

TO: Schools Forum
DATE: 15 September 2022

**2023-24 Budget Preparations for the Schools Budget
and other related 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 2023-24 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 20 January 2023.

2 Executive Summary

- 2.1 The normal July release by the DfE of preliminary budget information has allowed for an initial update on the potential financial implications for 2023-24 and for early budget preparations to commence. These calculations have as far as possible replicated the DfE's National Funding Formula (NFF)¹ at an individual Bracknell Forest (BF) school level. This is in accordance with the agreed local budget strategy, which the DfE is requiring all LAs to move towards in the coming years.
- 2.2 The headline budget changes for 2023-24 are for an average increase in per pupil funding across England of 1.9%. For BF, the increase is estimated at 2.0%. These are provisional calculations that will be updated with the October 2022 census data.
- 2.3 There is concern that these increases are significantly below the level of rising prices with the July 2022 Consumer Price Index increasing to 10.1%, the fourth month in a row the figure has been above 9%. There is no indication at this stage that additional funding will be available to support schools and other education providers.
- 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 £0.077m, and £0.027m 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, including a combination of both, are:
 - 1. Draw down funds from the Reserve created in the Schools Budget to support the additional costs of new and expanding schools
 - 2. Fund schools at a scaled percentage of the NFF rather than the full amount.

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.

- 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 to consider financial plans before a final budget needs to be agreed and returned to the DfE. Whilst setting most aspects of the Schools Budget is a council responsibility, this has always been on the basis of recommendations from the Schools Forum.
- 2.8 For the High needs Block, more information is presented on a separate agenda item. For the Early Years Block, detailed 2023-24 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 2023-24 budget should remain broadly the same as for 2022-23, and in particular:**
1. **That there should be no change to the current budget strategy of:**
 - a. **As far as possible, replicating the NFF;**
 - 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 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 2).**
 4. **To prevent over funding, that the DfE be requested to approve that the council continues to disapply the requirement for minimum per pupil funding increases where schools are funded on the Start-up and Diseconomy funding policy for new and expanding schools.**
- 3.2 **The proposed clarification to the Start-up and Diseconomy Funding Policy for New and expanding schools (Annex 1).**
- #### **To NOTE:**
- 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 current estimated funding gaps at Table 3 of:**
1. **£0.077m on the Schools Block**
 2. **£0.027m 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 20 January 2023.

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.
- 6.3 The DfE has yet to release any financial information in respect of the Early Years (EY) Block. At this stage, subject to any new information from the DfE, no changes to local funding arrangements are proposed to be made. No budget update is therefore available at this time.
- 6.4 For the High Needs Block (HNB), an update is provided on a separate agenda item.

2023-24 financial settlement from the DfE

Update on progress towards the National Funding Formula (NFF)

- 6.5 The Forum is aware of the Government's intention to move all LA funding arrangements onto the NFF. In its response to the consultation on completing the reforms to the NFF, 2023-24 will be the first year of transition to the "direct" schools NFF. In summary, this will require:
1. In 2023-24, LAs will only be allowed to use NFF factors in their local formulae, and must use all NFF factors, except the locally determined premises factors e.g. split site factor
 2. LAs will also be required to move their local formula factors 10% closer to the NFF values, compared to where they were in 2022-23, unless their local formulae are already so close to the NFF that they are classed as mirroring the NFF. For this purpose, local factor values within 2.5% of the respective NFF values are deemed to be "mirroring" the NFF.
- 6.6 In accordance with the agreed budget strategy of the Forum, the BF Funding Formula for Schools is already fully compliant with these new requirements and no new specific

actions are therefore required. The NFF policy document that sets out the requirements on LAs to move their formulae closer to the NFF can be found here:

[The national funding formulae for schools and high needs \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

DfE funding announcements

- 6.7 This section on DfE announcements sets out information that will shortly be provided to schools through the financial consultation document to help them with their initial preparations for next financial year.

Schools Budget:

Overview

1. The key parts to the way school and education related funding are to be allocated next year are:
 - a. The DfE will be 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. As set out above, there are some new minimum requirements on LAs to replicate the NFF, all of which BF currently achieves and no further action is required.
 - d. LAs will continue to receive funding based on the DfE running each school's data (mainly October 2021 census, so lagged) through the NFF at confirmed 2023-24 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 2022 pupil numbers will be used to calculate each LAs 2023-24 funding for their schools. This approach aids financial planning as it allows for the early publication of each LAs confirmed per pupil funding rates.
 - e. 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.
 - 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 very end of the autumn term.

