

AGENDA ITEM 5

**REPORT TO
SCHOOLS FORUM**

29 JUNE 2021

DFE UPDATES AND CONSULTATIONS UPDATE REPORT

SUMMARY

The paper provides an overview of a number of recent consultations undertaken by the Department for Education's (DfE) outlining proposals for the reform of Schools and High Needs funding and to update the Forum regarding changes to early years funding block.

RECOMMENDATION

1. It is recommended that Schools Forum notes the report.

BACKGROUND

1. The DfE recently undertook two technical consultations on proposed changes to the sparsity and rates factors within the schools National Funding Formula (NFF).
2. The DfE considered these proposals as a further step towards the government's long-term plans to move to a 'hard' NFF, where schools' budgets will be determined on the basis of a single national formula.
3. The DfE recognised the significance of a move to a 'hard' NFF and indicated the change will need to occur over enough time to ensure that it can be introduced smoothly. An initial consultation on next steps is planned for the summer with the current 'soft' NFF, where local authorities design local funding formulae within certain parameters, remaining in place for 2022-23.
4. A further consultation was undertaken exploring potential small changes to the High Needs National Funding Formula and seeking views to inform further changes in future years.
5. Due to uncertain times through the recovery from the pandemic, the DfE recognise that the January 2021 census does not provide an appropriate measure of attendance when calculating the 2021/22 early years block. Therefore, a temporary change is being made for the 2021/22 financial year.

SUMMARY OF THE PROPOSALS

Review of sparsity

6. The DfE proposed to begin measuring sparsity distances by road journeys, instead of 'as the crow flies' (a straight-line distance measure), which they considered will better reflect the actual distance between schools and help identify schools that warrant extra support more accurately.

7. They further proposed an increase to the primary and secondary maximum sparsity factor values of £10,000.
8. A copy of the DfE consultation documents is available online: <https://consult.education.gov.uk/funding-policy-unit/schools-nff-changes-to-sparsity-factor-2022-23/>
9. Key points include:
 - That proposals in themselves don't present particular concerns and this only impacts on one of our schools.

Changes to the payment process of schools' business rates

10. The DfE sought views on proposed changes to the payment process of schools' business rates, with the stated rationale to simplify and improve processes leading to potential efficiencies. This change would also address one of the obstacles to moving to a hard national funding formula.
11. The proposed changes would standardise the process for academies and maintained schools and result in the transactional processes for payment moving to the DfE with accounting responsibilities remaining with the LAs and academies.
12. The proposed changes are not intended to represent a change in funding levels, but instead represent a more streamlined system which restructures the payment process of existing funding.
13. A copy of the DfE consultation documents is available online: <https://consult.education.gov.uk/funding-policy-unit/changes-to-the-payment-process-of-schools-business/>
14. A copy of the full consultation response can be found in **Appendix A**.

Review of National Funding Formula for 2022-23 allocations of high needs funding to local authorities

15. The DfE sought views on proposed initial changes to the High Needs National Funding Formula (NFF) as part of a longer-term review of the NFF.
16. This review focussed on three areas:
 - The use and level of funding through a historic spend factor reflecting the 2017-18 position. Questions posed focussed on the use and level of this factor along with a suggestion whether to change the basis from planned to actual spend.
 - Proposals to address the lack of recent attainment data and the impact on the low attainment factor within the formula with the suggestion to use 2019 data for all missing years.
 - Ideas and suggestions for better ways of ensuring funding through the NFF reflected underlying funding need.

17. The consultation formed the first stage of a longer-term review of the High Needs NFF. The DfE stated that this review will be taken forward following the SEND review, and will consider how the distribution of High Needs funding can be improved to achieve the highest quality support for the most vulnerable children and young people.
18. A copy of the DfE consultation documents is available online: <https://consult.education.gov.uk/funding-policy-unit/high-needs-nff-proposed-changes/>
19. A copy of the full consultation response can be found in Appendix B.

Early Years Block Funding Update

Early Years Funding Block 2020/21

20. The early years funding block is calculated using a weighting of the number of children in early years placements in January before the start of the financial year and the following January. Due to the time taken to collect and process this data, the final early years blocks are usually informed to local authorities in July following the end of the financial year.
21. The DfE recognised that, due to lockdown from January 2021, that the January census may not have captured all placements as children returned to settings later in the term. The result of this maybe that local authorities have paid more to providers than they have received in funding through the early years block. The DfE therefore advised that they would provide a protection for local authorities up to 85% of the January 2020 census attendance.
22. To facilitate this the DfE will collect data from local authorities for the summer term 2021 and calculate an average of the January 21 and summer 21 term count. If the average exceeds the January 21 term count, then the early years block will be increased up to 85% of the January 20 attendance.
23. As a result of this adjustment, the final early years blocks for 2020/21 will now be published in November 2021 rather than July 2021, this means that the final position regarding the early years budgets for 2020/21 will not be known until November.
24. This adjustment has no impact on providers, as this concerns purely how the Local Authority is funded.

Early Years Block 2021/22.

25. Due to uncertain times through the recovery from the pandemic, the DfE recognise that the January 2021 census does not provide an appropriate measure of attendance when calculating the 2021/22 early years block. Therefore, a temporary change is being made for the 2021/22 financial year.
26. The Local Authority will be funded based on a termly count for attendance during 2021/22. The summer and autumn terms will determine funding for those terms, with the spring 2022 term funded on the usual basis of the January 22 census.

27. It is expected that final early years blocks for 2021/22 will be published in July 22 as normal. This adjustment has no impact on providers, as this concerns purely how the local authority is funded.

Contact Officer: Andy Bryson, Chief Accountant
Tel No: 01642 528850