative need means that resources can be distributed across the system as efficiently as possible
- **gets funding straight to schools** – empower school leaders to drive up academic standards by maximising the resources available for teaching and learning
- **is transparent** – a single national formula will mean that the funding an individual school receives and the basis on which it was calculated will be transparent to all in the system
- **is simple** – one national formula is simpler to understand and engage with than 150 different local formulae
- **is predictable** – a single national funding approach will create greater predictability in funding, supporting the system to make best use of resources

The directly applied NFF is the only way to ensure that schools funding fully reflects all these principles.

What does this measure do?

This measure places a duty on the Secretary of State to determine funding for all mainstream schools (both academies and maintained schools) in England through a single, directly applied national funding formula. The government will use the schools NFF to decide how much core funding to allocate for 5–16-year-old pupils (reception through to Year 11) in mainstream state-funded schools in England. This will make funding fairer and more consistent for mainstream schools, no matter which local authority they are in.

The introduction of the NFF

The introduction in 2018-19 of the NFF for mainstream schools was a crucial step towards a fairer funding system and replacing the postcode lottery of the past. The schools NFF calculates an allocation for each school, based on pupil numbers and characteristics from the school census (a data collection that happens three times a year – we currently use the October census).

At present, the NFF is made up of 14 ‘factors’ that relate to pupil or school-led characteristics. Each factor has a ‘factor value’ which determines how much funding a particular characteristic attracts (for example, £3,217 for every primary age pupil; and an additional £1,060 for each pupil entitled to free school meals¹ in 2022-23). Factors and their associated factor values are subject to change each year to respond to changing priorities and circumstances.

The NFF was introduced as a “soft” NFF, whereby a formula calculates a notional allocation for every school in England, which the government aggregates for all the schools in each local authority to create a total allocation for that local authority. Local authorities then set their own local formulae to distribute their total allocation between all the schools in their area. Schools (both maintained schools and academies) receive their budget allocation based on their local authority’s formulae. This means that while the NFF determines how much money a local authority receives, it is the local authorities’ own formulae that determine how much each school finally receives. Therefore, an individual school’s funding can, and often does, vary from that which the NFF itself allocates, resulting in continued differences in individual funding levels across the country.

The “direct” NFF

Our intention since the introduction of the NFF has always been to move in time to a “direct” NFF in England where every school’s final funding allocation is determined by the same, national formula, and no longer be subject to further adjustment from one of 150 local authority formulae.

This measure will allow the government to fulfil the commitment to move to a direct NFF, ensuring that funding is distributed solely on the basis of schools’ and pupils’ characteristics and not affected by which local authority the school happens to be in. This will mean the funding system is fair for every school, with funding matched to a consistent assessment of need.

This measure allows for local authorities to continue to allocate some aspects of schools’ funding where the government judges that is necessary because local authorities have

¹ This includes both current FSM and Ever6 FSM entitlement.

the most detailed knowledge about the needs of their local schools. We expect this supplementary funding to be limited to use where the local authority has a Private Finance Initiative (PFI) contract for that school, or where the local authority asks a school to provide additional school places to meet its sufficiency duty.

Local education funding

This measure will also provide for the Secretary of State to continue to fund local authorities for other education provision, alongside the funding local authorities receive for mainstream schools through the direct NFF, and the supplementary funding they receive to distribute to maintained schools and academies. This is funding for high needs, central school services and early years, allocated for the following:

- local authorities use high needs funding to provide for pupils with SEND in special and independent settings (including alternative provision), as well as to top up funding for pupils with SEND who attend mainstream schools
- local authorities receive funding for central school services for their ongoing responsibilities for both maintained schools and academies such as admissions, or monitoring school attendance
- local authorities receive early years funding to provide the early years entitlements for 2–4-year-olds

Consultations

We have consulted with stakeholders in the education sector at every stage of the process of implementing a soft NFF and as we transition to a direct NFF:

- **Schools national funding formula government consultation response (2016)**
We set out the principles and approach for our funding system.
(https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/577357/Schools_national_funding_formula_government_consultation_response_stage_1.pdf)
- **Analysis of and response to the schools national funding formula consultation (2017)**
We outlined our approach to a schools NFF and the factors that would be used to determine funding.
(https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/648553/Schools_national_funding_formula_consultation-response.pdf)
- **Fair school funding for all: completing our reforms to the National Funding Formula (2021)**
We consulted on the implementation of a directly applied NFF and how we would

transition from the current system to achieve this.

(https://consult.education.gov.uk/funding-policy-unit/completing-our-reforms-to-the-nff/supporting_documents/Fair%20Funding%20For%20All%20Consultation.pdf)

- **Completing the reforms to the National Funding Formula (2022)**

In this government response to the 2021 consultation, we confirmed our approach to transitioning to a direct NFF, requiring local authorities to use all NFF factors, and bring their factor values 10% closer to the NFF.

(https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1062107/Completing_the_reforms_to_the_National_Funding_Formula_-_government_consultation_response.pdf)

Before Summer 2022, we will be publishing a second stage consultation detailing how the direct NFF will be implemented.

Why is legislation needed?

Under a direct NFF, there will be new roles and responsibilities for the Secretary of State and local authorities in relation to school funding. The legislative framework will place a duty on the Secretary of State to determine a funding formula for mainstream schools, with the freedom and flexibility to modify this formula annually as needed. The legislation will fund academies and maintained schools on a consistent legal basis, replacing the existing provisions in the 1998 School Standards and Frameworks Act which only apply to maintained schools.

Legislation will replace some of the existing provisions in the School Standards and Framework Act 1998, so far as they apply in England, and will make some consequential changes to sections of the 1998 Act that will remain in place to make sure these sections continue to work alongside our new framework in England. The Secretary of State will also have flexibility to include other types of schools in future. This will allow the Secretary of State to fund special and alternative provision schools directly, through their own formula, in future, should that be appropriate.

What is the effect of the legislation?

The measure will mean that the Secretary of State in relation to England:

- must determine funding for all mainstream schools through a single, national funding formula
- must pay this funding to academy trusts and to local authorities for maintained schools
- has the power to request information from local authorities and academies, such as pupil numbers, information on school reorganisations (planned school closures)

and mergers), planned school expansions, and information on whether a school has split sites

- has the ability, on application of the local authority, to reallocate funding from the NFF allocations to local education budgets in order to meet local funding pressures (most likely relating to high needs), in place of the current “block transfer” mechanism

This measure will mean that local authorities:

- will have a local education budget (“locally-determined education budget”) in order to deliver their education responsibilities, which will be provided by the Secretary of State
 - this includes providing any supplementary funding provided to schools (“locally-determined supplementary funding”) where the Secretary of State determines that local authorities are best placed to determine funding in line with their other duties
 - and includes spending on and other local education expenditure, covering high needs, early years, and central school services
- can continue ‘de-delegation’, which is where local authorities can deduct funding from maintained schools’ budgets to fund central services for those schools

This measure will mean that Schools Forums:

- will retain their responsibilities around local education spending, with both supplementary school allocations and other locally-determined education expenditure (early years, high needs, central school services)
- will no longer advise on setting local formula for core schools funding

This measure involves making some changes to existing legislation (Chapter 4 of Part 2 of the School Standards and Framework Act 1998).

How will this work in practice?

Nationally-determined funding

The Secretary of State will determine how much funding each mainstream school will receive, calculated through the schools NFF.