2. There are a small number of changes to the national process to allocate funds.
 - a. The new School Supplementary Grant that was introduced in April 2022 to support schools to meet the costs of the Health and Social Care Levy and wider costs is being rolled into the schools NFF from 2023-24 and will no longer be paid separately. The aim of the approach for rolling the grant into the schools NFF is to ensure that the additional funding schools attract through the NFF is as close as possible to the funding they would have received if the funding was continuing as a separate grant in 2023-24, without adding significant additional complexity to the formula. This amounted to £2.5m in 2022-23 prices.
 - b. The post-16 and early years element of the School Supplementary Grant will continue as a separate grant for 2023-24, with details of this to follow in due course.
 - c. In calculating low prior attainment proportions, data from the 2019 early years foundation stage profile (EYFSP) and key stage 2 (KS2) tests is used as a proxy for the 2021 assessments, which were cancelled due to the pandemic.

National funding decisions for 2023-24

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. Overall, core schools funding (including funding for mainstream schools and high needs) is increasing by £1.5 billion in 2023-24 compared with the previous year. Funding for mainstream schools through the schools NFF is increasing by 1.9% per pupil compared with 2022-23. The estimated increase in BF is 2.0%.
4. The main features of the settlement are:
 - a. The key factors in the NFF will increase by 2.4% i.e. basic per-pupil funding, pupil eligibility to a FSM, LPA, EAL and the lump sum.
 - b. Free school meals at any time in the last 6 years and income deprivation affecting children index (IDACI) will increase by 4.3%.
 - c. The minimum per pupil funding levels (MPPFL)² have been increased and ensure that every primary school receives at least £4,405 per pupil (£4,265 in 2022-23), and every secondary school at least £5,715 per pupil (£5,525 in 2022-23).
 - d. Provisional data indicates that 6 BF primary schools (11 last year) will be funded at these MPPFLs. All secondary schools are provisionally above the MPPFL.
 - e. Where the normal operation of the NFF does not allocate at least 0.5% more pupil-led funding per pupil compared to its 2022-23 NFF baseline, top-up funding is added to meet this rate of increase i.e. the Minimum

² The NFF includes MPPFLs that are applied equally to all primary and secondary schools (£4,405 and £5,715 respectively in 2023-24). 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 MPPFL calculation are premises e.g. business rates, split site factor and growth funding.

Funding Guarantee (MFG)³. Provisional data based on October 2021 Census point indicates that if MFG was agreed to be set at the maximum of 0.5%, the normal operation of the Funding Formula would result in 2 schools receiving additional support totalling £0.004m.

5. The main reason why the national average increase in per pupil funding at 1.9% is below the 2.4% and 4.3% DfE increases in NFF factor values is a consequence of schools currently receiving MPPFL top-ups. As the main NFF factor values have increased in 2023-24 at a higher rate than the MPPFL, a number of these schools will lose their MPPFL top-ups or receive reduced allocations as they receive increases through the normal operation of the NFF, with consequential lower MPPFL top-ups. This results in lower overall per pupil funding increases.
6. 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 1.9% to £4,480 and secondary schools by 2.7% to £6,005. Average per pupil funding is £5,074, up 2.3%. The larger percentage increase in secondary school funding results from there currently being no schools on the MPPFL, meaning all their factor values increase by at least the minimum 2.4% included by the DfE. As there are 11 primary schools currently receiving MPPFL, average increases will be lower as they absorb a portion on the funding increase through reduced MPPFL top-ups.

CSSB:

7. 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. £0.839m is the provisional CSSB allocation for 2023-24.
8. 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).
9. There is a protection to ensure no LA sees losses of greater than 2.5% per pupil, compared to 2022-23. BF will receive a 2.2% increase in per pupil funding in 2023-24 which is in line with the national average increase. £0.673m is the provisional allocation.
10. The historic commitments element of the CSSB, which funds some LAs for commitments they made in prior years that support the most vulnerable pupils is being reduced by 20% per annum from LA funding. This commenced in 2020-21 and for 2023-24, equates to a £0.042m funding reduction with associated income falling to £0.166m from £0.208m. Funding has now reduced by £0.240m from the £0.406m received in 2019-20.
11. The Forum agreed to fund £0.141m of the funding shortfall and this is assumed to continue.

