



# **Children and Young People Scrutiny Committee**

Date: Wednesday, 8 December 2021

Time: 2.00 pm

Venue: Council Chamber, Level 2, Town Hall Extension

This is a **Supplementary Agenda** containing additional information about the business of the meeting that was not available when the agenda was published

## **Access to the Public Gallery**

Access to the Public Gallery is on Level 3 of the Town Hall Extension, using the lift or stairs in the lobby of the Mount Street entrance to the Extension. **There is no public access from any other entrance.**

## **Filming and broadcast of the meeting**

Meetings of the Children and Young People Scrutiny Committee are 'webcast'. These meetings are filmed and broadcast live on the Internet. If you attend this meeting you should be aware that you might be filmed and included in that transmission.

## **Membership of the Children and Young People Scrutiny Committee**

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### **Councillors –**

Reid (Chair), Abdulatif, Sameem Ali, Alijah, Bano, Benham, Collins, Cooley, Foley, Hewitson, Lovecy, McHale, Nunney and Sadler

### **Co-opted Members -**

Miss S Iltaf, Ms K McDaid, Mrs J Miles, Dr W Omara and Ms L Smith

## Supplementary Agenda

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7. **School Budgets 2022/23** 3 - 14  
Report of the Strategic Director of Children and Education Services

This report recommends changing the basis for the funding allocation across individual primary and secondary school budgets from 2022/23, in order to allow schools a longer adjustment period before introduction of the direct national funding formula.

## Further Information

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For help, advice and information about this meeting please contact the Committee Officer:

Rachel McKeon  
Tel: 0161 234 4497  
Email: [rachel.mckeon@manchester.gov.uk](mailto:rachel.mckeon@manchester.gov.uk)

This supplementary agenda was issued on **Monday, 6 December 2021** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 2, Town Hall Extension (Library Walk Elevation), Manchester M60 2LA

**Manchester City Council  
Report for Information**

**Report to:** Children and Young People Scrutiny Committee – 8 December 2021

**Subject:** School Budgets 2022/23

**Report of:** Strategic Director of Children and Education Services

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## Summary

The Dedicated School Grant (DSG) is a ring-fenced grant to support the education of children across the city. It is divided into 4 blocks, the largest of which is the Schools' Block element, used to fund individual school budgets in maintained schools and academies.

DSG arrangements for 2022/23 remain unchanged with the grant continuing to be allocated to local authorities in four blocks based on a national formula, but Local Authorities can continue to fund schools on the local formula. Manchester's Schools Forum had previously opted to maintain the local funding formula. In the summer the Government re-confirmed the intention to implement a National Funding Formula which means that primary and secondary school funding longer term is likely to be determined by the Department of Education (DfE).

The school budget report normally forms part of suite of budget papers that are submitted to the Executive in February for approval prior to the financial year they relate to. In previous years, in consultation with Schools Forum and schools, the Local Authority made the decision not to change the formula and to maintain the existing Local Funding Formula (LFF).

This report recommends changing the basis for the funding allocation across individual primary and secondary school budgets from 2022/23, in order to allow schools a longer adjustment period before introduction of the direct national funding formula. The Local Authority has to submit school budgets to Department for Education by January 2022, giving this requirement the recommendations in the paper need to be considered by the Executive in advance of the February meeting.

## Recommendations

The Local Authority has undertaken a modelling exercise in order to better understand the potential financial implications of a move to the NFF and in consultation with all schools and through Schools Forum meetings in September and November 2021 it is recommended a **10% transition to NFF values in 2022/23. In addition to the NFF factor for Free School Meal (FSM) at the NFF rate**, with larger capping to ensure affordability.

The Committee is invited to review and comment on starting a transition to the National Funding Formula (NFF) in advance of submission of primary and secondary budget to the Department for Education in January 2022.

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**Wards Affected:** All

**Environmental Impact Assessment** - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

The report reflects the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council's planning and budget proposals.

Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Effective Children and Education Services are critical to ensuring our children are afforded opportunities and supported to connect and contribute to the city's sustainability and growth.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Ensuring children and young people are supported and afforded the opportunity to access and achieve in the City; empowered and supported by the delivery of a strong and cohesive system that works for all children.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Improving education and social care services that are connected to the wider partnership build the resilience of children and families needed to achieve their potential and be integrated into their communities
A liveable and low carbon city: a destination of choice to live, visit, work	Improving outcomes for the children and families across the City, helps build and develop whole communities and increases the liability of the City
A connected city: world class infrastructure and connectivity to drive growth	Successful services support successful families who are able to deliver continuing growth in the City

**Contact Officers:**

Name: Paul Marshall  
 Position: Strategic Director for Children and Education Services  
 Telephone: 0161 234 3952  
 E-mail: p.marshall1@manchester.gov.uk

Name: Amanda Corcoran  
 Position: Director of Education  
 Telephone: 0161 234 4314  
 E-mail: amanda.corcoran@manchester.gov.uk

Name: Reena Kohli  
Position: Head of Finance Children, Education and Schools Finance  
Telephone: 0161 234 4235  
E-mail: reena.kohli@manchester.gov.uk

**Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

None

## **1. Introduction**

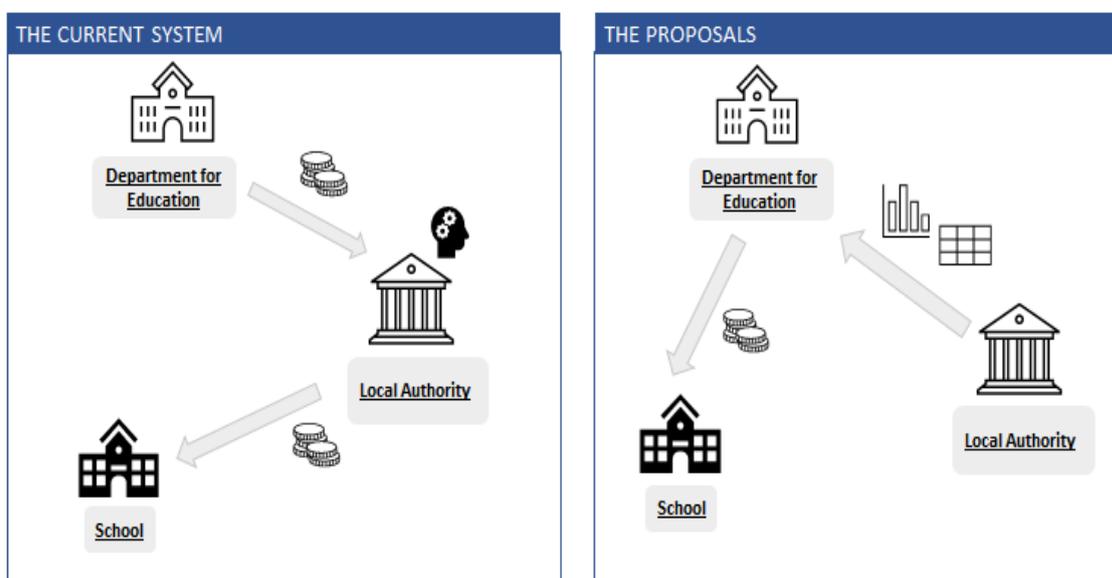
- 1.1 Dedicated School Grant (DSG) is a ring-fenced grant of which the majority is used to fund individual schools budgets in maintained schools and academies in the city, early years nursery entitlement and provision for pupils with high needs including those with Education Health & Care Plans (EHCPs) in special schools, special provision and mainstream schools in Manchester and out of city.
- 1.2 Local authorities receive and manage the DSG within four blocks: schools, central school services, high needs and early years. A large proportion of it is delegated directly to schools and other settings to provide the majority of education services. A small proportion of the DSG is provided for local authorities to deliver support to schools and education system.
- 1.3 Currently Dedicated School Grant (DSG) is allocated to Local Authorities on a national formula basis. Once the grant is received, local authorities calculate funding for individual schools based on different factors in their local formulae to reflect additional needs in schools' allocations.
- 1.4 In July 2021, the Department for Education (DfE) launched a national consultation which seeks to develop a funding system whereby DfE directly funds schools. The DfE plans to move local formulae "progressively closer" to a National Funding Formula (NFF) direct to primary and secondary schools starting in 2023/24.
- 1.5 This report considers the implications of moving Manchester's local funding formula for primary and secondary schools closer to the national funding formula.