The formula will be reviewed each year. The Secretary of State will publish the formula with the values attached to each factor and notify schools in advance of the funding period which the funding relates to.

In the current NFF, the vast majority of funding is distributed on the basis of pupil numbers and pupils’ characteristics, which ensures that resources are delivered where they are needed most. In 2022-23, 75.4% of the schools NFF was allocated through basic per pupil funding, which every pupil attracts. A further 17% (£6.7bn) of all funding was allocated through additional needs factors based on deprivation, low prior

attainment, English as an additional language and mobility, because evidence shows that pupils with additional needs are more likely to fall behind and need extra support. Small and remote schools attract additional funding through the sparsity factor. The NFF also includes funding protections - a minimum per pupil level to target funding to the lowest funded schools, and a funding floor to protect schools against excessive losses in their per-pupil funding, compared to the previous year. The Secretary of State will have flexibility to amend the formula annually to ensure the government can adapt to changing circumstances and priorities.

Schools funding, as determined by the Secretary of State, will then be allocated to academies by the Education and Skills Funding Agency (ESFA) and to maintained schools by their local authorities.

Local authorities and those in charge of schools will be required to provide information to the Secretary of State as requested to enable schools NFF funding to be determined. This replaces the existing Authority Proforma Tool (APT) process where the government collects data required for schools funding in addition to the school census. This may include pupil numbers, particularly in cases of new and growing schools; information on school reorganisations such as planned school closures and mergers; planned school expansions to meet basic need; and information on whether a school is split over more than one site, to underpin the provision of additional “split sites” funding.

As set out in the SEND Review ‘Right Support, Right Place, Right Time’ Green Paper, the government is committed to further support and reform to the SEND system so that local authorities’ high needs budgets can reach a position of financial sustainability. We recognise that, in advance of the SEND Review reforms realising their full impact, some local authorities face a mismatch between their high needs funding and the pressures on their high needs spending (for example because of the particular nature of SEND provision in their local area). Currently, local authorities can have flexibility to transfer funding from mainstream schools funding to high needs – this is known as a “block transfer”. This legislation provides a new mechanism, in place of the current block transfers, that will allow for the Secretary of State to reallocate funding from schools’ national funding allocations to local authorities’ high needs budgets, on application of the local authority. We will be consulting on the implementation of this mechanism in the second stage direct NFF consultation.

Additional funding streams that schools may receive, such as the Pupil Premium (additional funding for disadvantaged pupils) or PE and Sport Premium, are distributed separately to the schools NFF and therefore not in scope for this measure. Moreover, there is a separate post-16 national funding formula, which also is not in scope of this measure.

In our 2021 consultation, ‘Fair school funding for all: completing our reforms to the National Funding Formula’², we set out our approach to implementation of a direct NFF. We proposed to take a measured approach to transition, and at this stage we are not setting an “end date” for full implementation until we have reviewed the impact of moving local authorities’ local formulae progressively closer towards the NFF. We believe this will allow us to achieve greater fairness and consistency in funding, but also providing the opportunity to consider the impact of each step before making the next move.

Locally-determined funding

The Secretary of State will allocate funding to local authorities to spend on their other education provision (“locally-determined education budget”). One element of this could be school supplementary funding, to be provided to schools as determined by local authorities (“locally-determined supplementary funding”), in circumstances where the Secretary of State believes local authorities are better placed to determine the amount of funding each school should receive, and which local authorities must pass on to schools. While the vast majority of funding for schools will be allocated through the nationally-determined funding, in some cases, it may be appropriate for the Secretary of State to require local authorities to provide schools with supplementary funding linked to their existing duties and responsibilities. Examples may include funding for schools have significant in-year increases in pupil numbers, linked to local authorities’ sufficiency duty, or funding for PFI, linked to local authorities’ role in managing existing contracts.

In addition, local authorities will allocate other local education funding (“other locally-determined education expenditure”) which funds early years, high needs (covering both special schools and high-needs top ups in mainstream schools) and central school services. We will retain regulations and restrictions on how local authorities can spend this funding.

Schools forums will continue to play an advisory role in determining this funding.

Key questions and answers

What does this mean for high needs funding?

Local authorities will continue to be responsible for funding high needs in England. This funding supports provision for children and young people with special educational needs and disabilities (SEND) from ages 0-25 years. It also supports alternative provision (AP) for pupils of compulsory school age who, because they have been excluded or

² https://consult.education.gov.uk/funding-policy-unit/completing-our-reforms-to-the-nff/supporting_documents/Fair%20Funding%20For%20All%20Consultation.pdf

suspended, or because of illness or other reasons, cannot receive their education in mainstream or special schools.

Funding for high needs will continue to be allocated to English local authorities through the high needs national funding formula (NFF). The formula consists of 12 factors designed to indicate the level of need within a local authority.

The measure provides flexibility to bring other types of schools in scope, creating the possibility of a directly applied high needs NFF in future. We will be reviewing how high needs funding is allocated, in light of the SEND Review Green Paper, and this measure will allow us to implement the outcomes of that consideration.

What does this mean for early years funding?

The current early years system will remain in place in England, with early years funding for local authorities' 2–4-year-olds education entitlements calculated through an early years national funding formula, which includes the following:

- the 3-4-year-olds formula is made up of a universal hourly base rate factor and funding supplements, including a mandatory deprivation supplement, and discretionary rurality or sparsity, flexibility, quality, and English as an additional language supplements; there is a separate formula that sets the hourly funding rates for 2-year-olds
- maintained nursery schools (MNS) receive supplementary funding to enable local authorities to protect their 2016 to 2017 funding rates for the universal 15-hour entitlement used prior to the introduction of the EYNFF
- the disability access fund (DAF) supports eligible disabled children's access to the entitlements for 3 and 4-year-olds. Funds could be used to support providers in making reasonable adjustments to their settings for example
- the early years pupil premium (EYPP) gives providers additional funding to support disadvantaged 3 and 4-year-old pupils, if a child receives the universal 15 hours entitlement and meets the eligibility criteria (such as their family receives income support or they are a looked after child)

What does this mean for central schools services funding?

Central School Services are the ongoing services that are delivered for all schools, such as admissions and attendance monitoring. They will continue to be provided by local authorities and funded through central school services government funding in England. This is calculated using a simple per-pupil formula where 90% of funding is distributed through a basic per-pupil factor, and 10% of funding through a deprivation factor based on the proportion of pupils eligible for free school meals within the past six years (FSM6) in mainstream schools. Both elements are adjusted for area costs.

We plan to review the services funded through the ongoing responsibilities element of CSSB and will include further details in our second stage consultation due to be published in Summer 2022.

How does the schools NFF determine funding for mainstream schools?

Details of the national funding formula for England can be found here: [National funding formula for schools and high needs - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/policies/national-funding-formula-for-schools-and-high-needs). The majority of funding that goes through the schools NFF is 'pupil-led', meaning that it is calculated based on the number of pupils in the school and their characteristics. Pupils attract funding to their school for all the factors for which they are eligible. All schools get a basic amount for each pupil (with different amounts for different ages), and attract extra funding for pupils with additional needs, including disadvantage, low prior attainment, English as an additional language and pupils who have joined at a non-standard point in the school year (mobile pupils).

Schools also receive 'school-led' funding, based on the characteristics of the school itself. This includes a lump sum for every school, and extra funding for schools with certain characteristics, such as a school that operates across more than one site (split sites), a school with a PFI contract, a school with certain exceptional circumstances, or a school that is particularly small and remote.

