

**Title of meeting:** Cabinet Member, Children, Families and Education

**Date of meeting:** 15 December 2022

**Subject:** School Funding Arrangements 2023-24

**Report by:** Sarah Daly, Director Children, Families and Education

**Wards affected:** All

**Key decision:** Yes/No

**Full Council decision:** Yes/No

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## **1 Purpose of report**

- 1.1 The purpose of this report is to provide the Cabinet Member with an update on the latest developments in respect of the future schools revenue funding arrangements for the financial year 2023-24.

## **2 Recommendations**

- 2.1 It is recommended that the Cabinet Member:
- 2.1.1 Notes the Department for Education's proposed changes to school revenue funding arrangements for 2023-24, as set out in this report.
- 2.1.2 Approves the proposals for implementing the local funding formula arrangements as set out in this report in particular to:
- Implement the National Funding Formula rates for both primary and secondary schools in 2023-24 as set out in Appendix 1
  - Implement a minimum funding guarantee (MFG) of at least 0.0% and up to +0.5% subject to affordability, for 2023-24 as set out in paragraph 5.13
  - The method of managing affordability as set out in paragraphs 5.14 to 5.18.

## **3 Background**

- 3.1 In July 2021 the Government published the Policy Document "The national funding formula for Schools and High Needs 2023-2024", followed by the "Schools operational guide 2023 to 2024" along with local authority indicative funding allocations. Additionally, in October 2022 the government published the "High Needs funding: 2023 to 2024 operational guidance".

- 3.2 The publications contain further detail regarding the second year of the three-year funding settlement announced in the 2021 Spending Review providing nationally £4.0bn in 2022-23, £1.5bn in 2023-24 and £1.7bn in 2024-25.
- 3.3 This report is intended to provide the Cabinet Member with an overview of the main changes to school funding highlighted in the Policy Document and Operational Guides and the progress being made towards agreeing the Schools Funding arrangements locally for the financial year 2023-24. As the Portsmouth Funding Formula has been using the NFF for all Primary and Secondary schools there has been no detailed consultation with schools in relation to 2023-24, but the authority has asked schools for feedback on the proposed methods of managing overall affordability.
- 4 Dedicated School Grant (DGS) Funding**
- 4.1 The DfE Policy Document and Operational Guides for 2023-24, set out how the authority will be funded through the National Funding Formula (NFF) and the changes for 2023-24 along with any changes to the Schools Block and funding for mainstream schools, Central Schools Services Block and High Needs Block.
- 4.2 In June 2022 the DfE issued a national consultation, "Implementing the Direct National Funding Formula" which followed on from the July 2021 consultation<sup>1</sup> and provided more detail on the proposed implementation of a hard NFF by 2027-28. Section 7 and Appendix 2 set out the Schools Forum response to the consultation. The DfE has advised that whilst local authorities will continue to have flexibility to set a local formula in consultation with Schools Forum for 2023-24, they must either mirror the NFF (be within plus/minus 2.5%) or move 10% closer to the NFF. In 2022/23 Portsmouth mirrors the NFF factor values on all factors and has a slightly increased Lump sum.
- 4.3 Indicative funding allocations for 2023-24 were published to local authorities in July 2022. Portsmouth's indicative allocations (inclusive of academies' funding) for 2023-24, together with current allocations for 2022-23 are shown in the table below.

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<sup>1</sup> Fair school funding for all: completing our reforms to the National Funding Formula.

<b>Table 1 - DSG Indicative Funding 2023-24</b>				
	<b>2022-23 Allocation July 2022<sup>23</sup></b>	<b>2023-24 Indicative Allocation July 2022</b>	<b>Change</b>	<b>Change</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
Schools Block	141,139	144,193	3,054	2.16%
Central Schools Services Block	1,020	1,042	22	2.20%
High Needs Block	32,942	34,334	1,919	5.92%
<b>Total</b>	<b>174,574</b>	<b>179,569</b>	<b>4,995</b>	<b>2.86%</b>
Early Years Block	13,942	13,942	0	0.00%
<b>Total</b>	<b>188,516</b>	<b>193,511</b>	<b>4,995</b>	<b>2.86%</b>

4.4 Local authorities may again request a one-off transfer of the Schools Block funding to the High Needs Block to support pressures. Schools Forum can agree up to 0.5% of the Schools Block, and any transfer above this requires Secretary of State Approval. There are no restrictions for transferring funding from the Central Schools Support Block, the Early Years Block or the High Needs Block to other funding blocks. There are no proposals to transfer additional funding to the High Needs block for 2023-24.

4.5 The following sections provide an update on the main changes to the block funding and the impact on Portsmouth.

## **5 Schools Block**

5.1 The Schools Block covers the mainstream (maintained and academy) schools individual budgets and the growth fund.

5.2 In 2022-23 the authority received a supplementary grant for mainstream schools in addition to the Schools Block Formula funding. This grant was passed directly to schools either from the local authority (Maintained schools) or via the Education and Skills Funding Agency (ESFA) (Academy schools). For 2023-24 the DfE are rolling the supplementary grant in to the Schools Block by increasing certain factors by the value paid as part of the supplementary grant as set out in the table below.

<sup>2</sup> Includes the 2022-23 supplementary grant which was paid separately to schools in 2022-23 but forms part of the Schools Block in 2023-24

<sup>3</sup> Excludes Growth funding, this will be announced in December 2022.

