

TO: SCHOOLS FORUM
DATE: 16 SEPTEMBER 2021

**2022-23 BUDGET PREPARATIONS FOR THE
SCHOOLS BLOCK BUDGET AND OTHER FINANCE MATTERS**
Executive Director: People

1 PURPOSE OF REPORT

- 1.1 To provide an update to the Schools Forum from the information currently available in respect of the 2022-23 Schools Budget for mainstream schools together with other relevant finance related matters.
- 1.2 Whilst the Department for Education (DfE) has yet to provide the final data that must be used to calculate individual school budgets, information is emerging that allows for updates to be provided on some key matters and some early decisions to be taken which will aid the finalisation of the budget which must be presented to the DfE by the statutory deadline of 21 January 2022.

2 EXECUTIVE SUMMARY

- 2.1 The release of preliminary 2022-23 budget information by the DfE has allowed for schools to be provided with an initial update on the potential financial implications and for early budget preparations to commence. In accordance with the agreed local funding strategy, these calculations have as far as possible replicated the DfE's National Funding Formula (NFF)¹ at an individual Bracknell Forest (BF) school level.
- 2.2 The coronavirus pandemic continues to cause some delay to the timeframe, including gathering views from schools through the annual financial consultation with schools which is currently underway following release by the DfE of key information, rather than the usual summer term circulation.
- 2.3 The previously announced 3-year high-level financial settlement reaches its final year in 2022-23 and indicates an average increase in BF per pupil funding, excluding premises costs, of 2.4% for primary schools and 2.9% for secondaries – 2.6% overall average - compared to the average 3.4% in 2021-22.
- 2.4 After making initial calculations that incorporate the expected local circumstances – the most significant of which relates to diseconomy funding for new schools - and adjustments that inevitably arise from a funding system that uses lagged data, there is a funding gap on school budgets of £0.467m, and £0.050m on centrally managed budgets. It is not unusual to have a funding gap at this stage of the budget process.
- 2.5 The options available to manage the indicated budget shortfall, with a decision needing to be made no later than December are:
1. Draw down funds from the Reserve created by the council to help finance the additional costs of new and expanding schools
 2. Draw down funds from the Reserve created in the Schools Budget to support the additional costs of new and expanding schools

¹ The NFF distributes funding based on schools' and pupils' needs and characteristics and uses the same factor values for all schools across the country. The exception to this being an area cost adjustment (ACA) uplift which is paid to areas with high costs. BF receives a 5.7% uplift.

3. Fund schools at a scaled percentage of the NFF rather than the full amount.

A combination of these options can also be used.

- 2.6 These are relatively high-level calculations which will be subject to change as more information becomes available. However, they do present a sound starting point for budget planning and early decision making where appropriate.
- 2.7 There are 3 further scheduled meetings of the Forum before the DfE January deadline that will consider updated budget proposals from the council.
- 2.8 For the High needs Block, more information will be presented at a future meeting. For the Early Years Block, 2022-23 budget setting information has yet to emerge from the DfE, with an update expected towards the end of the year.

3 RECOMMENDATIONS

To AGREE:

- 3.1 **That subject to consideration of school responses to the annual financial consultation and general affordability, the approach to setting the 2022-23 budget should remain broadly the same as for 2021-22, and in particular:**
 1. **That there should be no change to the current budget strategy of:**
 - a. replicating the NFF at individual BF school level;
 - b. setting minimum per pupil funding increases between financial years at the highest amount permitted by the DfE;
 - c. meeting the diseconomy costs at new and expanding schools in a measured way from a combination of council reserves, Schools Budget reserves, and funding allocated for the relevant year from the DfE.
 2. **That a centrally managed Growth Fund should be maintained for in-year allocation to qualifying schools (Table 2).**
 3. **On-going central retention by the Council of the existing Central School Services Block items (Annex 1).**
 4. **That the DfE be requested:**
 - a. **to approve that the council continues to disapply the Minimum Funding Guarantee where schools are funded on the Start-up and Diseconomy funding policy for new and expanding schools.**
 - b. **to approve that the council continues to add resources from the General Fund to support the additional cost of new schools**
 - c. **subject to the checks proposed in the supporting information, to increase split site funding for Warfield primary school, provisionally by £0.050m.**

To NOTE:

- 3.2 The latest update on the School and Education Spending review and the impact anticipated for BF at this time.**
- 3.3 The areas where schools are being asked to comment on through the annual financial consultation, to inform later decision making.**
- 3.4 The 2.6% average increase in per pupil funding that would be received by BF schools if the NFF is fully implemented.**
- 3.5 The current estimated funding gaps at Table 3 of:**
 - 1. £0.467m on the Schools Block**
 - 2. £0.050m for the Central School Services Block.**

4 REASONS FOR RECOMMENDATIONS

- 4.1 To ensure that the Schools Block (SB) and Central Schools Services Block (CSSB) elements of the Schools Budget are developed in accordance with the views of the Schools Forum and governors, the anticipated level of resources and the statutory funding framework, including the requirement to submit summary details of individual school budgets to the DfE by 21 January 2022.**