An area cost adjustment (ACA) is applied to funding allocations to reflect higher costs in some parts of the country, due to differences in salary costs.

Finally, the formula offers two different forms of protections for schools. The minimum per pupil level guarantees a minimum amount of funding for every pupil – if a school's allocation is below the minimum per pupil level, they receive a top up to reach the minimum level. The funding floor protects schools from excessive year-on-year funding decreases in funding.

Part 2: Additional detail on delegated powers

Overview

This section outlines the delegated powers required to operate the new funding framework that delivers our reforms to achieve fairer funding for schools. The approach to delegated powers is largely based on the existing primary legislation on school funding (in Chapter 4 of Part 2 to the School Standards and Framework Act 1998 or 'SSFA 1998') that relies on parameters and controls set out in secondary legislation. This approach allows us to establish a long-term and flexible funding framework for schools in England. The delegated powers this note will cover are:

1. [The power to apply a national funding formula to non-mainstream schools \(which would otherwise be funded locally\)](#)
2. [The power for the Secretary of State to fund schools outside the NFF in exceptional circumstances](#)
3. [The power to require local authorities to provide schools with supplementary funding](#)
4. [The power to require local authorities to determine and administer other locally determined education expenditure](#)
5. [The power for local authorities to apply to the government to move funding from schools' national formula allocations to locally determined education budgets](#)
6. [The power for local authorities to make budget adjustments for excluded pupils](#)
7. [The power to allow deductions from maintained schools' core budgets for pooled education expenditure](#)

Some of these powers (such as adjustments for excluded pupils, or controls on how local authorities can use their funding) are similar to delegated powers relating to maintained school funding in the SSFA 1998, and we anticipate continuing to make broadly similar annual regulations to those made by School and Early Years Finance Regulations (SEYFRs). While other delegated powers relate to the Secretary of State's new funding duty, including the power to add in other types of school to the scope of this duty.

This approach allows the Secretary of State to adjust and adapt the operation of the funding system to respond to changing situations and policy. As is current practice, we would continue to make one set of funding regulations and consult on any significant changes to the funding system. This will allow experts – such as local authorities and school business professionals – to effectively scrutinise the implications of these technical changes and updates.

The power to apply a national funding formula to non-mainstream schools (which would otherwise be funded locally)

What does this delegated power do?

The government is committed to funding mainstream schools through the NFF determined by the Secretary of State as this will make funding fair, simple and transparent. This delegated power enables this to be extended to a wider group of schools. If used, it would place a duty on the Secretary of State to determine, through a national formula, allocations of funding to certain types of school that are not mainstream maintained schools or academy schools (specifically, maintained and non-maintained special schools, special and alternative provision academies, and pupil referral units). The Secretary of State would be able to determine different formulae for non-mainstream schools to the formula determined for mainstream schools.

Otherwise, where the Secretary of State does not determine funding allocations for such schools, the schools would be exclusively funded locally, through local authorities' locally determined education budgets, albeit in accordance with the regulations that limit how that budget is spent.

How does the government intend to use this power?

The government does not currently have specific plans to introduce a similar schools NFF for types of schools other than mainstream schools. The SEND and Alternative Provision Green Paper, Right support, right place, right time, published on the 29 March 2022 (SEND Green Paper), however, proposes a national framework covering standards and funding for provision. This power would support the implementation of a new funding system that includes the determination of special and alternative provision schools' allocations using a national formula, should that be one of the outcomes of the current SEND Green Paper consultation.

Before exercising this power, one or more separate national funding formulae would need to be developed for the different categories of school. The development of such formulae would include public consultation including with the schools affected, as well as local authorities and other stakeholders (as occurred, for example, with the development of the NFF for mainstream schools).

The inclusion of this power in the Bill is therefore to ensure that the new funding framework can accommodate reforms that may come about as a result of the SEND Green Paper, and that the benefits from directly funding schools could be applied to a wider range of state-funded schools in the future.

Further information about the implementation of the SEND Green Paper proposals will be published after the conclusion of the consultation.

Will there be any further consultation on this issue?

In the event that the government develops firm plans to use this power, as noted above, we would do so through careful consultation with the affected schools and other interested bodies, including on the design and detail of the funding formula for determining schools' allocations of funding.

Key questions and answers

Why don't you apply clause 33 to special schools from the outset? After all they currently receive £10,000 per place.

It will be vital that the funding system for special schools properly supports the wider reforms we will make to SEND and alternative provision, and it is important that we do not pre-empt the decisions that we will be making following the SEND Green Paper consultation.

Why haven't you included independent special schools in Part 2 on school and local education funding?

The SEND Green Paper makes a number of proposals that could impact on independent special schools, in particular that national funding bands and tariffs would apply across the breadth of education provision in the SEND system, including places in independent specialist provision. Following the SEND Green Paper consultation, there will be more work to do to understand how the wider SEND and alternative provision system changes should apply to independent schools, and whether further legislative changes might be appropriate. For now, we do not intend to bring independent schools into the scope of this part of the legislation.

The power for the Secretary of State to fund schools outside the NFF in exceptional circumstances

What does this delegated power do?

The NFF exists to ensure that schools are fairly funded according to pupils' and schools' need. However, there may be instances when the NFF would not be suitable to fund a school, as their special circumstances cannot appropriately be addressed in the formula.

This power allows the Secretary of State to calculate the national formula allocation for a school, outlined in Regulations, on a different basis than the NFF, where the Secretary of State considers there are exceptional circumstances that mean that the NFF would not be an appropriate way to determine the school's allocation for a funding period.

How does the government intend to use this power?

Currently, there are a small number of schools which are not funded by the NFF but rather specific arrangements which satisfy the special circumstances of these schools. We would want to continue to fund some of these schools outside the NFF if the schools' circumstances and the scope of the NFF stay the same. Below we set out the exceptional circumstances of three schools which we would currently expect this power to apply to.

- The Five Islands Academy on the Isles of Scilly is a small all-through school (including both primary and secondary provision) which serves the five islands, with primary bases on four islands and boarding facilities for secondary pupils who attend the secondary base on one of the islands. This is a unique situation in England.
- There are two City Technology Colleges (CTCs), Thomas Telford School and Emmanuel College CTC that are funded in accordance with their specific funding agreements, which pre-date and are different from the NFF. The government will continue to fund these schools outside the NFF for the foreseeable future, unless agreement is reached with the schools themselves that we should start funding them through the formula.

In almost all instances the government would continue to fund mainstream schools through the NFF, as this will achieve fair and consistent funding. This may not be appropriate in exceptional circumstances relating to the specific pupil and school characteristics of a particular school. We will not use this power to impact the funding of specific regions or local areas, nor as a systematic mechanism of providing funding to existing types of schools (beyond these two specific CTCs).

As above, in the future the Secretary of State may make regulations that extend the scope of national formula allocations to non-mainstream schools which would mean that the Secretary of State would be under a duty to determine the national formula allocations for these schools. It may be the case that a special school or alternative provision funding formula would not be suitable for a particular school due to the

exceptional circumstances of that school, and the government may need to fund that school on an alternative basis. As with mainstream schools, there would be a strong presumption towards funding all schools through the appropriate NFF, with alternative funding being reserved for a school with special circumstances.

Will there be any further consultation on this issue?

It is standard practice for the schools not currently funded by the NFF to be consulted on their funding allocation. Under the new funding arrangements, this practice of consultation will continue and will be a statutory requirement. Before making regulations in relation to a school under this power, there is a statutory requirement for the Secretary of State to consult the relevant school and (if a maintained school), the local authority.