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.

12. Annex 1 sets out the services permitted to be charged to the CSSB and the 2022-23 budget amounts and includes elements of family support, education support for children looked after, school admissions and the centralised copyright license.

2023-24 Budget Development from BFC

Initial budget planning

- 6.8 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 some early conclusions.

2022-23 base budgets for schools and council managed Schools Block items

- 6.9 The SB base budget approved at the January 2022 meeting of the Schools Forum amounted to £84.650m. Of this, £84.293m was funded by SB Dedicated Schools Grant (DSG)⁴ income, £0.182m was added from the council as part of a 4-year funding plan to contribute £1m to the extra costs arising from new schools, together with £0.174m transferred from the DSG funded New School Reserve. These later two funding streams are one-off for 2022-23 only.
- 6.10 The budget approved for the CSSB amounted to £1.007m. This included £0.867m of CSSB DSG income as well as £0.141m of SB DSG income which has been agreed for a number of years to help meet the cost pressures and funding reductions being experienced on services that support the most vulnerable pupils.

Financial consultation with schools

- 6.11 An annual financial consultation with schools takes place each year in order for the Forum to consider the outcomes early in the autumn as budget planning commences. The BF consultation is about to commence as this needs to follow from the DfE publication of their school funding announcement, which took place in July.
- 6.12 With no significant changes to the funding framework being announced, there are usually 3 areas on the consultation. The consultation covers:
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 2022-23. For 2023-24, DfE will permit a much-reduced range to the rate which must be set between +0.0% and +0.5%.

⁴ 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.

- 6.13 These questions 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.
- 6.14 Responses to the consultation are expected to be reported to the Forum at the next meeting on 17 November.

Estimated Schools Block DSG income to be paid to BFC

- 6.15 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.
- 6.16 For next year, the DfE has calculated the PUFs and SUFs against the confirmed 2023-24 NFF units and pupil headcount numbers and pupil additional educational needs top-ups both taken from October 2021 census data. This includes adding £2.5m of the former School Supplementary Grant that was introduced as a separate funding stream in 2022-23.
- 6.17 The final amount of funding to be received in 2023-24 will be calculated by multiplying the PUF and SUF against the October 2022 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.
- 6.18 The DfE has confirmed the PUFs and SUFs that will be used to calculate 2023-24 DSG allocations at £4,556.66 for the BF PUF and £6,158.29 for the BF SUF. Excluding the impact of mainstreaming the School Supplementary Grant, this equates to a 2.0% increase in the per pupil funding rate for primary aged pupils and 2.2% for secondary and an average 2.1% increase in per pupil.
- 6.19 Based on the current assumption of there being no change in the 16,534 pupils recorded on the actual October 2021 school census data, this would deliver £86.154m of SB DSG income, a cash increase of £4.162m.
- 6.20 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 £1.786m and is allocated based on 2022-23 actual spend and for BFC comprises:
1. £1.661m for business rates. Up £0.082m to 2022-23 actual costs.
 2. £0.125m for split site costs (Warfield Primary). Up £0.050m, and in accordance with previous agreement of the Schools Forum.

Note, the £0.050m time-limited funding received from the DfE in 2022-23 to provide an additional year's financial support to a recently amalgamated school has now expired.

As with all funding that is received on a lagged basis, there can 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.

- 6.21 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 expected to be introduced from April 2023, with the ESFA paying LAs directly for school business rates which will therefore be excluded from school budget allocations.
- 6.22 In terms of funding LAs for in-year increases in pupil numbers after the October 2022 census, the DfE will continue to use the Growth Fund⁵ 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. 2023-24 funding rates have yet to be confirmed, with increases in primary pupil numbers attracting £1,485 in 2022-23 and increases in secondary attracting £2,220.
- 6.23 The DfE has yet to release any data on this funding allocation for 2023-24, with a provisional estimate from BFC suggesting around £0.693m of DSG for this purpose.
- 6.24 Therefore, at this stage, the overall income for the SB is estimated at £88.633m, an overall increase from last year of £4.199m of which £2.501m relates to transferring the former Schools Supplementary Grant into the DSG. Table 1 below sets out a provisional summary of the change in funding from each element of the SB DSG.