5 ALTERNATIVE OPTIONS CONSIDERED

- 5.1 These are set out in the supporting information.**

6 SUPPORTING INFORMATION

Overview

- 6.1 This report concentrates on the SB and CSSB elements of the Schools Budget which are intended to fund delegated school budgets and the small number of services that the DfE allows LAs to manage centrally on behalf of schools, where agreed by the local Schools Forum.**
- 6.2 The introduction of the current funding framework, including the structure of the Schools Budget commenced in April 2018 and elements of transitional funding protection remain in place to reduce the impact of financial turbulence from the policy change on both schools and LAs. These will continue into 2022-23.**
- 6.3 The DfE has yet to release any financial information in respect of the Early Years (EY) Block. Based on feedback from the EY Forum, a consultation will be undertaken with all early years providers who are registered to deliver the early years entitlements during September / October 2021. The consultation is based on proposed changes to the current EY Funding Formula to ensure it is clear, transparent, meets all statutory requirements and where required, funding is directed to and accessed by the most disadvantaged children. No budget update is therefore available at this time.**
- 6.4 For the High Needs Block (HNB) , this will be subject to an update at a future Forum meeting.**

Provisional budget position for 2022-23

DfE announcements

- 6.5 This section on DfE announcements sets out information that has recently been provided to schools through the financial consultation document to help them with their initial preparations for next financial year.

Schools Budget:

Overview

1. There will be no significant changes to the way school and education related funding is allocated next year with:
 - a. The DfE using the same separate formulae to allocate funding to LAs for SB, CSSB, HN pupils and EY provisions.
 - b. The DfE will continue to use the NFF to calculate each school's individual budget with no changes in the factors used. The NFF distributes funding based on schools' and pupils' needs and characteristics and uses the same factor values for all schools across the country. The exception to this being an area cost adjustment uplift which is paid to areas with high costs, such as those paying London Weighting to staff salaries. BF receives a 5.7% uplift.
 - c. LAs will continue to receive funding based on the DfE running each school's data (mainly October 2020 census, so lagged) through the NFF at confirmed 2022-23 factor values and aggregating together every school's allocation to determine the amount to be paid to that area. This is then converted to an average primary and secondary per pupil funding value which with final October 2021 pupil numbers will be used to calculate each LAs 2022-23 funding for their schools. This approach allows for early publication of each LAs confirmed per pupil funding rates.
 - d. The DfE place a ring-fence on funding provided to LAs for schools and education. This means it can only be used for the purposes defined by the DfE and cannot be diverted to fund other costs.
 - e. LAs will continue to be responsible for allocating funding to schools in their areas and are not required to fully implement the NFF.
 - f. Whilst LAs have responsibilities to set funding allocations for their schools, they must work within parameters set by the DfE which very closely follow the NFF and other national priorities.
 - g. In allocating funds to schools, LAs must use pupil and other relevant data provided by the DfE which is generally made available at the end of the autumn term.
 - h. In July the DfE launched a consultation on the next stage of reform. More information on this is provided under a separate agenda item.
2. There are a number of changes to the national process to allocate funds.
 - a. Data on pupils who have been eligible for free school meals at any time in the last six years (FSM6) is now taken from the October 2020 school

census instead of from the January census, to bring the factor into line with arrangements in place for funding schools for the pupil premium.

- b. Following the cancellation of assessments in summer 2020 due to COVID-19, funding allocations to schools for low prior attainment (LPA) will use 2019 assessment data as a proxy for the 2020 assessments for reception (primary schools) and year 6 cohort (secondary schools).
- c. Pupils who joined a school between January and May 2020 attract funding for mobility on the basis of their entry date, rather than by virtue of the May school census being their first census at the current school (the May 2020 census was cancelled due to COVID-19). To be eligible for mobility funding, the proportion of mobile pupils in a school must be above the national threshold of 6%.
- d. The business rates payment system for schools will be centralised and Education and Skills Funding Agency (ESFA) will pay billing authorities directly on behalf of state funded schools from 2022-23 onwards. Further details on this, including treatment in school accounts will be issued separately by the DfE in due course. There will be no overall financial impact on schools from this change.

National funding decisions for 2022-23

Note: all amounts quoted for BF in this section are provisional and subject to update as budget calculations progress and the final data is released by the DfE.

3. 2022-23 is the final year of a three-year funding settlement that will see core school funding increase by £2.6bn in 2020-21 compared to 2019-20, and by a further £2.2bn and £2.37bn in 2021-22 and 2022-23 respectively. In addition to this, the circa £2bn to fund additional teachers' pay and pension costs initially paid separately to schools through grant was permanently "mainstreamed" into the NFF from April 2021.
4. Nationally, school funding allocated through the NFF is increasing by 2.9% in cash terms which is equivalent to 2.8% per pupil. The main features are:
 - a. The key factors in the NFF will increase by 3% i.e. basic per-pupil funding, free school meals at any time in the last 6 years, income deprivation affecting children index (IDACI), LPA, EAL and the lump sum. The exception being funding for pupil eligibility to a FSM which will increase by 2% to reflect the expect cost increase in providing a free meal.
 - b. The minimum per pupil funding levels (MPPFL)² have been increased by 2% and ensure that every primary school receives at least £4,265 per pupil (£4,180 in 2021-22), and every secondary school at least £5,525 per pupil (£5,415 in 2021-22).
 - c. Provisional data indicates that 11 BF primary schools will be funded at these MPPFLs. All secondary schools are provisionally above the MPPFL.