The government would continue to review the special circumstances of the school, and whether the NFF would be a more appropriate funding mechanism.

Key questions and answers

Will you only ever calculate schools' allocation on a different basis in the case of the small number of schools you have named above?

The schools listed are those it may be appropriate for the Secretary of State to fund on an alternative, exceptional basis, unless and until their particular circumstances change in the future. The power is linked to a funding period and so the government will need to regularly review these schools. These also provide examples of the types of special circumstances where it might be appropriate for the Secretary of State to use this power.

We expect that these special circumstances will continue to arise in relation to a very small number of schools. In the future there may be other instances, where the Secretary of State considers that there are exceptional circumstances that make it appropriate for a school to be funded on a different basis to the formula in order to receive sufficient funding for those circumstances. We cannot at this stage say what circumstances those would be since it would depend on the specifics of the case, and the government needs the flexibility to adapt to any changing circumstances.

Why do you not just allow an adjustment to the formula for these schools?

The government has considered whether it would be viable simply to make an adjustment to the NFF for these schools, but it would not be possible to reflect the calculations which are made. For example, in the case of the two CTCs, their funding allocation is calculated for a wider age cohort than the NFF and covers their post-16 pupils as well as their 5-16 pupils.

Will this result in the Secretary of State being able to choose schools he would like to underfund?

The NFF will only be disapplied to ensure schools receive sufficient funding to address their specific, special circumstances. It will not be used to fund schools less than their NFF allocation would otherwise have been.

The power to require local authorities to provide schools with supplementary funding

What does this delegated power do?

The government intends for schools' NFF allocations to be determined, as far as is possible, by the Secretary of State at a national level. However, there may be some instances where the government is not able to do this: for example, where this is related to specific roles and duties of local authorities, or where local authorities have better access to information that would allow them to determine the funding more accurately.

This delegated power gives the Secretary of State the ability to specify that, for schools which receive national formula allocations, some elements of their funding must be determined and administered by local authorities rather than by the Secretary of State. The Secretary of State can set limits and constraints in the regulations including requiring local authorities, to apply and/or disapply factors and criteria, to make certain determinations, and to set out the consultation process that local authorities must follow.

How does the government intend to use this power?

The government will use this power so that, where local authorities are best placed to determine a particular element of schools' funding, the Secretary of State can require them to do so.

The government has consulted extensively on the factors currently used within the NFF. Our recent consultation *Completing the Reforms to the NFF: Fair Funding for All Schools* included proposals for how specific factors within the NFF would need to change and develop in order to be allocated nationally. However, we recognise issues raised by respondents in relation to two elements of the formula, that are currently allocated at a local level, where it may not be appropriate for the Secretary of State to determine funding allocations for schools directly: funding for Private Finance Initiatives (PFI) contracts, and funding for schools seeing significant growth or falling numbers.

Funding for Private Finance Initiative (PFI) Schools

Currently, local authorities can use a PFI factor in their local funding formulae to support schools that have unavoidable extra premises costs because they are a PFI school, and to cover situations where the PFI 'affordability gap' is delegated to the school, and paid back to the local authority.

In our consultation *Completing the Reforms to the NFF*, we focused on improving the PFI factor so that allocations can be based on a consistent, objective assessment of current need. We recognise that a number of respondents raised concerns about the complexity of PFI contracts and the additional costs PFI schools incur. We are committed to ensuring that we fund PFI schools appropriately and will look at developing a new approach to PFI funding for schools, working closely with the sector, that reflects the variety of contracts and issues. Local authorities may be best placed to continue to

allocate funding in respect of the additional costs associated with PFI, as local authorities, as PFI signatories, have access to detailed contract information.

Funding for growth and falling rolls

Currently, local authorities can allocate ‘growth funding’ to schools who face a significant increase in the number of pupils they will educate that year, to bridge the gap before the school receives greater core funding the following year which takes into account the increase in pupil numbers. In addition, local authorities can allocate “falling rolls” funding for schools with declining pupil numbers, where local planning data shows that the surplus places will be needed within the next three financial years. More information on how the government currently allocates growth funding, and how local authorities can determine funding allocations to schools can be found in the NFF policy document for 2022 to 2023.

Local authorities may be best placed to continue to provide this funding, due to their role in local pupil place planning to ensure there are sufficient school places. In our response to the Completing the Reforms to the NFF consultation we said that we would consult further on a proposal to allow local authorities to retain their role in growth and falling rolls allocations – while still achieving greater fairness and consistency than the current system. In this case, the government would expect local authorities to determine and administer growth and falling rolls funding, but would place further regulations on the amount and criteria local authorities should use to ensure greater consistency in the allocation of growth funding.

Local authorities will be able to place terms and conditions on the funding made available to schools to ensure that it is spent appropriately.

Will there be any further consultation on this issue?

Yes. In line with current practice, the government will continue to consult extensively on the structure and factors within the NFF.

Our second stage consultation, Implementing the Direct NFF, will contain detailed proposals for our approach to growth funding, including a proposal to allow some continued local flexibility on how this funding is allocated to individual schools. The government also intends to consult on the approach to PFI in advance of implementation.

Key questions and answers

Will the duty to determine elements of schools funding apply to all local authorities?

Any duty on local authorities to determine and administer elements of schools’ funding would apply to all local authorities – the Secretary of State would not be able to specify certain local authorities that this would or would not apply to under this power. In practice, some local authorities will not need to determine additional funding, for example, if none of their local schools are subject to PFI contracts.

What about special and alternative provision schools?

As above, in the future, the Secretary of State may make regulations that add non-mainstream schools to the scope of national formula allocations; this would require the Secretary of State to determine the funding allocation for these schools through a formula. It may be the case that some aspects of funding for special or alternative provision schools would best be determined at a local level. This would be based on similar principle to the mainstream NFF, for example, where local authorities have better access to information that would allow them to determine the funding more accurately.

The power to require local authorities to determine and administer other locally determined education expenditure

What does this delegated power do?

This power enables the government to continue the current funding arrangements for high needs provision, early years provision and central services for schools.

This power gives the Secretary of State the ability to require that local authorities determine and administer education expenditure for 'other locally determined education expenditure'. This is education expenditure of a class or description set out in regulations and will include:

- funding for children and young people with special educational needs and/or disabilities (SEND) or who are in alternative provision
- funding for non-mainstream schools not receiving nationally determined funding
- funding for early years providers and nurseries
- other expenditure by local authorities for education purposes

The Secretary of State will be able to place regulations around how this budget can be spent, but it can also allow a local authority's schools forum (or equivalent) and/or the Secretary of State to 'disapply' limits and conditions set out in the regulations where local circumstance demands it.

How does the government intend to use this power?

Funding will continue to be provided to local authorities through a grant, as currently through the relevant 'blocks' of the Dedicated Schools Grant (DSG). This power broadly replaces the provision within s45A of the SSFA 1998 for local authorities to determine planned expenditure in accordance with regulations.

Broadly, we intend this expenditure to continue to be subject to provisions similar to those we currently have in place in the SEYFRs. In the current system, local authorities can determine the amount to be spent from its schools budget on areas of provision set out in regulations. In the 2022 SEYFRs, this expenditure is set out in regulation 6 and Schedule 2.

The Secretary of State will retain the ability to place limits and conditions on expenditure in regulations – for example, the requirement that local authorities pass-through at least 95% of their 3 and-4-year-old early years funding from the government to early years providers.