Table 2: Addition of the Supplementary Grant to the 2022-23 NFF values			
NFF Factors	NFF values 2022-23 (excluding ACA)	supplementary grant	NFF 2023-24 values before inflation
	£	£	£
Basic Entitlement - Primary	3,217	97	3,314
Basic Entitlement - KS3	4,536	137	4,673
Basic Entitlement - KS4	5,112	155	5,267
Primary FSM6	590	85	675
Secondary FSM6	865	124	989
Primary Lump Sum	121,300	3,680	124,980
Secondary Lump sum	121,300	3,680	124,980
Primary MPPL	4,265	119	4,384
Secondary MPPL - KS3	5,321	155	5,476
Secondary MPPL - KS4	5,831	173	6,004
Secondary MPPL	5,525	144	5,687
All through MPPL	4,790	137	4,927

- 5.3 Additionally, both the minimum per pupil funding levels (see Table above) and the 2022-23 baseline funding will be increased to reflect the inclusion of the supplementary grant to the mainstream formula.
- 5.4 The 2023-24 policy document on the Schools Block funding to the local authority will allow for the increase in NFF formula values due to the supplementary grant and in addition will be increased by:
- 4.3% on the deprivation NFF funding factors of Free School Meals Ever 6 (FSM6) and Income Deprivation Affecting Children Index (IDACI)
  - 2.4% on other core funding factors such basic entitlement, free school meals, English as a second language, low prior attainment, mobility, sparsity, and lump sum.
  - 0.5% will be added to the minimum per pupil funding levels as set out in Appendix 1
  - An increase to the PFI factor in line with the retail price index<sup>4</sup> (11.2%)
  - Provides a minimum funding guarantee of between 0.0% and plus 0.5%.
- 5.5 The policy document also sets out how the underlying data sets for two formula factors, continue to be adjusted to allow for the unavailability of national assessment data due to Covid-19 as set out below:
- **Low prior attainment factor;** as in 2022-23, where the national assessment data is not available for Early Years Foundation Stage

<sup>4</sup> RPIX - Retail Price index for all items excluding mortgage interest.

or key Stage 2, the 2019 assessment data will be used to calculate the proportion of pupils who meet this criteria.

- **Mobility factor;** as in 2022-23, following the cancellation of the May 2020 census, those pupils who joined the school between January and May 2020 will attract funding based on their entry date rather than the May census.

## Funding for Schools

- 5.6 In 2020-21 Portsmouth schools moved to the national funding formula factor values as published by the DfE with the addition of the Portsmouth area cost adjustment (ACA) of 1.42%<sup>5</sup>. Schools Forum endorsed, and it was approved by the Cabinet Member in January 2022, to increase the lump sum for a third year to maximise the funding to schools during 2022-23 and that the value will revert to the NFF value in 2023-24. Appendix 1 sets out the Portsmouth factor values used to calculate the 2022-23 school budgets and the 2023-24 NFF factor values published by the DfE in the Policy Document.
- 5.7 Following the national consultation in 2021 both the Policy Document and operational guidance reflect the move towards a hard national funding formula for schools. Whilst the changes for Portsmouth are minimal, there are changes which will impact on the presentation of the formula funding in 2023-24. A briefing has been sent to schools providing an update to the formula changes and an illustration as to how this will impact their funding based on the October 2021 census data.
- 5.8 This section sets out the changes that have been made in relation to the:
- Mandatory funding factors
  - Sparsity funding factor
  - Tightening of flexibilities
  - Minimum funding guarantee (MFG) and
  - Sets out proposals as to how the authority will manage affordability following receipt of the 2023-24 Allocation in December 2022.

## Mandatory Funding Factors

- 5.9 The DfE has updated the 15 allowable formula funding factors, of which eleven (previously five) are now compulsory. The table below sets out the changes and highlights which apply to Portsmouth.

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<sup>5</sup> Area Cost Adjustment factor 1.01421 or 1.421%

<b>Table 3; Mandatory Funding formula factors 2022-23 and 2023-24</b>				
<b>Formula factor</b>	<b>Mandatory 2022-23</b>	<b>Used by Portsmouth 2022-23</b>	<b>Mandatory 2023-24</b>	<b>Used by Portsmouth 2023-24</b>
Basic entitlement	Yes	Yes	Yes	Yes
Free School Meals (FSM)	Yes	Yes	Yes	Yes
Free School Meals Ever 6 (FSM)	Yes	Yes	Yes	Yes
IDACI	Yes	Yes	Yes	Yes
Prior attainment	No	Yes	Yes	Yes
English as a second Language (EAL)	No	Yes	Yes	Yes
Pupil mobility	No	Yes	Yes	Yes
Sparsity	No	No	Yes	Yes
Lump sum	No	Yes	Yes	Yes
Minimum level of per pupil funding	Yes	Yes	Yes	Yes
London Fringe	No	No	No	No
Split sites	No	No	No	No
NND Rates	No	Yes	No	Yes
Private Finance Initiative (PFI)	No	Yes	No	Yes
Exceptional circumstances	No	No	No	No

- 5.10 The main change is the inclusion of the Sparsity factor to the mandatory factor list. Further information on this factor and how it impacts Portsmouth is set out below.

### **Sparsity Factor**

- 5.11 This factor allocates funding to schools that are remote and are small based on the average year group. For each school it looks at the distance for all pupils for whom it is the nearest compatible school and the distance to the second nearest compatible school. If the distance **and** average year group are above the threshold set by the DfE the school will receive funding. Due to the urban nature of Portsmouth all schools are within the distance threshold and will not trigger any funding through this formula factor. However, to comply with the mandatory requirement the sparsity factor now forms part of the formula funding using the NFF factor values.

### **Tightening of flexibilities**

- 5.12 As part of the move to the hard NFF in 2027-28, the DfE has started to tighten some of the flexibilities local authorities have within the mainstream formula funding. For those authorities that are not mirroring the hard NFF (plus the ACA) they must move their formula factor values at least 10% closer to the NFF. This has a minimal impact on the Portsmouth formula where the NFF values plus the ACA are used on all formula factors except for the Lump sum. In recent years the value of the Lump sum has been increased above that of the NFF value to enable the authority to maximise funding going to schools. Applying the criteria provided

by the DfE the maximum level of the Lump sum that could be provided in 2023-24 would be £142,512.