² The NFF includes MPPFLs that are applied equally to all primary and secondary schools (£4,265 and £5,525 respectively in 2022-23). LAs must also apply these minimum rates in their local funding formula. The only factors not included in per-pupil funding for the purpose of the MPPL calculation are premises e.g. business rates, split site factor and growth funding.

- d. Where the normal operation of the NFF does not allocate at least 2% more pupil-led funding per pupil compared to its 2021-22 NFF baseline, top-up funding is added to meet this rate of increase i.e. the Minimum Funding Guarantee (MFG)³. Provisional data based on October 2020 Census point indicates that if MFG was agreed to be set at the maximum of 2.0%, the normal operation of the Funding Formula would exceed this level for all schools with no top-up funding needing to be allocated.
5. Using this initial data indicates that average per pupil funding for BF primary schools – excluding new schools where funding rates are very volatile due to significant changes in pupil numbers between years - will increase by 2.4 % to £4,329 and secondary schools by 2.9% to £5,844 These increases are intended to ensure that BF can closely replicate the allocations in the NFF and pay schools at the same values as calculated by the DfE although this may not be the case where there are local factors to consider that are not reflected adequately in the NFF, such as funding for new schools.

CSSB:

6. The CSSB covers funding allocated to LAs to carry out central functions on behalf of pupils in maintained schools and academies. CSSB funding is split into two elements: funding for ongoing responsibilities and funding for historic commitments, where the LAs' total CSSB NFF funding is the sum of these two values.
7. The ongoing responsibilities element of the CSSB is allocated to LAs using a pupil-led formula. The formula uses two factors: a basic per-pupil factor, through which LAs receive the majority of funding (nationally 90% of funds are allocated through this factor), and a deprivation per-pupil factor (10% of national funds).
8. There is a protection to ensure no LA sees losses of greater than 2.5% per pupil, compared to 2021-22. BF will receive a 0.18% increase in per pupil funding in 2022-23. This is the first year that a per pupil funding reduction has not been applied.
9. The historic commitments element of the CSSB, which funds some LAs for commitments they made prior to 2013-14 that support the most vulnerable pupils is being reduced by 20% per annum from LA funding. This commenced in 2020-21 and for 2022-23, equates to a £0.052m funding reduction with associated income falling to £0.207m from £0.259m. Funding has now reduced by £0.199m from the £0.406m received in 2019-20.
10. The Forum agreed to fund the £0.146m funding shortfall in place at 2021-22 from both these deductions and this is assumed to continue.
11. Annex 1 sets out the services permitted to be charged to the CSSB and the 2021-22 budget amounts and includes elements of family support, education support for children looked after, school admissions and the centralised copyright license.

³ The MFG compares per pupil funding allocations between years and where the change is below the minimum threshold, a funding top-up is added to meet the minimum per pupil change requirement. The MFG calculation required by the DfE excludes funding for business rates and fixed lump sum allocations. The cost of top-up funding is financed by scaling back increases to schools experiencing the highest proportional funding gains.

Financial consultation with schools

- 6.6 The annual financial consultation with schools ordinarily takes place in the summer term in order for the Forum to consider the outcomes early in the autumn as budget planning commences. With the coronavirus pandemic, there was a delay in the DfE publication of their school funding consultation until July. The BF consultation needs to follow from this to ensure views are sought on all appropriate areas and this is now underway.
- 6.7 There are 3 areas on the consultation where views are being sought on 2022-23 budget proposals, all of which are regularly asked of schools. Additionally, the opportunity is also being taken to present proposed changes to the Scheme for Financing Schools which have previously been highlighted to the Forum. The areas to be covered in the consultation are:
1. De-delegation. To seek agreement from schools to fund central management of a small range of services where there is a benefit of risk sharing, achieving economies of scale or benefit from an area wide service from doing this e.g. classroom staff maternity leave scheme.
 2. Contribution by maintained schools to LA statutory duties. To contribute £20 per pupil to LA education related statutory duties where the DfE has withdrawn £1.6m of grant funding but still requires LAs to meet all the duties.
 3. Rate of the Minimum Funding Guarantee (MFG). To provide a degree of funding stability between financial years, each LA needs to set a minimum change in per pupil funding that a school can experience compared to 2021-22. For 2022-23, DfE will again permit the rate to be set between +0.5% and +2.0%. The NFF has applied a minimum 2% increase.
 4. Scheme for Financing Schools⁴ During the course of the year, it has become apparent that the Scheme would benefit from a small number of minor updates such as the Scheme to claw-back significant surplus balances from schools and the funding arrangements for licensed deficits. Schools views on these proposed changes will also be sought.
- 6.8 Questions 1 to 3 are necessary as the Schools Forum is required to decide each year on some budget matters and therefore needs to be confident that these are taken in the light of current opinions.
- 6.9 Schools are usually asked to comment on retaining the strategy to as far as practical replicating the NFF, and this approach has previously been supported by respondents. As outlined on another agenda item, with the DfE introducing further measures to ensure LAs move towards the NFF and away from any local modifications, this question is no longer being asked as there is unlikely to be any discretion on this in the future.
- 6.10 Responses to the consultation are expected to be reported to the Forum at the next meeting on 18 November.