Table 1: Forecast SB DSG for 2023-24

	Total £'000	Total £'000
Total DSG for 2022-23		84,434
<u>Forecast changes for 2022-23:</u>		
Effect of average 5.1% increase in DSG funding rates	4,162	
Change in business rates funding	82	
Change in school amalgamation funding	-50	
Change in split site school funding	50	
Change in Growth Fund	-45	
Total forecast change		4,199
Total forecast DSG for 2023-24		88,633

⁵ 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 budget changes for 2023-24

Change in pupil numbers

- 6.25 The current budget planning assumption is that any change in pupil numbers from the October 2021 census that will drive 2023-24 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.
- 6.26 Modelling the 2023-24 NFF funding rates against the October 2021 data set, and applying the funding protections within the NFF indicates additional allocations to schools of £1.710m.

Mainstreaming the Schools Supplementary Grant into the NFF

- 6.27 With £2.501m of School Supplementary Grant being allocated to schools through the NFF from April 2023, this will result in a consequential increase in resources allocated through the BF Funding Formula for Schools.

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

- 6.28 Forum members will be aware that the SB Budget has been 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.
- 6.29 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* 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.
- 6.30 The annual officer review of the policy has identified the need to add a further clarification to the point of transition from the *Start-up and Diseconomy Funding Policy for New and expanding schools* to the normal BF Funding Formula. This is to make clear that once the BF Funding Formula delivers higher funding, the school will move to the BF Funding Formula irrespective of any other defined trigger points. Annex 2 sets out the relevant paragraph, with the new wording highlighted, which the Forum is recommended to agree.
- 6.31 The existing funding policy can be viewed here:
[New and expanding schools - Funding Policy 2020 to 2021 \(bracknell-forest.gov.uk\)](https://www.bracknell-forest.gov.uk/new-and-expanding-schools-funding-policy-2020-to-2021)
- 6.32 No further changes are proposed, 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 calculations.
- 6.33 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 provided £1m of funding over the 4-year period to March 2023 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.

- 6.34 In the absence of the October 2022 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 can only be tentatively estimated. These will need to be reviewed once the census data is available to assess the amount of funds that are likely to be required.
- 6.35 As previously highlighted, financial year 2022-23 is the latest point that KGA Binfield Secondary school will be resourced through the new school funding policy. Therefore, a significant additional cost pressure is removed from the overall 2023-24 Schools Budget.
- 6.36 In addition, whilst the new primary schools continue to open new classes on a phased basis, which often resulted in relatively small class sizes in the initial years, the new classes are opening to capacity, with the spaces initially available in other year groups also generally filling up. This results in a faster transition to the BF Funding Formula than originally expected with reduced diseconomy due in 2023-24.
- 6.37 In terms of the funding set aside to support schools in delivering the requirements of Key Stage 1 Class Size limitations and admitting additional pupils in-year, early expectations are that both these will increase in 2023-24, with a provisional £0.120m added.
- 6.38 Table 2 below summarises the estimated financial implications for 2023-24 which indicates a £0.649m overall cost reduction, comprising a £0.770m reduction in diseconomy funding, and an increase of £0.120m on Growth Funding to be allocated to schools in-year.

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

	Primary	Secondary	Current Proposed 2023-24	Actual 2022-23	Change from 2022-23
	£'000	£'000	£'000	£'000	£'000
<u>New schools:</u>					
Diseconomy costs	156.0	0.0	156.0	925.5	-769.5
	156.0	0.0	156.0	925.5	-769.5
<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	22.5	0.0
In-year pupil growth	86.5	86.5	173.0	93.0	80.0
KS1 classes	145.0	0.0	145.0	105.0	40.0
	254.0	86.5	340.5	220.5	120.0
Total estimated costs	410.0	86.5	496.5	1,146.0	-649.5
<u>Costs by school:</u>					
KGA - Oakwood	25.1	0.0	25.1	78.8	-53.6
KGA - Binfield	153.4	0.0	153.3	869.2	-715.9

- 6.39 The reduction in diseconomy cost funding is accompanied by a reduction in income received through the DSG “Growth Fund”. However, the income is calculated on a lagged data basis, meaning that whilst the 2023-24 budget will experience a significant reduction in costs, income will be retained at the higher level for an additional year resulting in a one-off saving.

Business Rates

- 6.40 Funding for school business rates is allocated by the DfE annually in arrears on a lagged basis and is therefore set at 2022-23 prices. At this stage the cost increase is assumed at 5%, equivalent to £0.083m. The actual rate of increase is set by the government and should be confirmed later on in the budget setting process.