### **Minimum Funding Guarantee (MFG)**

- 5.13 Local authorities will have the freedom to set a Minimum Funding Guarantee (MFG) in their local formula of between +0.0% to +0.5% per pupil, without application to the Secretary of State. The MFG is applied to the individual school funding formula after the minimum per pupil funding is applied.

### **Proposals for managing affordability**

- 5.14 The authority normally receives the initial funding allocation in mid to late December, which is too late to come back to Schools Forum and Cabinet Member to obtain any further formula approvals before presenting the final budget for approval in mid-January.
- 5.15 In the unexpected event that funding does not cover the cost of the funding formula to ensure that Officers are able to present an affordable budget to Schools Forum and the Cabinet Member it is proposed that the following factors would be adjusted:
- The area cost adjustment of 1.42% would either be reduced or not added to the NFF formula factor values.
  - The level of MFG would be reduced to a level lower than plus 0.5%, but not less than 0.0%.
- 5.16 In recent years the authority has had surplus funds to pass out to schools due to changes in national non-domestic rates, the disapplication request relating to the MFG for Charter Academy and a higher level of growth funding than expected. When there has been a surplus the funds have been passed to schools by increasing the Lump sum, as this has a minimal impact on the MFG.
- 5.17 In 2023-24 the authority is not expecting to have surplus funds as there are no adjustments to the MFG for Charter Academy as the school is now full, the administration of NNDR has been centralised removing the ability for the Schools Block to gain/lose funding due to changes in rateable value, and the growth in pupil numbers is slowing.
- 5.18 Should there be surplus funds it is proposed that as in previous years the Lump sum factor is increased up to the value of £142,512 (paragraph 5.12) to maximise the funding going to schools. Any remaining funding would be placed in the growth fund.

## **6 Disapplication requests**

- 6.1 Each year, local authorities can submit disapplication requests to the ESFA, where strict adherence to the legislation as set out in the School and Early Years Finance (England) regulations (as amended each year), would generate perverse

results for specific schools. No disapplication requests have been submitted to the DfE for the financial 2023-24.

## **7 National Consultation regarding the implementation of the national fair funding formula 2023-24 onwards**

7.1 In June 2022 the DfE published a national consultation<sup>6</sup> setting out the proposals to move all mainstream schools on to a "Hard" National Funding Formula (NFF) in future years. The consultation closed on 9 September 2022. Due to the limited timescale the authority shared the draft response with a small working group of Schools Forum members before the response was shared with all mainstream schools from 2 September 2022 and schools were asked to let the authority know if they felt the response had missed anything, no later than 7 September 2022.

7.2 One comment was received from schools and included in the final response before submission to the DfE.

7.3 A copy of the Schools Forum response to the consultation can be found at Appendix 2.

## **8 High Needs Block**

8.1 Nationally the Government have increased High Needs funding by a further £570m on top of the £1bn provided in 2022-23. The DfE has advised that each local authority should see an increase in their High Needs Block funding of 5% per head of population, using the 2022-23 high needs allocations<sup>7</sup> as a baseline. The DfE has also set a gains cap of 7%.

8.2 Indicative funding published by the DfE in June 2022 provides Portsmouth with an increase in funding of 5.9%<sup>8</sup> when compared to 2022-23.

8.3 The basic structure of the High Needs NFF for 2023-24 is not changing, however, there are some technical changes to the data for two individual proxy factors which are set out below:

- **The historic spend factor**, following the change in 2022-23 to use 50% of actual historic spend rather than budgeted expenditure, the DfE have decided to keep this factor as the same cash value in 2023-24 as in 2022-23. When combined with the increase in overall funding the proportion of total funding through this factor has

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<sup>6</sup> Implementing the direct national funding formula. [Implementing the direct national funding formula - Department for Education - Citizen Space](#)

<sup>7</sup> December 2021 allocation including the supplementary grant and excluding basic entitlement, import/export adjustment and hospital education.

<sup>8</sup> The funding floor and cap on gains calculation excludes funding for basic entitlement, import/export adjustment, hospital education and the AP settings TPG and TPECG funding. Portsmouth City Council receives the full 7% on the other formula factors.

reduced from 31% (2022-23) to 29% (2023-24). Even with this adjustment Portsmouth's indicative allocation exceeds the funding cap of 7% and therefore there is not a negative impact in 2023-24. The DfE have stated they will continue to look at reducing the significance of this factor in future years and replacing it with alternative proxies following consultation.

- **Key Stage 2 and Key Stage 4 low attainment factors**, as with the mainstream formula, due to Covid-19 there is no appropriate attainment data for the low attainment factors, therefore for 2023-24 the DfE are using the 2019 attainment data to calculate funding to local authorities.

- 8.4 The actual funding allocation for 2023-24 will not be known until December 2022 and will be adjusted for the latest pupil census information.

### **High Needs Funding for Schools**

- 8.5 The DfE issued the High Needs Funding:2023 to 2024 operational guidance in July 2022, it was updated in October 2022. The operational guidance confirms that:

- Local authorities must allocate the teachers pay and pension grants to Special Schools, Alternative Provision academies on a per place basis according to the agreed number of funded places in the financial year 2023-24. This funding will be excluded from the Special School MFG calculation.
- That the MFG for Special schools must be set at a rate of 3% of the combined place and pupil funding against the 2021-22 baseline.