⁴ All LAs must develop a "Scheme" which sets out financial roles and responsibilities of schools and LAs. It must cover minimum requirements set by the DfE, with some areas open to local determination. It is a legally binding document and can only be updated following consultation with schools and approval of the Schools Forum.

Initial budget planning

- 6.11 It is important that budget planning now commences, and work has therefore been undertaken to model the potential impact on the BF Schools Budget to enable the Forum to consider whether the right approach is being taken and to consider some early conclusions.

Estimated Schools Block Dedicated Schools Grant (DSG)⁵, income to be paid to BFC

- 6.12 The Forum will be aware that to determine an LAs SB DSG funding, the DfE applies the same uniform NFF factors and values to every school in the country, using lagged pupil number and other data sets e.g. FSM, test results. The resultant individual primary school budgets for an LA are then aggregated together and divided by total primary pupil numbers to determine an LAs standard primary per pupil funding rate – called the Primary Unit of Funding (PUF). The same calculation is also made for secondary schools to determine the Secondary Unit of Funding (SUF). Each LA is then funded at these per pupil funding rates on the most recent October census data.
- 6.13 For next year, the DfE has calculated the PUFs and SUFs against the confirmed 2022-23 NFF units and pupil headcount numbers and pupil additional educational needs top ups both taken from October 2020 census data. The final amount of funding to be received in 2022-23 will be calculated by multiplying the PUF and SUF against the October 2021 census data. This approach of using partially lagged data is taken to provide schools and LAs certainty of key funding data at an early stage of the budget setting process. Waiting for actual data would mean a release date of around a month before budgets must be finalised and approved through the local democratic process.
- 6.14 The DfE has confirmed the PUFs and SUFs that will be used to calculate 2022-23 DSG allocations at £4,344.46 for the BF PUF and £5,849.37 for the BF SUF. This equates to a 2.1% increase in the per pupil funding rate for primary aged pupils and 2.9% for secondary and an average 2.5% increase in per pupil.
- 6.15 Based on there being no change in the 16,407 pupils recorded on the actual October 2020 school census data, this would deliver £81.125m of SB DSG income, a cash increase of £1.995m.
- 6.16 The DfE has also confirmed the separate funding allocations to LAs for non-pupil-based school expenses. This is mainly intended to finance the cost of business rates and other specific costs agreed with individual LAs. Funding for these costs will be £1.703m and is allocated based on 2021-22 actual spend and for BFC comprises:
1. £1.579m for business rates (down £0.047m)
 2. £0.075m for split site costs (Warfield Primary). (No change).
 3. £0.049m for additional lump sum payments. This is the exceptional second year of funding DfE agreed for Ascot Heath Primary. (Down by £0.119m as lagged funding for the first year of amalgamation at College Town and Ascot Heath is removed).

As with all funding that is received on a lagged basis, there will be differences in the amounts received by BF and what is then provided to individual schools as this must use the most up to date data.

⁵ The DSG is the ring-fenced grant allocated by the DfE through a formula to LAs to fund most of their expenditure on school and education related services.

- 6.17 Whilst funding for business rates is included in the initial DSG calculation from the DfE, this is expected to be removed at a later stage of the budget process as a centralised payment system is to be introduced from April 2022, with the ESFA paying LAs directly for school business rates which will therefore be excluded from school budget allocations. More information on the practical implications is awaited from the DfE.
- 6.18 In terms of funding LAs for in-year increases in pupil numbers after the October 2021 census, the DfE will continue to use the Growth Fund⁶ to measure pupil growth between the two most recent October census points across small geographical areas. Per pupil funding is then allocated where there is a net increase in numbers, with no net-off against areas that experience a reduction. 2022-23 funding rates have yet to be confirmed, with increases in primary pupil numbers attracting £1,455 in 2021-22 and increases in secondary attracting £2,175.
- 6.19 The DfE has yet to release any data on this funding allocation for 2022-23, with a provisional estimate from BFC suggesting around £0.684m of DSG for this purpose.
- 6.20 Therefore, at this stage, the overall income for the SB is estimated at £83.512m, an overall increase from last year of £1.743m. Table 1 below sets out a summary of the change in funding from each element of the SB DSG.

Table 1: Forecast SB DSG for 2022-23

	Total £'000	Total £'000
Total DSG for 2021-22		81,769
<u>Forecast changes for 2022-23:</u>		
Effect of average 2.5% increase in DSG funding rates	1,995	
Change in business rates funding	-47	
Change in school amalgamation funding	-119	
Change in Growth Fund	-86	
Total forecast change		1,743
Total forecast DSG for 2022-23		83,512

Update on budgets for schools and council managed Schools Block items

- 6.21 The SB base budget approved at the January 2021 meeting of the Schools Forum amounted to £81.850m, of which £81.769m was funded by SB DSG income and £0.227m was added from the council as part of a 4-year funding plan to contribute £1m to the extra costs arising from new schools. The 2021-22 budget agreed to transfer £0.146m to the CSSB budget to meet the cost pressures and funding reductions being experienced on services that support the most vulnerable pupils (see Annex 1).