High needs funding

The government provides local authorities with a block of funding within their DSG for children and young people with high needs – both those with SEND and those requiring alternative provision. Using this block of funding (and other funding sources as necessary), current regulations require the local authority to provide an amount per place

for its maintained special schools and other categories of specialist provision, comprising those schools' budget shares, and permit the authority to incur expenditure on a range of other items, as set out in schedule 2 to the SEYFRs.

The government issues guidance giving more detail on the operation of the current high needs funding arrangements, and this is updated each year: [High needs funding: 2022 to 2023 operational guidance – GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/high-needs-funding-2022-to-2023-operational-guidance).

The SEND Green Paper proposes a number of changes to the funding arrangements, and to the wider SEND and alternative provision system, which may require adjustments to the distribution of high needs funding and the regulations governing how local authorities spend their high needs budgets, but these will be subject to further consultation in due course. This includes, as above, that the government may fund some or all special and alternative provision schools via national formula allocations.

Early years funding

The government provides local authorities with 6 relevant funding streams to make the early years block of the DSG. These include funding for funding for early years entitlements for childcare, and for the early years pupil premium (EYPP) and the disability access fund (DAF).

As set out in the SEYFRs, local authorities are required to set a local early years funding formula in consultation with their schools forum and in accordance with those regulations. We expect to continue with key features of the current regulations, for example: that local authorities have a deprivation supplement for 3 and 4 year-olds.

Further information can be found here: [Early years entitlements: local authority funding of providers operational guide 2022 to 2023 – GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/early-years-entitlements-local-authority-funding-of-providers-operational-guide-2022-to-2023)

Central services

The government also provides local authorities with DSG funding through the Central Schools Services Block (CSSB), which local authorities use to provide central functions on behalf of both maintained schools and academies. These are set out in Schedule 2 of the SEYFRs. This includes, for example, local authority functions in relation to admissions, the operation of schools forums, and other functions where the local authority has a statutory duty to deliver for all pupils in maintained schools and academies.

In our consultation on 'Fair funding for all schools' we consulted on the future of Central Schools Services funding. The government plans to review funding for local authorities' ongoing responsibilities to ensure it aligns with the roles and responsibilities outlined for local authorities in the recent Schools White Paper. We will ensure the outcome of that consultation is factored into any changes to the operation of central services. In addition, we will retain the regulations and legacy funding provided for local authorities who have historic commitments (such as prudential borrowing commitments) as part of CSSB. We will also keep under review whether this funding would be better provided through the local government finance settlement.

The power for local authorities to apply to the government to move funding from schools' national formula allocations to locally determined education budgets

What does this delegated power do?

This will give the Secretary of State the ability, on application from a local authority, to move funding from the national formula allocations for schools in a local authority area (determined via the NFF) to the local authority's locally determined education budgets – which includes funding for high needs. The exercise of this power, in individual cases, could therefore help local authorities meet cost pressures due to provision for complex SEND.

How does the government intend to use this power?

Background

In the current funding system, local authorities have flexibility to transfer funding between the notional blocks of their DSG allocations. In the majority of cases, local authorities transfer funding from their schools block (that is, funding for mainstream schools) to their high needs block. Local authorities' local funding formulae then determine how the schools block funding (after any transfers) is distributed to mainstream schools. As set out in the DSG Conditions of Grant, local authorities can transfer up to 0.5% of their schools block with schools forum approval – but transfers above 0.5%, or where the schools forum does not agree, must be decided by the Secretary of State.

This is an important flexibility in the current system, to help local authorities manage pressures due to high needs costs. In particular, it allows adjustments to be made where the allocations of mainstream schools and high needs funding would otherwise be significantly out of line with the local pattern of demand for, and supply of, provision for children with SEND, and which will take time to change locally. To support local changes in the longer term, the proposals set out in the SEND Green Paper aim to establish a more consistent approach to provision standards and funding, which should help to address some of the causes of the current cost pressures, and to move towards a system that is financially sustainable. However, both local changes and a new national framework will take time to implement and achieve the intended impact.

We therefore envisage a continuing need for such a flexibility, though with the expectation that it will be used with decreasing frequency, as local systems change in accordance with the national reforms envisaged by the Green Paper, and as financial sustainability is achieved. While we are clear that this flexibility should be retained, it will need to operate differently from the current system, once we move to the new system of funding mainstream schools under this part of the Schools Bill.

How we envisage the new system will operate

Local authorities would have responsibility for submitting applications to the Secretary of State for funding to be transferred to their high needs (or other centrally held education) budgets, via an adjustment to the national formula allocations for mainstream schools in their area. The Secretary of State would make the final decisions, on the basis of the applications submitted. This differs from the current system, where local authorities can take certain decisions themselves on the transfer of funding to their high needs budgets, within set limits and with the agreement of the local schools forum.

Regulations would cover the local authority application process, timing and other aspects of the operation of the funding transfers. For example, as in the current system, we propose that local schools forums should continue to have a role in giving their views on a local authority's proposal to transfer funding from mainstream schools.

Will there be any further consultation on this issue?

In the government response to the first stage of the direct national formula consultation, we committed to retaining the facility for a transfer of funding from mainstream schools to local authorities' high needs budgets. Our second stage consultation, Implementing the Direct NFF, will include proposals on the technical detail of how such transfers will be made, and this will enable us to develop the content of the regulations that will prescribe the operation of this facility. There would then be further consultation before regulations under this power are made.

Key questions and answers

The whole purpose of the legislation is to take away from local authorities the responsibility for determining schools' funding allocations, so isn't this provision effectively giving local authorities a veto over the national formula?

No. The Secretary of State will still retain the responsibility for determining the national formula allocations, including any adjustments required on account of local funding transfers. We believe that some limited local flexibility will still be needed, and this provision will allow us to place clear limits on that.

Isn't this in direct contradiction to the aim of funding mainstream schools on a consistent basis?

We expect that this flexibility will be used in exceptional cases only – the majority of schools will have their NFF allocations without adjustment due to funding transfers.

Where there is an adjustment to NFF allocations because of an agreed funding transfer, the Secretary of State will be the decision maker in all cases, in order to ensure a consistent approach.

The power for local authorities to make budget adjustments for excluded pupils

What does this delegated power do?

This gives the Secretary of State the ability to make regulations that require local authorities to make in-year adjustments to schools' funding allocations where pupils are permanently excluded and move to a new school within the school's funding year. This is a continuation of existing policy: where pupils are excluded, funding should flow in-year from the school that has excluded the pupil to the provision that takes responsibility for the pupil.

This power replaces the powers in section 47(2)(c) of the SSFA 1998, that allows local authorities to make adjustments to maintained schools' budget shares. This power within the new funding framework will also allow local authorities to make adjustments to academies' (alongside maintained schools') funding allocations. Previously local authorities have relied on provisions in academies' funding agreements which required academies to make the same adjustments to their budgets if requested to do so by their local authority. This will put the adjustments on a consistent statutory footing across the sector.

How does the government intend to use this power?

Regulation 29 of the SEYFRs currently require that local authorities determine the reduction to a schools funding by calculating how much money the excluded pupil would attract under the formula – not just the basic entitlement the child attracts, but also the relevant amounts attracted under other, per pupil funding factors, for example, for pupils in receipt of free school meals, or who have English as an additional language – as set out in the [Schools operational guide: 2022 to 2023 – GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/101232/schools-operational-guide-2022-to-2023.pdf). This is reduced pro-rata dependant on when in the financial year a pupil is excluded. The equivalent amount of funding is then added to the nationally determined formula of the school that is receiving the pupil. It aligns with the principle that schools should not be better off financially from excluding pupils – and correspondingly that schools who receive previously permanently excluded pupils in-year should not be financially worse off. Under the new funding framework, we will follow the same principle and approach through this delegated power.