- 8.6 Discussions regarding the number of High Needs places required in the academic year 2023-24 are in progress with Special Schools, Inclusion Centres, Colleges and Alternative Provision settings. The High Needs Place proposals and Element 3 Top-up values for Special Schools, Alternative Provision settings, Inclusion Centres and mainstream pupils with Education Health and Care plans (EHCP) will be brought to future meetings as part of the Dedicated Schools Grant budget approval process.

## **9 Central Schools Services Block**

- 9.1 The Central Schools Services Block (CSSB) supports the following budgets:

- Admissions
- Central licences provided by the DfE
- Schools Forum
- Education support grant retained duties for all schools
- Teachers pay and pensions grant centrally employed teachers.

- 9.2 From 2022-23 the funding of the Teachers Pay and Pensions grants for centrally employed teachers was rolled in to the per pupil rate funded by the DfE. This

funding is now included in the baseline per pupil funding and no further adjustments will be made in future years.

- 9.3 The authority is expected to receive an increase of £22,000 due to an increase in the per pupil funding rate to £40.40, an increase of 2.20%. The authority will utilise the increase to fund an inflationary increase in central licences, to support the Admissions Service and the retained duties for all schools.

## **10 Early Years Block Funding**

- 10.1 To date the DfE has not issued any guidance in relation to the Early Years Block for 2023-24. It is expected that the authority will receive this guidance in December 2022. Once this has been published, an update will be brought to Schools Forum and the Cabinet Member for Children Families and Education.
- 10.2 In July 2022 the DfE issued a consultation "Early Years Funding Formulae" which set out several proposals regarding the way in which authorities are funded, some of which, if implemented could impact on the authority's funding in 2023-24. The consultation closed in September 2022 and the DfE have said that if the proposals are implemented, they will notify authorities in December 2022. This leaves little time for consultation with early years providers before the 2023-24 budget needs to be approved. A consultation has been circulated to providers setting out the proposed action the authority will take should the suggested changes to the funding happen. A copy of the consultation is included in Appendix 3 and the results, and the proposals will be brought to the January Schools Forum and Cabinet Member meetings.

## **11 Reasons for recommendations**

- 11.1 The purpose of this report is to provide an update on the latest developments in respect of the future school revenue funding arrangements for 2023-24 onwards. The report also seeks endorsement to the proposals for implementing these arrangements locally, in order to ensure that they comply with the requirements of both the DfE's operational guidance and the School and Early Years Finance (England) Regulations.

## **12 Integrated impact assessment**

- 12.1 An integrated impact assessment is not required as the recommendations do not have a positive or negative impact on communities and safety, regeneration and culture, environment and public space or equality and diversity.
- 12.2 This report and the proposals within form part of, and are consistent with, the national implementation of the schools and high needs National Funding Formula as directed by the Department of Education and set out in the School and Early Years Finance (England) Regulations 2022.

- 12.3 The DfE has conducted a full Equality Impact Assessment which is attached to the Policy document and can be found on their website<sup>9</sup>. The funding system does not seek to target funding by reference to particular protected characteristics under the Equality Act 2010, but instead targets funding to those groups which the evidence demonstrates face barriers to their educational achievement.

### **13 Legal implications**

- 13.1 There are no legal implications arising directly from the recommendations in this report.

### **14 Director of Finance's comments**

- 14.1 Financial comments and implications are included in the body of this report.

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Signed by: Sarah Daly, Director Children, Families and Education

#### **Appendices:**

Appendix 1: Portsmouth Rates to National Funding Rates Comparison Table 2022/23 to 2023-24

Appendix 2: Portsmouth Schools Forum response to the National Consultation "Fair funding for all; completing our reforms to the National Funding Formula"

Appendix 3: Consultation with Early Years providers regarding 2023-24 funding.

#### **Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

<b>Title of document</b>	<b>Location</b>
School and Early Years Finance (England) Regulations 2022	<a href="https://www.legislation.gov.uk">The School and Early Years Finance (England) Regulations 2022 (legislation.gov.uk)</a>
The National Funding Formulae for Schools and High Needs 2023-24 (published 24 July 2022) - Policy Document	<a href="https://publishing.service.gov.uk">The national funding formulae for schools and high needs (publishing.service.gov.uk)</a>

<sup>9</sup> [The national funding formulae for schools and high needs \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

Schools revenue funding 2023 to 2024: Operational Guide (published July 2022)	<a href="https://www.gov.uk/government/publications/schools-operational-guide-2023-to-2024">Schools operational guide: 2023 to 2024 - GOV.UK (www.gov.uk)</a>
High Needs Funding: 2023 to 2024 Operational Guidance (published 10 August 2022)	<a href="https://www.gov.uk/government/publications/high-needs-funding-2023-to-2024-operational-guide">High needs funding: 2023 to 2024 operational guide - GOV.UK (www.gov.uk)</a>

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by ..... on .....

.....  
Signed by:

## Appendix 1 - Portsmouth Rates to National Funding Rates Comparison Table 2022/23 to 2023-24

Funding Factors	Payable for:	Unit rate 2022-23*		Unit Rate 2023/24	
		Primary £	Secondary £	Primary £	Secondary £
<b>Basic Entitlement</b> Number on Roll (NOR) NOR Key Stage 3 NOR Key Stage 4	Primary including reception Key stage 3 pupils Key stage 4 pupils	3,263	4,601 5,185	3,394	4,785 5,393
<b>Deprivation</b> Free School Meals Free School Meals Ever 6	Free School Meals (FSM) Free School Meals Ever 6	477 599	477 878	480 705	480 1,030
IDACI A	Pupils ranked between 1 and 821	650	903	670	930
IDACI B	Pupils ranked between 822 and 2,463	497	710	510	730
IDACI C	Pupils ranked between 2,464 and 4,105	467	660	480	680
IDACI D	Pupils ranked between 4,106 and 5,747	426	604	440	620
IDACI E	Pupils ranked between 5,748 and 9,032	274	432	280	445
IDACI F	Pupils ranked between 9,033 and 12,316	224	325	230	335
<b>Prior attainment</b> Primary	Primary pupils identified as not achieving the expected level of development in the early years foundation stage profile (EYFSP)	1,147		1,155	
Secondary	Pupils not achieving the expected standard in Key Stage 2 at either reading, writing or maths		1,735		1,750
<b>English as an additional Language</b>	EAL eligible pupils who started school within the last 3 years	574	1,552	580	1,565
<b>Mobility</b>		939	1,349	945	1,360
<b>Sparsity</b>		0	0	56,300	81,900
<b>Lump Sum</b>	Flat rate per school	137,124	137,124	128,000	128,000

\*Note: the 2022-23 rates represent the values for Portsmouth schools based on the national NFF rates plus the area cost adjustment of 1.01419.

**Appendix 1 - continued**

<b>Minimum per pupil funding level comparison table 2022-23 to 2023-24</b>			
<b>Phase</b>	<b>Per pupil funding level 2022-23</b>	<b>Per pupil funding level 2022-23</b>	<b>Change</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Primary	4,265	4,405	140
Secondary	5,525	5,715	190
All Through	4,790	4,950	160
KS3 only schools	5,321	5,503	182
KS4 only schools	5,831	6,033	202

## **Appendix 2 - Portsmouth Schools Forum response to the national consultation "Implementing the direct national funding formula"**

### **Question 1**

***Do you agree that local authorities applications for transfers from mainstream school to local education budgets should identify their preferred form of adjustment to NFF allocations from a standard short menu of options?***

- **Yes:** X
- **No:**
- **Unsure:**

#### **Question 1 Comments**

*This seems a logical approach and provides consistency across the country.*

### **Question 2**

***Do you agree that the direct NFF should include an indicative SEND Budget, set nationally rather than locally?***

- **Yes:** X
- **No:**
- **Unsure:**

#### **Question 2 Comments**

*Agree in principle but further consultation is required to ensure that the factors used provide consistency and equity across all schools, so that schools don't see their "notional" funding reducing.*

### **Question 3**

***Do you have any comments on the proposals to place further requirements on how local authorities can operate their Growth and Falling rolls funding?***

***Growth funding:*** - There needs to be a level of flexibility regarding any unspent balances on the growth fund as authorities may have planned to use underspend to fund future years commitments.

***Falling rolls:*** - We currently do not run a falling rolls fund as the criteria is too restrictive to make it work effectively. It is not clear from the consultation document if it is a requirement for a local authority to have a falling rolls fund

***Falling rolls:*** - We are seeing a general reduction in the primary population which will impact on schools over the next few years. Whilst the authority does not currently operate a falling rolls fund, there may be a requirement in future years if we can see a forecast increase in primary population. Restricting the criteria to only those schools with a good and outstanding Ofsted judgement may create a problem for those schools who are seeing a general population reduction along with a reduction

*in pupil numbers due to performance. This could make it financially challenging for the school to recover and achieve an improved judgement in the future. One of the drivers for stopping the falling rolls fund was that the schools who were seeing falling rolls also had poor Ofsted judgments and were not able to provide funding despite the knowledge that we would need the places in future years*

#### **Question 4**

***Do you believe the restriction that falling rolls funding can only be provided to schools judged good or Outstanding by Ofsted should be removed?***

Yes    **X**

No

Unsure

#### **Question 5**

***Do you have any comments on how we propose to allocate growth and falling rolls funding to local authorities?***

*If local authorities are required to provide both a growth and falling rolls fund, then it seems a sensible approach to provide funding where pupil numbers are seeing a significant reduction.*

*Spending patterns are not always a good indicator of the funding requirement in future years, any change to the baseline needs to be reviewed in conjunction with future pupil projections.*

#### **Question 6**

***Do you agree that we should explicitly expand the use of growth and falling rolls funding to supporting local authorities in repurposing and removing space?***

- Yes
- No
- Unsure

#### **Question 7**

***Do you agree that the Government should favour a local, flexible approach over the national standardised system for allocating growth and falling rolls funding and that we should implement the changes for 2024-25?***

- Yes - **X**
- No
- Unsure

**Question 8**

***Do you have any comments on the proposed approach to popular growth?***

*Agree that this should be available to maintained schools, particularly where they have seen an increase in popularity due to improved performance data.*

**Question 9**

***Do you agree we should allocate split site funding on the basis of both a schools and basic eligibility and distance eligibility?***

- Yes ☒
- No
- Unsure

**Question 10**

***Do you agree with our proposed criteria for split site basic eligibility?***

- Yes ☒
- No
- Unsure

**Question 11**

***Do you agree with our proposed split site distance criterion of 500m?***

- *The distance criteria should be shorter*
- ***That it is about the right distance***
- *The distance criteria should be longer*
- Unsure

**Question 12**

***Do you agree with the total available split sites funding being 60% of the NFF lump sum factor?***

- *The funding should be higher*
- ***That is about the right amount of funding***
- *The funding should be lower*
- Unsure

**Question 13**

***Do you agree that the distance eligibility should be funded at twice the rate of basic eligibility?***

- *The distance eligibility should be given a higher weighting*
- *That is about the right weighting*
- ***The basic eligibility should be given a higher weighting***

- *Unsure*

#### **Question 14**

***Do you agree with our proposed approach to data collection on split sites?***

- **Yes**   **X**
- No
- *Unsure*

#### **Question 15**

***Do you have any comments on our proposed approach to split site funding?***

*This is an additional data collection burden on local authorities at a very busy time and should be funded.*