⁶ The Growth Fund comprises 3 elements: funding for significant in-year increases in pupil numbers at existing schools; allocations to schools requiring additional financial support to meet Key Stage 1 Infant Class Size Regulations; and pre-opening, diseconomy and post opening costs for new schools.

Provisional update for 2022-23

Change in pupil numbers

- 6.22 The current budget planning assumption is that any change in pupil numbers from the October 2021 census that will drive 2022-23 school budgets will have a broadly cost neutral effect when compared to the consequential change in DSG funding and are therefore excluded at this stage from potential budget adjustments.

Growth Fund - Impact from new / expanding schools and other criteria

- 6.23 Forum members will be aware that the SB Budget is experiencing a significant medium-term pressure from the additional cost of new schools. The amount of additional funding to be provided is set out in the *Start-up and Diseconomy Funding Policy for New and expanding schools* of which the most recent update was approved in December 2019.
- 6.24 This decision confirmed an update on the determination of when a school moves from being funded on the *Start-up and Diseconomy Funding Policy for New and expanding schools* policy to the normal BF Funding Formula. This change confirmed the move would be at the earliest of either the school opening to all 5-16 year groups relevant to the school or when pupil numbers passed a threshold for the proportion of capacity achieved. There are different threshold values according to school size; 90% for a 1 Form of Entry (FE) school; 85% for a 2 FE; and 80% for 3 FE and above. The funding policy can be viewed here, with paragraph 11 of the policy setting out in full when new schools transition to the BF Funding Formula.

[New and expanding schools - Funding Policy 2020 to 2021 \(bracknell-forest.gov.uk\)](https://bracknell-forest.gov.uk)

- 6.25 No changes were made for 2021-22 and none are proposed for 2022-23, although in accordance with the policy, some of the factor values will need to be updated to current prices, in particular to reflect the new values of the MPPFLs which are a key element of the funding policy calculations.
- 6.26 In recognising that the financial impact arising from new schools is not being fully funded through the Growth Fund element of the SB DSG, the council's Executive agreed to provide £1m of funding over a 4-year period from the council's reserves as part of a medium-term budget strategy that was agreed by the Forum. This strategy also utilises the £1m originally held in the earmarked New School Start-up / Diseconomy Reserve of the Schools Budget that was created for this purpose and part of the annual increase in SB DSG.
- 6.27 In the absence of the October 2021 census, only a broad estimate of likely costs arising from new schools can be established. Similarly, the budget provision for Growth Fund responsibilities managed by BF in existing schools will also be reviewed once the census data is available to assess the amount of funds that are likely to be required.
- 6.28 Table 2 below summarises the estimated financial implications for 2022-23 which indicates a £0.013m cost reduction to the normal school budget, and a £0.008m increase in post opening funding to equip a new class.

Table 2: Proposed financing and associated budget for the Growth Fund (provisional)

	Primary	Secondary	Current Proposed 2022-23	Actual 2021-22	Change from 2021-22
	£'000	£'000	£'000	£'000	£'000
<u>New schools:</u>					
Diseconomy costs	204.5	777.0	981.5	994.2	-12.7
	204.5	777.0	981.5	994.2	-12.7
<u>Retained Growth Fund</u>					
Start-up costs	0.0	0.0	0.0	0.0	0.0
Post opening costs	22.5	0.0	22.5	15.0	7.5
In-year pupil growth	107.5	107.5	215.0	215.0	0.0
KS1 classes	115.0	0.0	115.0	115.0	0.0
	245.0	107.5	352.5	345.0	7.5
Total estimated costs	449.5	884.5	1,334.0	1,339.2	-5.2
<u>Costs by school:</u>					
KGA - Oakwood	107.8	0.0	107.8	137.9	-30.1
KGA – Binfield	119.2	777.0	896.2	871.3	24.9
Total estimated costs	227.0	777.0	1,004.0	1,009.2	-5.2

6.29 Clearly, the funding plan will need to be kept under review. Financial year 2022-23 is the latest point that KGA Binfield Secondary school will be resourced through the new school funding policy. Notwithstanding any potential changes through the DfE review of school funding that is set out on another agenda item, from April 2023, funding for KGA Binfield Secondary school will move to the BF Funding Formula.

6.30 Costs are therefore expected to significantly reduce from 2023-24. This will be accompanied by a reduction in DSG income for pupil growth as pupil numbers reach capacity of the school. Furthermore, there will be a reduced need to draw down funding from the council and New School Start-up / Diseconomy Reserve. The KGA primary schools will still require additional funding support beyond 2022-23.

Split site schools

6.31 Warfield Primary school operates on 2 sites with a walking distance of 1.167 miles which presents unique issues and after 2 years' experience of managing the split site school, the school had identified a number of additional costs that needed to be incurred as a result of the site configuration for which there is no additional funding allocation. Top up funding of £0.075m was subsequently agreed.

6.32 The Headteacher has continued to monitor the additional costs being incurred and has indicated that the current funding is around £0.050m below additional costs with the main budget currently subsidising this. The school has not been able to expand to the 3 FE capacity due to demand for school places not being as high as originally predicted and the increased number of school places available in North Bracknell. Under optimised income presents additional challenges in meeting the costs of two separate sites.

