

	<p align="center"><b>Schools Forum</b> 11 November 2021</p>
	<p align="center"><b>Report from the Strategic Director of Children and Young People</b></p>
<p align="center"><b>Schools Block - Local Funding Formula (LFF) proposed arrangements for 2022/2023 &amp; National Funding Formula (NFF) update</b></p>	
<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	N/A
<b>Open or Part/Fully Exempt:</b> (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	N/A
<b>No. of Appendices:</b>	Three Appendix A Comparison of Brent LFF to the NFF Appendix B Modelled School Level allocations Appendix C Brent Schools' Consultation Results
<b>Background Papers:</b>	
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## 1. Purpose of the Report

- 1.1. To update Schools Forum regarding the National Funding Formula consultation which was carried out by the Department for Education (DfE) between July 2021 and September 2021.
- 1.2. To seek views of Schools Forum as to proposed changes to the Brent Schools Block Local Funding Formula (LFF) from 2022/23. These changes are informed by the National Funding Formula consultation carried out by the DfE and are intended to support Brent schools to transition ahead of the introduction of the

full National Funding Formula (NFF) from 2023/24 by introducing a phased change.

- 1.3. To update the Forum on the responses to the local consultation with maintained schools and academies on proposed changes to the LFF for 2022/23.
- 1.4. To inform the Forum about changes to payments of maintained schools Non Domestic Business Rates (NNDR) from 2022/23.

## **2. Recommendations**

### **2.1. Schools Forum is asked to:**

2.1.1. Consider proposals to change the LFF to support a move towards the NFF rates and funding factors, in determining the 2022/23 budget share allocations. The decision on the LFF will be taken at Schools Forum on 9 December 2021. Proposals include:

- a) The introduction of the Free Schools Meals (FSM) funding factor;
- b) Making a 10% move towards the NFF funding rates, however maintaining the Age-Weighted Pupil Unit (AWPU) element at current rates whilst using the Minimum Funding Guarantee (MFG) to mitigate against any losses.

2.1.2. Note changes to payments of maintained schools Non Domestic Business Rates (NNDR) from 2022/23.

## **3. Context**

3.1 The DfE has been allocating funds to authorities on the basis of the NFF since 2018/19 but has continued to allow local authorities to allocate funds based on local arrangements. Schools Forum were advised on 6 November 2019 and 5 November 2020 of the Government's intention to implement a hard NFF, which Brent Council Finance calculations identified would result in a lower allocation for Brent schools than currently allocated under the Brent Local Funding Formula.

3.2 A move towards the NFF rates was not recommended previously to Schools Forum because of the lower NFF rates used in comparison to the Brent rates. As the NFF rates increased year on year, this brought the rates closer to the rates used in Brent's LFF. There was also uncertainty regarding the financial year the DfE intended to move to a hard formula.

#### **4. National Funding Formula Consultation 2021**

- 4.1. Between 8 July 2021 and 30 September 2021, the DfE carried out a consultation on completing reforms to the NFF. Results of the consultation will be shared with the Forum when they are published. The main proposals the DfE consulted on for changes from 2023/24 are:
- 4.1.1. To include all NFF funding factors (pupil-led and school-led) in local formulae, such that all funding distributed by the NFF will be allocated to schools without further local adjustments by local authorities.
  - 4.1.2. To reform the premises factors from historic spend to a new formulaic approach, following further consultation by the DfE on this. For Brent this would impact the five schools that currently receive split site funding. In order to smooth the transition, the newly 'formularised' premises factors would not be compulsory in the first year that they are introduced (earliest being 2023/24 or 2024/25).
  - 4.1.3. To revise the basis of allocating growth funding for new and growing schools to meet basic need. Currently, this is allocated based on the difference between census data from different years. The proposal is to collect forecast pupil numbers in maintained schools and academies that are growing (from local authorities) and to collect forecast growth for new and growing schools (from academy trusts), then use a national, standardised criteria to determine which schools are eligible for funding and funding will only be allocated where growth is significant. The funding would be subject to an adjustment process and overpayments will be recouped. In Brent the local formula allocates this based on an increase in pupil numbers (greater than 1.75% for primary schools and more than 15 pupils for secondary schools).
  - 4.1.4. Proposed changes to the falling rolls funds which provides funding for schools with short-term reductions in pupil numbers and judged to be 'Good' or 'Outstanding' at their most recent Ofsted inspection. The aim is to standardise this amount. Brent does not have a falling rolls fund and if this is required under the NFF only schools that fit the eligibility criteria would benefit. Following unprecedented growth in demand for primary school places in Brent from 2006-2015, primary demand has reduced since September 2017. The latest Greater London Authority (GLA) projections (based on January 2019 school census) indicate that demand for Reception will gradually increase over the next few years but some Brent schools may qualify under the NFF.