Will there be any further consultation on this issue?

No. This continues the policy that is set out in section 47(2)(c) of the SSFA 1998 and regulation 29 of the SEYFRs and therefore there are no plans for further consultation on this at this stage. If there was a substantial change to the policy on exclusion and funding, there would be further consultation.

Key questions and answers

Does this power allow local authorities or the government to ‘fine’ schools for excluding pupils?

No. This power allows a continuation of regulation 29 in the SEYFRs to reallocate funding allocated through the school formula, and so this does not allow for any fining mechanism.

There is no legal basis for local authorities to impose a levy on schools that permanently exclude pupils, regardless of whether the school is maintained or an academy.

Is the government considering fining schools for excluding pupils?

No. The government backs headteachers in using suspension and permanent exclusion as a sanction where warranted as part of creating calm, orderly, safe and supportive environments where both pupils and staff can thrive and reach their potential in safety and dignity. However, we are clear that permanent exclusion should only be used when absolutely necessary as a last resort and this should not mean exclusion from education.

The financial adjustment to the local authority provides a balance between the additional costs of arranging alternative provision for permanently excluded pupils or if it chooses, pass the amount of the financial readjustment to the pupil's new school.

The power to allow deductions from maintained schools' core budgets for pooled education expenditure

What does this delegated power do?

This delegated power is intended to enable local authorities to continue to fund some services for maintained schools (only) from their school funding allocations. This enables maintained schools and local authorities to manage their resources more effectively, in circumstances local authority provision of services on behalf of maintained schools in their area can achieve economies of scale and so reduce costs.

This clause enables regulations to authorise local authorities in England in certain cases to deduct funding from their maintained schools' funding allocations to pay for the provision of certain services for those schools. Regulations may provide that deductions can only be made with the agreement of the local authority school's forum, the Secretary of State or another specified person.

How does the government intend to use this power?

The power is similar to an existing power contained in section 47(2)(dd) of the School Standards and Framework Act 1998 (the SSFA 1998).

Local authorities can currently provide services and administrative functions relating to their maintained schools, which are set out in schedule 2 to the SEYFRs . Examples include expenditure relating to the provision and administration of clothing grants, or their landlord responsibilities in relation to maintained schools. The regulations may allow expenditure to be deducted only where it is authorised by the local authority's schools forum, the Secretary of State or another specified person.

This practice is often currently known as 'de-delegation', reflecting the fact that funding for these services is initially delegated to schools, and the "de-delegated" to be retained by the local authority. The government's presumption is that the local authority will additionally offer such services on a buyback basis to those schools and academies in their area not covered by the de-delegation. De-delegation does not currently apply to special schools, nursery schools, or pupil referral units (PRUs).

Will there be any further consultation on this issue?

This delegated power is similar to an existing power contained in the SSFA 1998 and it is expected that regulations made under this power will reflect regulations that set out the current practice. The government will continue its longstanding approach to consulting on any changes to the nature of services which can be funded through a deduction from maintained schools' core budgets.

Key questions and answers

This applies to local authority maintained schools, what about academies?

Academy trusts also have an equivalent process known as ‘top-slicing’ in order to provide similar services to their individual academies. This also helps trusts deliver services across their academies efficiently.

As we set out in the recent ‘Schools White Paper, Opportunity for All: Strong schools with great teachers for your child’, we will work with academy trusts to identify changes to trusts’ financial reporting arrangements to ensure the financial health of academies within trusts is transparent and introduce new transparency measures to ensure it is always clear to academies and parents how this flexibility is being used.



Department
for Education

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Schools Forum

Date: 30 June 2022

Time: 8:30 am to 10.30 am

Venue: Virtual via Microsoft (MS) Teams

Item

Public

Paper

F

DEDICATED SCHOOLS GRANT MONITORING

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Summary

This report outlines to Schools Forum members the centrally retained Dedicated Schools Grant (DSG) final outturn position for the 2021-2022 financial year.

Recommendation

That Schools Forum:

- note the report and approve that the £1.452m in-year underspend is partially used to offset against last year's deficit carried forward of £0.870m with the remaining balance of £0.582m representing the cumulative surplus to be carried forward into 2022-23 financial year.

REPORT

1. The overall 2021-22 outturn position for the DSG is a £1.452m in year-surplus. It should be noted that this figure is the in-year surplus and needs to be added to the £0.870m overspend carried forward from 2020-21 in order to give the overall cumulative surplus position of £0.582m.
2. In December 2020, Schools Forum approved a transfer of 0.5% from the Schools Block to the High Needs Block to support growth pressures on the High Needs Block. Agreement was given to transfer the remaining schools block budget, up to 0.5% after fully funding schools with the National Funding Formula factors and values. In 2021-22, the Council has been able to fully fund schools in this way, while transferring across the full 0.5% of the Schools Block budget to the High Needs Block budget which has increased the High Needs Block budget in year by £0.876m from the published allocation of £31.797m to a budget of £32.674m
3. The main reasons for a variation from budget in year are detailed below.

Centrally Controlled Early Years Budget

4. The outturn position for the Early Years Block is an underspend of £0.093m on a provisional budget of £16.592m.
5. The main reason for this is an underspend of £0.427m identified in relation to the Early Years allocations for three and four year old nursery entitlement. This is due to a decreased level of take up of free entitlement places from eligible parents.
6. The Council will receive a final 2021-22 Early Years DSG allocation later in the year to take account of the January 2022 census figures. It is anticipated that the final Early Years DSG allocation for 2021-22 will be smaller than the provisional allocation reflecting this lower level of take-up.
7. This underspend was partially offset by a £0.174m overspend on SEN Support. The demand experienced on this budget has grown in recent years with Shropshire seeing a growing number of children presenting with a range of development and emotional difficulties which require support. In 2021-22 actual expenditure totalled £0.474m against a budget set internally of £0.300m.
8. In addition to SEN Support, the 2021-22 outturn position reflects increased expenditure on Early Years deprivation payments and sustainability payments accounting for an overspend of £0.109m.
9. Sustainability funding is used to 'top-up' the amount of per pupil funding paid to providers in more rural areas to ensure that they have enough overall income to continue to operate. A small element of this funding is also used to support providers in short term crises. The overspend on sustainability funding can be attributed to pandemic recovery with a few settings taking time to get numbers back up to sustainable levels.
10. It is important to note that this position on the Early Years budget is provisional and it is anticipated that the relatively small underspend will change to an overspend for 2021-22 once the final Early Years DSG allocation is published later in the year.

Centrally Controlled High Needs Budget

11. The centrally controlled High Needs Block is the largest budget area within central DSG accounting for £24.188m of the £44.221m central DSG budget in 2021-22. The budget excludes the place funding element of the High Needs Block totalling £8.485m but does include the transfer of £0.876m funding from the Schools Block to the High Needs Block as approved by Schools Forum.
12. Overall, the outturn position for the High Needs Block is an in-year surplus of £1.297m.