- 6.33 Moving to a single site would therefore create financial benefits. Furthermore, there would undoubtedly be significant organisational improvements and benefits for pupils. This approach is being considered for the medium term and would also remove 210 primary places as the original school site would become surplus to requirements.
- 6.34 Any split site funding addition paid to a school must be agreed in advance by the DfE, with additional ring-fenced funding then allocated, but on a lagged basis. The deadline for such requests is 21 October, but there is no requirement to accept an approval if granted.
- 6.35 In order to provide maximum options for setting the 2022-23 budget, it is proposed to submit a request to increase split site funding by £0.050m to £0.125m, pending more work to analyse the costing information provided including the option of seeking support from another Headteacher to review the split site working arrangements to consider whether alternative options could be implemented.
- 6.36 Should the DfE agree this request, due to lagged funding, DSG income will remain unchanged at £0.075m in 2022-23, before rising to £0.125m in 2023-24. As a consequence, there would be a one-year pressure of £0.050m. At this stage, the budget calculations assume this approach and the Forum is recommended to agree the DfE is requested to increase funding support accordingly.
- 6.37 Whilst a pressure may ultimately arise from this, there are no immediate financial implications from this recommendation. Funding for the split site factor in 2022-23 will be considered by the Forum as part of the overall budget setting process and will be taken in light of all relevant information.
- 6.38 Any final proposal to increase split site funding would reflect outcomes from the additional work set out above, as well as confirmation from governors that the identified additional costs are appropriate. The amount of additional financial support will be subject to regular review and potential change.

School amalgamations

- 6.39 Forum members will recall that Governors at Ascot Heath Primary School raised concerns that cost reductions arising from the 2019 amalgamation were occurring at a slower rate than expected and requested that enhanced funding continued for a second year, albeit at a reduced rate of £0.050m. The Forum agreed this proposal.
- 6.40 With this being agreed for one year only, funding for school amalgamations will reduce in 2022-23 by £0.050m.

Meeting DfE per pupil funding requirements

- 6.41 After LAs have calculated school budgets through their local Funding Formula, there are 2 mandatory checks required by the DfE to ensure that each individual school budget has received the minimum levels permitted relating to:
1. the amount of per pupil funding received for the year i.e. the MPPFL, and
 2. the increase in per pupil funding from the previous year i.e. the MFG

MPPFL

- 6.42 The DfE has set mandatory MPPFL of £4,265 for primary aged pupils and £5,525 for secondary. These are the minimum per pupil funding rates that an LA must pay their schools unless specifically agreed by the DfE. The provisional calculations made at

this stage indicate additional payments of £0.717m allocated to 11 primary schools with no secondary schools receiving a top-up. This is a decrease of £0.198m compared to 2021-22 when 18 primary schools received £0.874m and 1 secondary school £0.041m.

- 6.43 For areas like BF that are relatively lowly funded, and with the primary MPPFL very close to the amount of DSG received in BF through the specific PUF (£4,344 compared to £4,265), there will be a relatively large number of primary schools receiving funding top-ups to achieve the minimum permitted level.

MFG

- 6.44 To limit turbulence between financial years at individual school level, the MFG must be applied to each school's per pupil funding rate. Where the normal operation of the local Funding Formula does not deliver the necessary change, an appropriate top-up is paid. For 2022-23, the DfE again requires each LA to set their MFG at between +0.5% and +2.0%.
- 6.45 Schools have consistently supported applying the maximum permitted increase in the MFG, and this is one of the questions included in the financial consultation with schools. MFG top-up payments are ordinarily financed from capping gains above the MFG at other schools and are therefore self-financing. Schools receiving top-ups to the MPPLF values are excluded from contributing to the cost of the MFG. A provisional calculation indicates that no BF school would be eligible for a funding top up if the MFG level was set at +2.0%. £0.028m of MFG funding top up was included in the 2021-22 budget.
- 6.46 The DfE recognise that there can be circumstances when the normal operation of the MFG can result in unexpected outcomes and LAs can therefore make a request for a "disapplication" of the MFG.
- 6.47 MFG disapplication requests have been approved previously where "the normal operation of the MFG would produce perverse results for very small schools with falling or rising rolls". Indeed, the DfE has approved requests from BFC since 2020-21 for the scenario being faced at Kings Academy Group schools of Binfield and Oakwood where the diseconomy funding model results in a reduction in per pupil funding between years as the significant increase in pupil admissions each year result in a lower per pupil funding allocation as the significance of diseconomy funding top-ups reduce.
- 6.48 The same issue is again faced in 2022-23 requiring an MFG disapplication request to again be made to the DfE.

The Central School Services Block

- 6.49 The CSSB has been created to ensure LAs can continue to carry out their important role in supporting the provision of excellent education for all children of compulsory school age. It covers pre-defined service budgets, with the local Schools Forum holding the statutory decision-making responsibility for agreeing the amount of funds that can be spent on each budget.
- 6.50 As set out above, the DfE are reducing funding for the historic cost element of the CSSB by 20% which is estimated at £0.052m. A £0.002m increase in funding for on-going commitments results in a net funding reduction of £0.050m. £0.406m was initially allocated by the DfE to BF for these historic services, with £0.259m expected in 2022-23. The council is currently examining ways to manage this outside of the Schools Budget and an update will be provided to a future Forum meeting.