*How will the additional costs for authorities who have not been funding split sites, but now will have schools that fall into the split site criteria, be managed? Will the Schools Block be increased to reflect those eligible schools, or will the authority have to manage within the current funding envelope?*

#### **Question 16**

***Do you agree with our proposed approach to the exceptional circumstances factor?***

- **Yes**   **X**
- No
- *Unsure*

#### **Question 17**

***Do you have any comments on the proposed approach to exceptional circumstances?***

*No.*

#### **Question 18**

***Do you agree that we should use local formulae baselines (actual GAG allocations, for academies) for the minimum funding guarantee in the year that we transition to the direct NFF?***

- **Yes**   **X**
- No
- *Unsure*

#### **Question 19**

***Do you agree that we should move to using a simplified pupil led funding protection for the MFG under the direct NFF?***

- Yes **X**
- No
- Unsure

#### **Question 20**

***Do you have any comments on our proposals for the operation of the minimum funding guarantee under the direct NFF?***

*This makes sense and saves authorities having to put in disapplication requests*

#### **Question 21**

***What do you think will be most useful for schools to plan their budgets before they receive confirmation of their final allocations (i) notional allocations or a calculator tool?***

- Notional allocations
- Calculator tool
- **Unsure**

#### **Question 22**

***Do you have any comments on our proposals for the funding cycle in the direct NFF, including how we could provide early information to schools to help their budget planning?***

##### ***Timetable***

*Further clarification regarding the timing of growth funding announcements needs to be provided, as a local authority this is normally agreed as part of the overall DSG budget and the funding issued to school early in the financial year. Receiving this information later than December could impact when schools receive the funding and therefore their ability to appoint staff.*

*If the DfE are no longer issuing the APT to local authorities, to support authorities to collect, verify and provide any additional data requirements in a timescale to meet the DfE timetable for publishing school budget shares, then submission deadlines need to be prior to school holidays, when the contacts are around to verify data.*

##### ***Notional Allocations***

*It makes sense to publish the notional allocations based on the previous years pupil numbers and characteristics as this will help schools plan.*

##### ***Calculator tool***

*Whilst a calculator tool may be helpful, it does need to consider the weighting of the different pupil characteristics and how they feed into the formula. The DfE also need to consider the support and training that would be available to schools who access this calculator.*

**Question 23**

***Do you have any comments on the two options presented for data collections in regard to school reorganisations and pupil numbers? When would this information be available to local authorities to submit to the DfE?***

*If schools are reorganising local authorities tend to know in advance and the impact built into the APT model shared with them in July/August, this modelling is then used to populate the December APT to limit the amount of work that needs to be completed over a short period of time. If the DfE is stopping the December APT when they move to a direct NFF then it would be beneficial to move the data collection to earlier in the autumn term, perhaps populated with the previous October's pupil numbers to help with calculations. This provides more time for clarification of the data with colleagues in other parts of the authority and schools (both of which don't tend to be around over the late December/early January period). This could be submitted early December to the DfE.*

**Question 24**

***Regarding De-delegation, would you prefer the department to undertake one single collection in March covering all local authorities or several smaller bespoke data collections for mid-year convertors?***

- *One single data collection*
- *Several smaller bespoke data collections*
- ***Unsure***

**Question 25**

***Do you have any further comments on our proposals regarding the timing and nature of data collections to be carried out under a direct NFF?***

**Question 24:** *Whilst it makes sense to make a single data collection, March is a bad month as the focus moves to the financial year end for local authorities. De-delegation values per pupil are normally agreed with Schools Forum in January following the issue of the October census and APT in December. A local authority will know the amount it wishes to de-delegate in total, will have consulted with schools over the autumn term, then uses the October census to confirm values. It is not clear why we would wait until March to notify the DfE of this information.*

## **Appendix 3 - Early Years consultation**

### **1. Early Years funding 2023-24**

- 1.1. In July 2022 the Department for Education (DfE) released a consultation "Early Years funding Formulae"<sup>10</sup> proposing changes to the data behind the formula funding of the Early Years Block of the Dedicated Schools Grant (DSG) received by local authorities.
- 1.2. The consultation closed on 16 September 2022 and the DfE have stated that they will issue the Government's response and confirm the final 2023-24 hourly funding rates for local authorities in autumn 2022.
- 1.3. In previous years the DfE has not released this information until mid-December making it difficult for Portsmouth to engage with early years providers over the holiday period, in time to meet the statutory deadlines.
- 1.4. This year Portsmouth is consulting with providers on the proposals for the 2023-24 funding formula before the announcement from the DfE to enable providers to submit their views. This will then inform the proposals that are taken to Schools Forum and Cabinet Member for endorsement and approval in early 2023.
- 1.5. It should be noted that the financial values and the hourly rates quoted in this document are indicative and based upon the modelling provided by the DfE as part of the national consultation. They are subject to change dependant on the outcome of the consultation and the funding allocations issued by the DfE in December 2022.

### **2. Background**

- 2.1. The Department for Education introduced the Early Years National Funding Formula (EYNFF) in April 2017. Funding is paid to local authorities for eligible two year olds and the three and four year olds (universal and additional hours) based on an hourly rate. The hourly rates are calculated by the DfE using one of two formula, which use underlying data sets. The data sets have not been routinely updated since 2017 and do not reflect the latest information and thus do not target funding where it is most needed. The national consultation provides proposals on updating the data sets. This consultation provides a brief overview of the national proposals and explains how Portsmouth proposes to update the local formula to reflect those changes.