Lines 1.2.1 & Line 1.2.2 - Top Up funding – Mainstream Schools

13. On budget lines 1.2.1 and 1.2.2, shown in the Appendix, there was an overall underspend of £1.063m. Of this £1.063m, £0.040m relates to top-up funding paid to mainstream schools or recoupment of top-up funding between local authorities.

Total expenditure on top-up funding to mainstream schools in Shropshire totalled £4.996m in 2021-22. A table below shows the actual expenditure on top-up funding to Shropshire mainstream schools over the period 2019-20 to 2021-22. This table shows that while an underspend was incurred against the £5.036m budget, actual expenditure has increased by 24% between 2019-20 and 2021-22 and 16% between 2020-21 and 2021-22. An increase in demand for top-up funding in mainstream mirrors the national picture. This could be attributed to a growth in new EHC plans and growth in the SEND hubs attached to mainstream schools.

	2019-20	2020-21	2021-22
Top-Up and GSP Payments	£	£	£
Mainstream Primary	2,248,729	2,435,329	3,030,191
Mainstream Secondary	1,775,416	1,877,045	1,965,336
Total	4,024,145	4,312,375	4,995,527
% Increase on previous year		7.2%	15.8%

14. The above figures include the Graduation Support Pathway payments as well as top-up funding. The Graduated Supported Pathway provides additional funding to supplement element 2 funding which comes directly through the Schools Block of DSG. Further work will be undertaken to analysis the specific elements of GSP.

Lines 1.2.1 & Line 1.2.2 - Top Up funding – Special Schools

15. Of this £1.063m underspend, £0.095m relates to top-up funding paid to Shropshire special schools. Total expenditure on top-up funding to special schools totalled £4.988m in 2021-22. A table below shows the actual expenditure on top-up funding to Shropshire special schools over the period 2019-20 to 2021-22. This table shows that the total value paid to our special schools in 2021-22 decreased by £0.239m which was not anticipated and therefore further work will need to be undertaken to explore this.

	2019-20	2020-21	2021-22
Top-Up funding	£	£	£
Special Schools	4,956,492	5,226,448	4,987,940
% Increase on previous year		5.4%	-4.6%

Line 1.2.2 - Post 16 Further Education Colleges

16. Within the “1.2.2 - Top Up funding - Academies, Free Schools and Colleges” budget heading there is a budget of £2.770m allocated for Post 16 funding at further education colleges and sixth form colleges. Of the overall increase in allocation against the High Needs Block DSG in 2021-22, £0.581m was allocated against this budget heading.
17. The reason for significant growth in the expenditure budget on post 16 further education college placements at the time was in reaction to a £0.409m increase in actual expenditure in 2020-21 where expenditure had increased to £2.218m reflecting a large increase in numbers at 2 mainstream colleges in particular.

18. Despite this anticipated growth, the 2021-22 outturn position reflects actual expenditure of £1.844m and therefore an underspend of £0.926m against the £2.770m budget, as well as reduction in actual expenditure of £0.374m compared to 2020-21. This budget area therefore accounts for the majority of the underspend against the budget line, 1.2.2, as well as the High Needs Block as a whole. This level of underspend did not become apparent until the final quarter of the 2021-22 financial year with the previous Schools Forum paper in January reporting a forecast outturn position of £2.328m expenditure, representing an underspend of £0.442m. This outturn position therefore shows a movement of £0.486m.
19. The table below shows a direct comparison between the 2020-21 and 2021-22 financial year figures breaking down the student numbers and unit cost per placement. This table highlights that the trend of a large increase in student numbers at 2 lower cost mainstream colleges has not continued in 2021-22 with the total number of mainstream college students decreasing by 11 from 225 to 214 overall. In contrast to this, reversing the trend of previous years, an increase in post 16 students attending Post 16 independent specialist settings has been reported although the increase can be attributed to just one setting.

Post 16 FE College Placements Expenditure	2020-21 £	2021-22 £
Mainstream College FE Placements	1,267,304	701,108
Independent Specialist P16 Settings	1,449,135	1,497,492
Recharge to Social Care	- 498,405	- 355,002
Total	2,218,034	1,843,598
Student Numbers	2020-21	2021-22
Mainstream College FE Placements	225	214
Independent Specialist P16 Settings	37	40
Total	262	254
Cost per FE College Placement	2020-21 £	2021-22 £
Mainstream College FE Placements	5,632	3,276
Independent Specialist P16 Settings	39,166	37,437

20. The other noticeable trend is the decrease in cost per placement for our cohort of students in mainstream FE college settings. However, caution needs to be applied here as part of the reason for the decrease is due to the payment arrangements for one of the mainstream colleges.
21. Although we have not seen the growth in student numbers and therefore expenditure in the Post 16 FE College placements budget, it is worth noting that this budget represents a proportion of the cohort of the post 16 students, the remaining proportion are within other budget areas. We have seen an increase in Post 16 students in Independent Special School placements and this partially explains the underspend on this budget and also the corresponding overspend on

the Independent Special School placements budget. The service has also reported growth in the post 16 cohort accessing new Alternative Provisions.

Lines 1.2.3 - Top Up funding - Non-Maintained and Independent Providers

22. While the High Needs Block DSG is reporting a £1.297m underspend overall, the Independent Providers budget did overspend by £0.116m against a budget of £6.550m. This is despite a large increase of £1.000m in the Independent Special Schools budget to £6.058m in 2021-22. Expenditure of £6.340m against the £6.058m reflects a £1.312m or 26% increase compared to 2020-21 expenditure levels reflecting an increase in demand for this type of provision, mirroring the national picture.
23. The overspend of £0.282m in relation to this Independent Special Schools placements budget relates specifically to the "Education" led placements. There has been an increase in numbers from 50 to 70 at our 2 most utilised, SEMH day providers. This has accounted for an increase in expenditure of £0.699m. We have also seen an increase in numbers and expenditure (£0.821m) at other Independent providers. Counteracting this overspend, we have seen a decrease of £0.209m in 2021-22 in the value of, and number of contributions to complex, joint funded placements with social care and the Shropshire Clinical Commissioning Group (CCG).
24. The £0.282m overspend mentioned above is offset by underspends of £0.068m against the Independent non-special schools budget and £0.098m against the Independent SEN Nursery providers budget.

Lines 1.2.4 - Additional High Needs Targeted Funding for Maintained Schools and Academies

25. This budget is in line with the Government's recommendation to target additional high needs funding at schools with a disproportionate number of high needs pupils. A high needs contingency payment is made where a school does not receive enough Element 2 funding within their notional SEN budget to contribute £6,000 to the cost of provision for each high needs pupil, or a school does not have at least 20% of Element 2 funding within their notional SEN budget remaining once they have contributed £6,000 for each of their high needs pupil.
26. A budget of £0.409m was set aside for additional high needs target funding required in year. This budget was increased by £0.150m in 2021-22 on the basis that actual expenditure had increased to a level of £0.280m in 2020-21 and it was anticipated that this level of expenditure could increase again in 2021-22. In 2021-22, actual expenditure only totalled £0.185m resulting in a £0.224m underspend. The lower level of expenditure in 2021-22 reflects a decrease in demand for these high needs contingency payments in this financial year, however it is important to note that the level of expenditure can fluctuate year on year.

Lines 1.2.8 – Support for Inclusion

27. A budget for £1.101m was set for “Support for Inclusion”. This budget was increased by £0.103m in 2021-22 using the growth in High Needs Block DSG allocation, in anticipation of greater demand on this budget as the country recovered from the pandemic. While actual expenditure on 6th Day provision has increased in 2021-22, the total level of expenditure has been below that of the budget set resulting in an underspend of £0.190m. An explanation for this underspend is the receipt of a few central government grants e.g DfE – Covid-19 Catch-up Premium and DfE- Recovery Premium funding which are not budgeted for but do offset the expenditure in this area as they relate to pupils in alternative provision.