- 6.51 Annex 1 sets out the services included in the CSSB, showing the 2021-22 base budget by individual budget area and the overall provisional funding for 2022-23.

Illustrative 2022-23 individual school budgets

- 6.52 In order to prepare this budget update, individual school budgets have been modelled in accordance with the overall budget strategy of reflecting the NFF funding rates in the BF Funding Formula and incorporating all of the potential budget changes that are set out above. At this stage all calculations use October 2020 information for pupil numbers and all of the other pupil characteristics used for funding purposes, such as FSM eligibility, test results etc. Final budgets will be calculated against October 2021 data.
- 6.53 Using these key assumptions, the following headline data is available for illustrative school budgets (NB in this context, per pupil funding is calculated on the MPPFL methodology of the whole school budget excluding business rates and new schools):
- 1 Primary schools would receive an average increase in per pupil funding of 2.4%, and secondaries 2.9 %. The average increase for all schools is 2.6%.
 - 2 The highest per pupil increase schools would receive is 3%. The lowest increases would be 2.0% in Primary and 2.1% in Secondary.
 - 3 The average per pupil funding amount for a primary school would be £4,329 and £5,844 for secondary.

Reasons why the NFF budget will not be delivered in BF

- 6.54 There are a number of reasons why despite the DfE fully funding the NFF, individual LAs are not always able to replicate the budgets locally. These include:
1. Differences between the lagged data sets used for funding purposes for LAs and the current year data that LAs must use to fund schools.
 2. Differences between DfE funding formula used for supporting the cost of new schools etc compared to the actual costs funded at a local level.
 3. Differences in the calculation of funding protection between years through the locally set rate of MFG and the 2% threshold used in the NFF.

Summary of proposed changes

- 6.55 Based on provisional budget data, a series of changes have been detailed above that could be applied in the 2022-23 budget. The Forum is recommended to agree this approach, with further updates planned to be presented at the November, December and January Forum meetings. At this stage, there is a £0.517m funding shortfall: £0.467m on the Schools Budget and £0.050m on the Central School Services Block. Table 3 below provides a summary of the estimated financial implications.

Table 3: Summary initial budget proposals for 2022-23

Item	Schools Block		Central	Total
	Delegated school budgets A £'000	Growth Fund - LA Managed B £'000	Services Schools Block C £'000	D £'000
2021-22 Schools Block budget	81,505	345	1,058	82,908
2021-22 base budget	81,505	345	1,058	82,908
Provisional 2022-23 DSG funding	83,167	345	862	84,374
On-going contribution to CSSB pressures	-146	0	146	0
2022-23 forecast income	83,021	345	1,008	84,374
+Surplus of income / - Deficit of income	1,516	0	-50	1,466
<u>Changes for 2022-23</u>				
New schools - 2022-23 change in cost pressure	-13	0	0	-13
In-year growth allowances, KS1 classes	0	8	0	8
Split site funding - impact of cost review	50	0	0	50
School Amalgamations	-50	0	0	-50
Cost of new year NFF funding rates	1,988	0	0	1,988
Total changes proposed for 2022-23	1,975	8	0	1,983
Shortfall to DSG Funding	-459	-8	-50	-517

Managing the shortfall to DSG funding

- 6.56 There has always been a funding gap at this stage of the budget setting process; between what is allocated by the DfE and the assessed local budget requirement which has been managed through:
1. A draw down funds from the Reserve created by the council to help finance the additional costs of new and expanding schools (current balance is £0.182m).
 2. A draw down funds from the Reserve created in the unallocated Schools Budget to support the additional costs of new and expanding schools (current balance is £0.746m).
 3. Fund schools at a scaled percentage of the NFF rather than the full amount.
- 6.57 A combination of these options can also be used, and funding proposals will be presented when there is greater certainty on the final budget requirement. In considering a draw down from Reserves, this will need to take account of the available amount and the expected duration of additional support. To allow some flexibility for costs to exceed the current estimated amount, a drawdown from Reserves of up to

£0.250m in each of the next 3 years is considered a reasonable approach to take, although this will need to be kept under review.

- 6.58 The funding framework sets out that funding for the Schools Budget is not currently an LAs responsibility and General Fund money should not be used for this purpose. The Secretary of State has the power to grant exemptions to this, and such a request will need to be made to allow for a financial contribution to be made by the council towards the additional cost of new schools. Such a request was approved in 2021-22 and a similar request is proposed to be made for 2022-23.

Summary of Per Pupil funding rates

- 6.59 It is recognised that School Funding uses a considerable amount of jargon and that many different values are quoted for per pupil funding rates, each of which have subtle, but important differences. To provide a comprehensive update to the Forum, his report necessarily reflects these issues, and the following table has been included in an attempt to summarise key data and implications into one section.