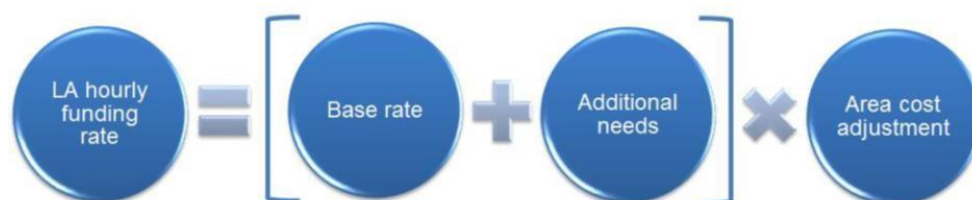
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<sup>10</sup> [Early years funding formulae - Department for Education - Citizen Space](#)

- 2.2. It should be noted that the proposals relate to the funding received by local authorities. The DfE is not proposing to change the formula as to how funding is passed to early years settings.

### 3. National Changes to funding for three and four year olds proposed in the DfE consultation

- 3.1. The diagram below sets out how the three and four year old hourly rate for the local authority is calculated.



- 3.2. The DfE is proposing to update the data sets underlying the additional needs element of the formula to reflect the most recent data available, along with the percentage weighting for each of the factors. The table below shows the underlying factors and their weighting that make up the final hourly rate paid to the authority for three and four year olds.

<b>Table 1: National Formula Factor weightings (3 and 4 Year olds)</b>		
<b>Formula Factors</b>	<b>Percentage weighting 2017-18</b>	<b>Percentage weighting 2023-24</b>
	<b>%</b>	<b>%</b>
Basic Hourly rate	87.4	89.5
<b>Additional needs data</b>		
Free school meals supplement	10.0	10.5
English as a second language	1.3	1.5
Disability Living Allowance	1.3	1.0

- 3.3. In addition, the DfE are proposing to update the data underlying the factors used to calculate the Area Cost Adjustment (ACA) which is used as a multiplier to reflect relative difference in costs in different areas of the country, such as staff and premises costs.
- 3.4. The changes will cause some authorities to see either gains or losses in their funding. To help smooth the transition, the DfE have proposed that, when measured against the 2022-23 base line, all authorities would see an increase in the hourly rate of 1%, and a cap on gains of no more 4.5% on the three and four year old hourly rate.

- 3.5. If the changes are implemented, the overall impact of these changes is a proposed increase in the hourly rate received by Portsmouth for three and four year olds from £5.00 per hour to £5.23 per hour.

#### **4. Portsmouth proposals for implementing the three and four year old funding for 2023-24**

- 4.1. If the DfE implements the national consultation proposals and Portsmouth receives £5.23 per hour for three and four year olds. It is proposed that the funding will be allocated as set out in the table below.

<b>Table 2: Three and Four-year-old funding formula.</b>				
	<b>2022-23 (£)</b>	<b>2022-23 Percentage split</b>	<b>2023-24 (£)</b>	<b>2023-24 Percentage split</b>
Basic hourly rate paid to providers	4.45	89%	4.67	89%
Deprivation average hourly rate	0.20	4%	0.20	4%
SEN Inclusion fund	0.04	1%	0.04	1%
Growth contingency fund	0.06	1%	0.06	1%
<b>Total funding passed to settings</b>	<b>4.75</b>	<b>95%</b>	<b>4.97</b>	<b>95%</b>
Centrally retained	0.25	5%	0.26	5%
<b>Total</b>	<b>5.00</b>	<b>100%</b>	<b>5.23</b>	<b>100%</b>

- 4.2. This would provide **an hourly rate of £4.67 for three and four year olds.**

#### **Deprivation**

- 4.3. Deprivation remains a mandatory supplement. The Council is proposing to continue to use the current deprivation indices based on pupil IDACI<sup>11</sup>. Deprivation rates will remain at the same values as 2022-2023, to enable the authority to maximise the amount paid through the basic hourly rate.

<sup>11</sup> Income Deprivation Affecting Children Index.

<b>Table 3: Deprivation funding 2023-24</b>	
<b>Deprivation Band</b>	<b>Funding per hour £</b>
1	0.45
2	0.34
3	0.22
4	0.11
5	0.00

### **SEND Inclusion funding for low and emerging needs**

- 4.4. The three and four year old formula provides funding to early years settings to support pupils with low and emerging special educational needs. This fund will continue to operate as in previous years.

### **Growth contingency**

- 4.5. The DfE have confirmed that local authorities can hold contingency funds for in-year growth above the funded pupil numbers. This will be counted within 95% pass-through rate because the money is eventually shared with providers.
- 4.6. The Early Years January 2022 census showed an increase in the number of hours, this is expected to continue. For the financial year 2023-24 Portsmouth City Council will initially be funded on the January 2022 hours, with a mid-year adjustment for January 2023 hours. There is a risk that as the year progresses that the actual hours provided by early years settings will exceed the funding received by the authority. It is therefore necessary to hold a contingency for any potential in year growth in hours funded by the authority. Based on the growth contingency values in tables 2 and 4, this would provide funding for an additional 13 full time equivalent (FTE) two year olds and 51 FTE three and four year-olds.

### **Centrally retained**

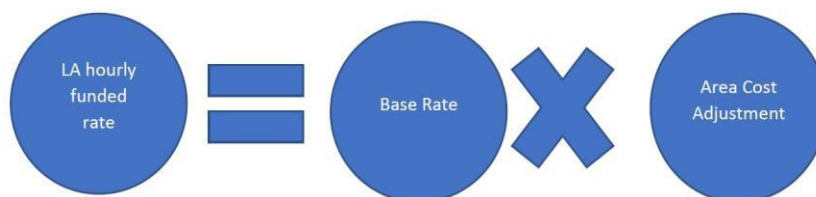
- 4.7. As set out in the regulations, the authority can retain up to 5% of the Early Years Block funding to support the early years functions. In 2022-23 the council retained 5% of the funded hourly rate. To help maintain the level of support for 2023-24, the council will continue to retain 5% of the 2023-24 hourly funded rate.