Impact from updated pupil profiles from the October 2022 census

- 6.41 Whilst changes in pupil numbers arising from the October 2022 census will be reflected in the final DSG income allocation and is therefore at this stage assumed to have no significant financial effect, other data updates are expected to result in a cost increase. The school census will also provide an update on the key pupil characteristics that are used for funding purposes, such as eligibility to a Free School Meal and English as an Additional Language.
- 6.42 Reflecting on the current economic climate, and the actual impacts in the 2022-23 budget when funding allocations increased by £0.205m, a provisional cost increase of £0.275m has been included.

Meeting DfE per pupil funding requirements

- 6.43 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

- 6.44 The DfE has set mandatory MPPFL of £4,405 for primary aged pupils and £5,715 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 £0.372m being allocated to 6 primary schools with no secondary schools receiving a top-up. This is a decrease of £0.333m compared to 2022-23 when 11 primary schools received £0.705m.
- 6.45 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 (£4,557 compared to £4,405), there will be a relatively large number of primary schools receiving funding top-ups to achieve the minimum permitted level.

MFG

- 6.46 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 2023-24, the DfE will require each LA to set their MFG at between +0.0%

and +0.5%. This is considerably below the most recently permitted range of +0.5% to +2.0%.

- 6.47 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 2 BF schools would be eligible for a funding top-up if the MFG level was set at +0.5% which would aggregate to £0.004m. £0.028m of MFG funding top-up was included in the 2022-23 budget.
- 6.48 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.
- 6.49 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.
- 6.50 The same issue is again expected to be faced in 2023-24 requiring an MFG disapplication request to again be made to the DfE.

The Central School Services Block

- 6.51 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.
- 6.52 As set out above, the DfE are reducing funding for the historic cost element of the CSSB by 20% which is estimated at £0.042m. A £0.015m increase in funding for on-going commitments results in a net funding reduction of £0.027m. £0.406m was initially allocated by the DfE to BF for these historic services, with £0.17m expected in 2023-24. 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.
- 6.53 Annex 2 sets out the services included in the CSSB, showing the 2022-23 base budget by individual budget area and the overall provisional funding for 2023-24.

Illustrative 2023-24 individual school budgets

- 6.54 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 2021 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 2022 data.

- 6.55 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 1.9%, and secondaries 2.7 %. The average increase for all schools is 2.3%.
 - 2 The highest per pupil increase schools would receive is 3.0%. The lowest increases would be 0.5% in Primary and 2.5% in Secondary.
 - 3 The average per pupil funding amount for a primary school would be £4,480 and £6,005 for secondary

Reasons why the NFF budget will not be delivered in BF

- 6.56 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 0.5% threshold used in the NFF.

Summary of proposed changes

- 6.57 Based on provisional budget data, a series of changes have been detailed above that could be applied in the 2023-24 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 £0.104m funding shortfall: £0.077m on the Schools Budget and £0.027m on the Central School Services Block. Table 3 below provides a summary of the estimated financial implications.

Table 3: Summary initial budget proposals for 2023-24

Ref.	Item	Schools Block		Central Services Schools Block C £'000	Total D £'000
		Delegated school budgets A £'000	Growth Fund - LA Managed B £'000		
		1	2022-23 Schools Block budget		
2	2022-23 base budget	84,429	221	1,007	85,657
3	Provisional 2023-24 DSG funding	88,412	221	839	89,472
4	Internal Schools Block funding transfer	-120	120	0	0
5	On-going contribution to CSSB pressures	-141	0	141	0
6	2023-24 forecast income	88,151	341	980	89,472
7	+Surplus of income / - Deficit of income	3,722	120	-27	3,815
8	<u>Changes for 2022-23</u>				
9	Cost of new year NFF funding rates at circa +3%	1,710	0	0	1,710
10	Mainstream School Supplementary Grant	2,501	0	0	2,501
11	New schools - 2023-24 change in cost pressure	-770	0	0	-770
12	In-year growth allowances, KS1 classes etc	0	120	0	120
13	Rates: revaluation and inflation	83	0	0	83
14	Estimated impact from data changes - January 2023	275	0	0	275
15	Total changes proposed for 2023-24	3,799	120	0	3,919
16	Shortfall to DSG Funding	-77	0	-27	-104

Managing the shortfall to DSG funding

- 6.58 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 in the unallocated Schools Budget to support the additional costs of new and expanding schools (current balance is £0.572m).
 2. Fund schools at a scaled percentage of the NFF rather than the full amount.
- 6.59 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 £0.200m in each of the next 3 years is considered a reasonable approach to take, although this will need to be kept under review.