Table 4: Summary of key per pupil funding values

	Section 1		Section 2		Section 3	
	Allocation to BFC from DfE (PUF/SUF)		Minimum per pupil funding for a school (MPPFL) as prescribed by DfE		Estimated average allocation to BF schools if 100% NFF values affordable	
	Amount	Change	Amount	Change	Amount	Change
Primary	£4,344.46	2.1%	£4,265	2.0%	£4,329	2.4%
Secondary	£5,849.37	2.9%	£5,525	2.0%	£5,844	2.9%

- 6.60 Some key points from per pupil funding amounts in the above Table are:

1. The estimated average funding to be allocated to primary aged pupils should the NFF values be affordable (Section 3 of the Table) is only 1.5% above the MPPFL (Section 2). This means a large proportion of BF schools are likely to require top ups to achieve the MPPFL as the normal operation of the NFF delivers funding below this level.
2. The estimated average funding to be allocated to secondary aged pupils should the NFF values be affordable (Section 3) is 5.8% above the MPPFL (Section 2), meaning no schools require top ups to achieve the MPPFL.
3. The estimated average allocation to BF schools at Section 3 is subject to change as the budget setting process reaches a conclusion.

Issuing 2022-23 budgets to schools

- 6.61 Publication of 2022-23 individual school budgets will follow last year's timeline, with provisional budgets issued in early January 2022 and final budgets in March 2022. The expectation is that the January provisional budgets will reflect the October 2021 verified census data (subject to this being provided by the DfE no later than mid-December) and the final budget decisions of the Schools Forum and will therefore be very close to final allocations.

Conclusion and Next steps

- 6.62 Due to the historic low funding levels, BF schools are in general gaining from the national funding reforms. However, there are local budget pressures that are not adequately resourced by the DfE that result in an overall gap to meeting the NFF and CSSB requirements, currently estimated at £0.517m.
- 6.63 Further updates will be provided to the Forum in November, December and January as more information emerges which will allow for budget decisions to be considered.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 7.1 In respect of the aforementioned report, there are no legal issues arising that requires specific legal comments.

Executive Director: Resources

- 7.2 Included within the supporting information.

Equalities Impact Assessment

- 7.3 A decision on the need for an EqIA will be taken when the final budget proposals are confirmed.

Climate Change Implications

- 7.3 The recommendations from this report are not expected to have an impact on emissions of carbon dioxide.

Strategic Risk Management Issues

- 7.4 Whilst the funding reforms and financial settlement in general result in schools receiving additional funds, a number of strategic risks exist, most significantly:
1. Insufficient funding to cover anticipated pay and price inflation and changes in contributions to the Pension Funds for schools receiving the lowest increases.
 2. The ability of schools with licensed deficits to manage their repayments.
 3. Managing the additional revenue costs arising from the new / expanded schools programme and increased number of high needs pupils.
 4. The ability of schools to achieve school improvement targets.
- 7.5 These risks will be managed through support and assistance to schools in the budget setting process which is a well-established programme. It has ensured that schools develop medium term solutions to budget shortfalls and draws on funding retained to support schools in financial difficulty or through the allocation of short to medium term loans. There remains a de-delegated budget of £0.190m (after academy deduction) to support maintained schools in financial difficulties that meet qualifying criteria – subject to on-going agreement to the funding.

8 CONSULTATION

Principal Groups Consulted

- 8.1 People Directorate Management Team. School governors, head teachers, Schools Forum and other interested parties will be consulted throughout the budget setting process.

Method of Consultation

- 8.2 Written reports to People Directorate Management Team and Schools Forum; formal consultation with schools.

Representations Received

- 8.3 Included in body of the report.

Background Papers

None:

Contact for further information

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Doc. Ref: [https://bfcouncil.sharepoint.com/sites/fina/bpm/FIBPSCB-FIN9.6/Schools Forum/\(105\)160921/2022-23 Schools Budget Preparations - v1.docx](https://bfcouncil.sharepoint.com/sites/fina/bpm/FIBPSCB-FIN9.6/Schools%20Forum/(105)160921/2022-23%20Schools%20Budget%20Preparations%20-%20v1.docx)

Central School Services Block

Item	Schools Budget Funded		
	2021-22 Budget	2022-23 Funding	Change
<u>Budgets</u>			
<u>Combined Services Budgets:</u>			
Family Intervention Project	£100,000		
Educational Attainment for Looked After Children	£133,590		
School Transport for Looked After Children	£42,890		
Young People in Sport	£15,960		
Common Assessment Framework Co-ordinator	£42,470		
Domestic Abuse	£2,000		
Education Health Partnerships	£15,000		
SEN Contract Monitoring	£32,680		
Central School Services - historic commitments	£384,590		
<u>Miscellaneous (up to 0.1% of Schools Budget):</u>			
Forestcare out of hours support service	£5,150		
Borough wide Initiatives	£28,930		
Support to Schools Recruitment & Retention	£7,920		
<u>Statutory and regulatory duties:</u>			
'Retained' elements	£275,755		
<u>Other expenditure:</u>			
School Admissions	£186,690		
Schools Forum	£20,935		
Boarding Placements for Vulnerable Children	£62,470		
Central copyright licensing	£85,560		
Central School Services - on-going responsibilities	£673,410		
Total Central School Support Services	£1,058,000		
<u>Funding</u>			
Historic commitments	£259,636	£207,709	-£51,927
On-going responsibilities	£652,671	£653,848	£1,177
Total Funding	£912,307	£861,556	-£50,751
Existing agreed transfer from Schools Budget	£145,770	£145,770	£0
Central School Services Total Funding	£1,058,077	£1,007,326	-£50,751