- 4.1.5. Removal of the flexibilities local authorities have relating to the number of years in which a pupil with English as an Additional Language has been in the school system, in order to attract this funding. Where local authorities could decide to allocate funding for one, two or three years, they would need to use the NFF's 'EAL3' measure, in which pupils attract this funding if they are recorded on the census as having entered state education in England during the last three years. Brent currently uses the EAL3 measure so there will be no impact of this change.
- 4.1.6. Each local authority will be required to bring each of its local formula factors at least 10% closer to the NFF factor value in 2023/24, compared to how far the factor was from the NFF value in 2022/23. Subject to the impact of the 10% move proposed in 2023/24 the DfE plan to move by at least 15% closer to the NFF in 2024/25 and at least 20% closer in 2025/26. Appendix A shows that Brent's LFF rates for 2022/23 are mainly higher than the NFF rates and adjustments would be required to reduce these. This will have an impact on the allocation to schools albeit protected to a level for significant losses by the funding floor and the MFG. Appendix A also reflects Brent's rates with a 10% move towards the NFF.
- 4.1.7. Reviewing the services funded from the Central Schools Service Block (CSSB) of the DSG. This area funds teams such as the Admissions team and the School Effectiveness Service, and includes a contribution to corporate budgets towards historic pension strain costs for former school employees. The consultation considered whether it should fund ongoing responsibilities via the Local Government Finance Settlement from the Department for Levelling Up Housing & Communities (previously MHCLG) and fund historic commitments with a legacy grant. A further more technical consultation is expected on the future of the CSSB.
- 4.1.8. Proposed changes to the role of the Schools Forum including removing their powers as relating to the LFF, deciding on growth funds and falling rolls funds, and agreeing a 0.5% transfer from the Schools Block to support other funding blocks. In Brent, this power has been used to support a 0.5% transfer to the High Needs Block which is currently in deficit. The removal of this power could have an impact on Brent's deficit recovery plan which assumes this option would be used over the next few years.
- 4.1.9. Exploring the pros and cons of setting funding allocations for both academies and maintained schools on an academic year basis. This

could be a benefit to maintained schools as it would align their financial year with the academic year.

4.1.10. In summary, the consultation sets out the pathway to a full NFF and there will be further technical consultations launched to help understand the impact on reforming the premises relates factors, the growth and falling rolls fund and the future of central school services block.

## **5. Consultation with Brent primary and secondary schools on the LFF**

5.1. Informed by the proposals in the DfE NFF consultation, a consultation on the DSG Schools' Block Funding for 2022/23 was conducted with Brent maintained schools and academies from 5th – 15th October 2021. The consultation asked what changes, if any, should be made to the LFF for primary and secondary mainstream schools funding and applied to the Schools Block element of the DSG funding to support a transition towards the NFF.

5.2. There were 11 respondents to the Brent LFF consultation: 6 primary schools; 3 secondary schools and 2 all through schools. 6 of the respondents were from the maintained school sector and 5 were from Academies. The results of the consultation were broadly inconclusive and provided no clear consensus for change, and as responses were very low, the results could not be used as a fair representation on behalf of all schools in Brent.

5.3. The first four questions of the consultation relate to identifying the preferred option of LFF rates to use for 2022/23:

5.3.1. Question 1 asked whether the current LFF rates should be retained; however, to make use of the additional funding to be allocated once all factors have been applied; increase the MFG. 4 schools were in favour and 6 were against, with no response from 1.

5.3.2. Question 2 asked if as well as retaining the current 2021/22 LFF rates if the FSM factor be introduced. This would be funded from making use of the additional funding to be allocated once all factors have been applied. 4 schools agreed, 6 schools disagreed and 1 had no response.

5.3.3. Question 3 asked if a 10% gradual move towards the NFF factors should be applied to the 2022/23 LFF but retaining AWPU at current rates; and utilising the MFG to allocate any additional funding left. 5 schools agreed and 6 disagreed.

- 5.3.4. Question 4 asked if NFF factors should be adopted fully from 2022/23. 2 schools agreed, 8 disagreed with no response from 1.
  - 5.3.5. Question 5 asked if the MFG should be capped. 4 schools disagreed and 7 either did not respond or the question was not applicable.
  - 5.3.6. Question 6 asked whether LAC should be removed as a factor from the funding formula in 2022/23. 4 schools agreed, 6 disagreed and 1 had no response.
- 5.4. Appendix B details the school level allocations for each option considered. The consultation responses are shown in Appendix C.