Issuing 2023-24 budgets to schools

- 6.60 Publication of 2023-24 individual school budgets will follow last year's timeline, with provisional budgets issued in early January 2023 and final budgets in March 2023. The expectation is that the January provisional budgets will reflect the October 2022 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

- 6.61 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 £0.104m.
- 6.62 There is concern that the increases in funding are significantly below the level of rising prices with the July 2022 Consumer Price Index increasing to 10.1%, the fourth month in a row the figure has been above 9%. There is no indication at this stage that additional funding will be available to support schools and other education providers.
- 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.
 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.
 5. Emerging, significant inflationary pressures.
- 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 £0.170m (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/\(112\) 150922/2023-24 Initial Budget Preparations.docx](https://bfcouncil.sharepoint.com/sites/fina/bpm/FIBPSCB-FIN9.6/Schools%20Forum/(112)%20150922/2023-24%20Initial%20Budget%20Preparations.docx)

Start-up and Diseconomy Funding Policy for New and expanding schools

Proposed new text is bold and highlighted yellow:

- 11) To ensure new / expanding schools move quickly to the BF Funding Formula, once a school has admitted pupils to all the intended pre-16 year old year groups it will move to the BF Funding Formula. Should a school consider there are existing circumstances that make this approach inappropriate, then a case can be made to the Assistant Director responsible for schools. The primary considerations will be the needs of pupils throughout the borough and the financial impact on the school, where it will be expected that a school can operate on the BF Funding Formula when pupil numbers are.
- 1 At least 90% of capacity for 1 FE schools
 - 2 At least 85% capacity for 2 FE schools
 - 3 At least 80% capacity for 3 FE and above schools.

Funding thresholds are lower for larger schools which in general benefit from greater economies of scale.

For all through schools, separate calculations will be made for the primary and secondary phases.

An appeal to the Assistant Director's decision can be made to the Executive Director responsible for schools whose decision will be final.

Where the normal operation of the BF Funding Formula delivers a higher level of funding than this policy, the school will be funded on the BF Funding Formula irrespective of any other specified transfer points.

Additional guidance note:

The move to funding a school on the BF Funding Formula will take place whichever occurs first of a school admitting to all year groups or achieving the relevant percentage capacity for the school size. The calculation of a percentage of a school's capacity will be made through reference to the pupil numbers used in the BF Funding Formula for the relevant budget year. This is currently lagged by one year so will not be the same as the number admitted to the school at the start of the academic year.

Any change to the BF Funding Formula is expected to take place on 1 April, at the start of the financial year and reflecting prior year actual September pupil numbers.

Central School Services Block

Budget Area	Schools Budget Funded		
	2022-23 Final Budget	2023-24 Funding	Change
<u>Combined Services Budgets:</u>			
Family Intervention Project	£100,000		
Educational Attainment for Looked After Children	£133,590		
School Transport for Looked After Children	£42,740		
Common Assessment Framework Co-ordinator	£42,470		
Domestic Abuse	£2,000		
SEN Contract Monitoring	£32,680		
<i>Central School Services - historic commitments</i>	£353,480		
<u>Other Permitted Central Spend</u>			
<u>Miscellaneous (up to 0.1% of Schools Budget):</u>			
Forestcare out of hours support service	£5,150		
Borough wide Initiatives	£9,720		
Support to Schools Recruitment & Retention	£5,000		
<u>Statutory and regulatory duties:</u>			
'Retained' elements	£284,725		
<u>Other expenditure:</u>			
School Admissions	£192,760		
Schools Forum	£20,935		
Boarding Placements for Vulnerable Children	£50,000		
Central copyright licensing	£85,560		
<i>Central School Services - on-going responsibilities</i>	£653,850		
Total Central School Support Services	£1,007,330		
<u>Funding</u>			
Historic commitments	£207,710	£166,170	-£41,540
On-going responsibilities	£658,880	£673,170	£14,290
Total Funding	£866,590	£839,340	-£27,250
Existing agreed transfer from Schools Budget	£140,740	£140,740	£0
Central School Services Total Funding	£1,007,330	£980,080	-£27,250