Central Schools Services Block

28. An in-year overspend was incurred in 2021-22 of £0.142m. £0.111m of this overspend occurred as the result of one-off budget monitoring pressures reported under Ongoing Duties as per line 1.5. in the Appendix. This budget covers “Asset Management” and contributions to “Central Support Services”.

Schools Growth Fund

29. As per “Paper D – Growth Fund Allocations 2021-22 and 2022-23” there was actual expenditure of £0.236m in 2021-22 against the allocated Growth fund of £0.438m resulting in a £0.202m in year underspend. This underspend is effectively carried forward in to 2022-23 as part of the overall £0.582m DSG surplus carried forward.

Accounting for the DSG Deficit

30. The DSG guidance states conditions relating to DSG deficits for those local authorities that have an overall deficit on their DSG as follows:

- Provide information as and when requested by the department about its plans for managing its DSG account in the 2020 to 2021 financial year and subsequently.
- Provide information as and when requested by the department about pressures and potential savings on its high needs budget.
- Meet with officials of the department as and when they request to discuss the local authority’s plans and financial situation.
- Keep the schools forum regularly updated about the local authority’s DSG account and plans for handling it, including high needs pressures and potential savings

31. Given that the overall DSG position has moved from a revised deficit carried forward of £0.870m to a cumulative DSG surplus of £0.582m as at the end of the 2021-22 financial year, the Council has met the Department for Education’s requirement to reduce or manage down the deficit as soon as possible.

32. It is important to note that this removal of the deficit is as a result of less growth in expenditure in 2021-22 compared to growth in High Needs Block DSG allocation in 2021-22 rather than any strategic reductions to High Needs Block DSG expenditure itself.
33. While the Council's DSG financial position is relatively healthy in terms of carrying forward a surplus of £0.582m in to 2022-23, there is significant work required to understand the growth required in 2022-23 and beyond. It is also important to note that a small proportion of high-cost, low incident cases can disproportionately impact the High Needs Block DSG financial position. We know that many young people have been adversely impacted over the past 2 years and this is no different for SEND children, and may well be even more pronounced. The impact over this period has the potential to see the number of vulnerable children and young people presenting with complex mental health and behavioural needs requiring provision increasing and this will have a knock on effect on the High Needs Block DSG as we meet the needs of this cohort.

2022-23 High Needs Block DSG Allocation

34. Shropshire's High Needs Block DSG allocation for 2022-23 is £29.467m (after deductions), an increase of £3.766m. In addition to this, Shropshire has received £1.342m additional high needs funding, an allocation of which will need to be allocated to the Council's special schools and discussions with these schools are ongoing.
35. Some of the increase in High Needs Block DSG allocation in 2022-23 has been set aside by way of top-up funding for the new Special School which will open in September 2022.
36. Please note that no 2022-23 DSG budget monitoring forecasts will be completed until the Council's Quarter 1 (end of June) position is finalised in July 2022.

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APPENDIX

CENTRALLY RETAINED DEDICATED SCHOOLS GRANT FUNDING PERIOD (2021-22)

	2021-22 Budget £	2021-22 Spend £	2021-22 Variance £
DEDELEGATED ITEMS			
1.1.1	50,000	25,982	- 24,018
1.1.2	-	-	-
1.1.3	-	-	-
1.1.4	-	-	-
1.1.5	-	-	-
1.1.6	-	-	-
1.1.7	-	-	-
1.1.8	232,000	261,674	- 29,674
1.1.9	25,000	17,302	- 7,698
1.1.10	95,570	95,570	-
DEDELEGATED ITEMS SUB TOTAL	402,570	400,528	- 2,042
CENTRALLY CONTROLLED EARLY YEARS BUDGET			
1.3.1	344,700	348,763	- 4,063
1.0.1	16,247,280	16,150,688	- 96,592
CENTRALLY CONTROLLED EARLY YEARS SUB TOTAL	16,591,980	16,499,451	- 92,529
CENTRALLY CONTROLLED HIGH NEEDS BUDGET			
1.2.1	4,229,440	4,407,961	- 178,521
1.2.2	7,202,040	6,888,503	- 313,537
1.2.2	2,770,490	1,842,344	- 928,146
1.2.3	6,550,210	6,665,971	- 115,761
1.2.4	409,450	185,096	- 224,354
1.2.5	1,617,550	1,688,650	- 71,100
1.2.6	170,190	156,379	- 13,811
1.2.7	138,040	145,285	- 7,245
1.2.8	1,100,910	911,020	- 189,890
1.2.9	-	-	-
1.2.10	-	-	-
1.2.11	-	-	-
1.2.12	-	-	-
CENTRALLY CONTROLLED HIGH NEEDS BUDGET SUB TOTAL	24,188,320	22,891,209	- 1,297,111
CENTRAL SCHOOL SERVICES BLOCK			
1.4.1	112,110	151,946	- 39,836
1.4.2	250,120	244,231	- 5,889
1.4.3	10,000	6,603	- 3,397
1.4.4	963,660	963,660	-
1.4.5	-	-	-
1.4.6	-	-	-
1.4.7	295,350	295,350	-
1.4.8	-	-	-
1.4.9	-	-	-
1.4.10	-	-	-
1.4.11	-	-	-
1.4.12	-	-	-
1.4.13	227,090	227,093	- 3
1.5.	741,250	852,395	- 111,145
CENTRAL SCHOOL SERVICES BLOCK BUDGET SUB TOTAL	2,599,580	2,741,278	- 141,698
TOTAL CENTRAL DSG	43,782,450	42,532,466	- 1,249,984
SCHOOLS BLOCK GROWTH FUNDING (PART OF ISB)	438,190	236,000	- 202,190
TOTAL CENTRAL DSG + SCHOOLS BLOCK GROWTH FUNDING	44,220,640	42,768,466	- 1,452,174

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DSG DEFICIT CARRIED FORWARD FROM PREVIOUS YEARS	- 659,423
2020-21 EARLY YEARS DSG ADJUSTMENT	- 210,758
REVISED DSG DEFICIT CARRIED FORWARD FROM 2020-21	- 870,181
2021-22 IN YEAR SURPLUS	1,452,174
CUMULATIVE CENTRAL DSG SURPLUS	581,993

Breakdown of total DSG:

TOTAL CENTRAL DSG	44,220,640
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High Needs Budget - Place Funding	
Post 16 FE Colleges	920,000
Pre and Post 16 SEN Places - Special Academies	4,949,170
Pre and Post 16 SEN Places - Resourced Provisions	227,170
Total deduction to 2021-22 High Needs Block for direct funding of places by ESFA	6,096,340
TMBS	1,560,000
Maintained School SEND Hubs	351,501
Additional Commissioned Place Funding at Special Academies	150,833
Teachers Pay/Pension for Special Academies	326,645
Total deduction to 2021-22 High Needs Block for central funding of places	2,388,979
HIGH NEEDS BUDGET - Place Funding	8,485,319

INDIVIDUAL SCHOOLS BUDGET SHARES (Excluding De-delegated Items, 0.5% transfer to High Needs Block and Growth Fund)	181,665,738
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TOTAL DSG Allocation (Updated March 2022)	234,371,701
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