## **6. Recommendation for Schools Forum**

- 6.1. Informed by the DfE consultation proposals and the position in other local authority areas, officers propose that the Brent LFF incorporates changes to support a transition towards the full NFF to avoid a larger impact in 2023/24 when a compulsory move is expected to be enforced. Currently across the 32 London Boroughs, 12 have fully transitioned to the NFF rates and are applying all the factors, 8 have partially transitioned and are much closer to the NFF rates but 12 including Brent have not yet moved to the NFF rates but are applying most of the NFF factors. Nationally 73 out of 150 local authorities in England are mirroring the NFF.
- 6.2. Officers recommend a 10% gradual move towards the NFF factors but maintaining the current 2021/22 AWPU rates based on the following reasons:
- 6.2.1. The provisional DSG Schools Block allocation for Brent in 2022/23 is £250m, an increase in comparison to 2021/22 of c£1.8m (0.7%). Therefore, in order to be prudent it is proposed to utilise this additional funding towards a phased approach to move towards the NFF, as the expectation is that this would be a compulsory requirement from 2023/24 whilst schools will be protected by the MFG and would therefore not lose any increase in per pupil funding in cash terms.
  - 6.2.2. Appendix A shows the comparison between the NFF rates and the LFF rates for 2022/23. This option would keep the current AWPU rates “as is” but would look to introduce a rate for FSM. The appendix shows that Brent’s LFF rates vary from NFF rates. For example, the IDACI rates are varied with the highest difference in IDACI Band A at 97%. This means that a pupil in an IDACI Band A primary school would receive £735 at the NFF rate but the current LFF offers £1,448.

Therefore, one of the ways of bridging this gap is to start the process to move towards the NFF rate from the next financial year.

- 6.2.3. The modelling used for the LFF consultation shows that this change (Option 3) has the least impact on schools when compared to the other options, given the current AWPU rates would be retained and FSM introduced, with the highest loss at £129 and highest gain at £951 compared to e.g. Option 1 with the highest loss of £23k and highest gain of £43k if current rates are maintained.
- 6.3. If Schools Forum is unable to endorse the recommendation to move towards the NFF, the default position will be to prepare a Schools Block budget which maintains the current funding formula and growth funding arrangements.
- 6.4. All School Forum Members can vote on the Funding Formula, excluding the 16- 19 Provider and Trade Union Representatives. The final decision would be sought at the Schools Forum scheduled for the 9th of December 2021.
- 7. Changes to payments of Schools' Non Domestic Business Rates (NNDR)**
  - 7.1. The DfE has published the government response following its consultation on centralising the payment of NNDR. This confirms that, from 1 April 2022, ESFA will pay NNDR directly to billing authorities on behalf of schools for 5 to 16-year-olds. From next year, maintained schools will no longer need to make NNDR payments to billing authorities.
  - 7.2. Budget share allocations for 2022/23 will reflect the funding for NNDR although schools will not receive actual cash payments. Schools are still expected to record NNDR expenditure in their accounts as this remains a liability for the school, even though the actual payment is via the ESFA.
  - 7.3. Any prior year adjustments from 2021/22 will be included in the budget share allocation for 2022/23 and schools will get this funding in cash terms. There will be no further adjustments beyond those for the 2021/22 financial year.
  - 7.4. ESFA will cover additional rates costs associated with additional buildings on a school site which are used to deliver education for pupils at the school (for example, a sports hall that is used during school hours and at evenings by the wider community). However, ESFA will not cover the additional rates costs associated with buildings which are not used to deliver education for pupils at the school.
  - 7.5. For a smooth transition to the new payment system, schools are advised to register buildings which are not used to deliver education for pupils at the

school as a separate entity on the Valuation Office Agency's (VOA) rating list. This ensures that two individual bills are produced, meaning the bill data uploaded to ESFA by billing authorities will only relate to the parts of a school site used to deliver education and will exclude any other buildings. This is likely to apply to schools which contain:

7.5.1. Several service providers (for example, a private nursery attached to a primary school).

7.5.2. Other bodies which occupy specific buildings (for example, a caretaker's house or community swimming pool).

## **8. Financial Implications**

8.1. The financial implications of proposed changes to the LFF are included in the report above.

## **9. Legal Implications**

9.1. There are no legal implications from this report.

## **10. Equality Implications**

10.1. The NFF consultation has taken into account Equality considerations especially with regards to pupils with special education needs (SEN). Under Section 149 of the Equality Act 2010, the Secretary of State is under a duty to have due regard to the need to; eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

## **11. Consultation with Ward Members and Stakeholders**

11.1. Consultation was undertaken with all maintained schools and academies as detailed in the paper.

## **12. Human resources/Property Implications (if appropriate)**

12.1. Not applicable.



**Report sign off:**

**Gail Tolley**

Strategic Director of Children and Young People