## Supplementary Grant

- 4.8. Along with the changes to the underlying data, the government are proposing a change to the methodology for paying the Teachers Pay and Teachers Pension Employer Contributions Grant (TPPG) to those mainstream school providers with a nursery unit. Current eligible schools receive this as a separate grant which is funded on an amount per pupil. The DfE are proposing to bring the grant into the Early Years block of the DSG and authorities would then pay the funding as a supplement to the Early Years formula.
- 4.9. If the DfE proposal is approved, the authority would receive funding which would equate to the current funding provided via the current grants (TPPG) in 2022-23. The DfE consultation did not set out the parameters as to how the supplement would be paid but it is expected that the funding would only apply to those providers who were eligible from 2019 when it was first introduced.
- 4.10. The financial modelling provided as part of the DfE consultation suggested that if agreed, Portsmouth would receive an additional £0.03 per hour, totalling approximately £80,000.
- 4.11. If the DfE includes the grant in Early Years block in 2023-24, we will distribute the funding according to the parameters set out by the DfE.

## 5. National Changes to funding for two year olds proposed in the DfE consultation

- 5.1. Unlike three and four year old funding, the two year old funding is made up of a national hourly rate multiplied by an area cost adjustment (ACA), as shown in the diagram below.



- 5.2. Like the three and four year old funding, all authorities would see an increase in the hourly rate of 1% on the 2022-23 base line, and an increase of no more 8.6% on the two year old hourly rate when compared to the 2022-23 baseline.

- 5.3. The overall impact of these changes if implemented by the DfE, is a proposed increase in the hourly rate received by Portsmouth for two year olds from £5.80 per hour to £6.30 per hour.

## 6. Portsmouth proposals for implementing two year old funding for 2023-24

- 6.1. If the DfE implements the national consultation proposals and Portsmouth receives £6.30 per hour for two year olds. It is proposed that the funding will be allocated as set out in the table below.

<b>Table 4: Two-year-old funding formula.</b>				
	<b>2022-2023 (£)</b>	<b>2022-23 Percentage split</b>	<b>2023-2024 (£)</b>	<b>2023-24 Percentage split</b>
Basic hourly rate paid to providers	5.38	93%	5.82	92%
SEN Inclusion fund	0.04	1%	0.04	1%
Growth contingency fund	0.13	2%	0.13	2%
<b>Total funding passed to settings</b>	<b>5.55</b>	<b>96%</b>	<b>5.99</b>	<b>95%</b>
Central retained funding	0.25	4%	0.31	5%
<b>Total</b>	<b>5.80</b>	<b>100%</b>	<b>6.30</b>	<b>100%</b>

- 6.2. This provides **an hourly rate of £5.82 for two year olds.**

- 6.3. The formula for Portsmouth includes:

- an 'inclusion fund' which will operate in-line with that for three and four year olds by providing support to pupils with low and emerging special needs.
- Growth contingency fund, as per the three and four year old formula
- In line with the three and four year old formula the authority is proposing to retain 5% centrally to support the provision of support and services to the early years sector.

## 7. What the authority will do if the funded hourly rates are different from the published consultation rates.

- 7.1. The indicative hourly rates published by the DfE in the summer 2022 as part of the consultation, reflect the consultation proposals. It is possible that following the consultation the DfE may issue different hourly rates for the 2023-24 funding allocation to Portsmouth.
- 7.2. In this case the authority proposes to split the published hourly rates over the formula on the same percentage basis as the proposals in this

document (see tables 2 and 4), table 5 below sets out the proposed percentage split.

**Table 5: Three and Four-year-old funding formula.**

	<b>2023-24 Two year old hourly rate Percentage split</b>	<b>2023-24 Three and four year old hourly rate Percentage split</b>
Basic hourly rate paid to providers	92%	89%
Deprivation average hourly rate	0%	4%
SEN Inclusion fund	1%	1%
Growth contingency fund	2%	1%
<b>Total funding passed to settings</b>	<b>95%</b>	<b>95%</b>
Centrally retained	5%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## 8. Next steps

- 8.1. The authority expects to receive the outcomes of the national consultation in mid-December 2022, along with the Early Years Block indicative funding allocation for 2023-24. . The feedback provided from this consultation will inform the report to Schools Forum and Cabinet Member early in 2023 to set the hourly rates for two year olds and three and four year olds for 2023-24.
- 8.2. When responding to the consultation please be aware that your response may be shared in the public domain, e.g., via a Freedom of Information request, therefore please don't share information that may be commercially sensitive or you would not want shared wider.
- 8.3. To respond to the consultation, please complete the attached document and return to [EYfunding@portsmouthcc.gov.uk](mailto:EYfunding@portsmouthcc.gov.uk)
- 8.4. Responses should be returned no later than close of play **Friday 9 December 2022**.

## Early Years Consultation Response Form 2022

**Provider Name:** .....

<b>1. Do you agree with the proposed 2023-24 funding formula for three and four year olds, as set out in Table 2?</b>	Yes	No
If not, what would you change?		
<b>2. Do you agree with the proposed 2023-24 funding formula for two year olds, as set out in Table 4?</b>	Yes	No
If not, what would you change?		
<b>3. Do you agree with the proposal that if the two, three and four year old hourly rates provided in the 2023-24 funding is different from the hourly rates proposed in the consultation, that the authority funding formula provides the same percentage split?</b>	Yes	No
If not, what would you change?		