## **2. Background**

- 2.1 In Autumn 2017 the DfE announced national changes to the school funding formula which will eventually see all mainstream school budgets set using a national funding formula. To date, a 'soft' approach has been undertaken where the funding which local authorities receive is based on the new formula but there continues to be a degree of local discretion in terms of determining the funding formula values and factors used within each local authority area, please see illustration one below.

## Illustration one: Current Funding Allocation process and proposed Direct Funding Allocation process

Proposals:



- 2.2 In the past few years, in consultation with Schools Forum and schools, the Local Authority made the decision to maintain the existing Local Funding Formula (LFF). This afforded schools financial stability whilst preparing for the eventual move towards the direct National Funding Formula (NFF).
- 2.3 In July 2021, the DfE launched a consultation which seeks to develop a funding system whereby the DfE directly funds schools. Plans to move local formulae "progressively closer" to a NFF direct to schools starting 2023/24. The DfE has confirmed that it does not plan to set a "fixed target date by which the direct NFF will be fully in place".
- 2.4 The consultation outlined a plan that would involve requiring Local Authority to bring each of its local formula factors "at least 10% closer to the NFF factor value", compared with 2022/23. After an initial 10% movement closer to the NFF in 2023/24, and subject to the impact of this movement, the aim is to move at least 15% to the NFF in 2024/25 and at least 20% in 2025/26. Schools will continue to be protected from cash-term losses in their per-pupil funding by the Minimum Funding Guarantees (MFGs), this ensures that schools receive at least what they did previously on a per pupil basis.
- 2.5 The Local Authority has undertaken a modelling exercise in order to better understand the potential financial implications of a move to the NFF, whether it be gradual or immediate. This modelling found that individual schools' budgets under each model would be protected at nearly the same levels via operation of the MFG during the transition. Funding under LFF and NFF models would be similar in the short-term.

- 2.6 The modelling was provided to Schools Forum in September 2021, and is replicated in Appendix One. Following the meeting in September 2021, a consultation was launched with Manchester schools, concluding on the 5<sup>th</sup> November 2021.
- 2.7 Consultation results – 44 schools responded to the consultation, which comprised of two questions in principle: (i) do schools support the LA’s transition towards the NFF in 2022/23 and (ii) do schools support addition of the Free School Meals (FSM) factor to the local formula.
- i. Responses to the first question were overall positive, with 37 schools voting in favor of the proposed transition, stating it would be prudent to begin a gradual transition, allowing schools a longer adjustment period and more time to monitor real-term impacts and undertake multi-year strategic planning. Reduced reliance on the Minimum Funding Guarantee (MFG) and increased stability for schools were also cited as reasons for support. 1 school opposed the proposal, raising concerns that Manchester’s currently generous local formula may be adversely impacted by the transition. 6 schools voted as “not sure”, primarily based on not having enough understanding of the budgetary impacts, with several schools requesting data on their individual budget shares under the various models.
  - ii. Responses to the second question were again positive, with 37 schools voting in favor of the proposal, with the view that the additional FSM funding would acknowledge the high proportions of FSM children in Manchester schools and would help support levels of deprivation in the city. 7 schools were “not sure”, as they felt they did not have enough information to submit a response, or due to confusion about whether this FSM funding would be additional to the current FSM ever 6 funding or would replace it. The LA clarified it to be the former.
- 2.8 To allow schools a longer adjustment period before the introduction of the direct NFF and based on the data currently available, it is recommended that the **adoption of a 10% transition to NFF values in 2022/23**, as well as the **addition of the NFF factor for Free School Meal (FSM) at the NFF rate**, with larger capping to ensure affordability. Under this model, there is marginally more funding locked into protected budgets; meaning that school budgets would be protected from big swings year-on-year, and reduces the risk of reliance on MFG, model 2A in Appendix one. This is in line with consultation responses from Schools Forum and schools.

### **Schools Block Funding Settlement 2022/23**

- 2.9 In mid-July 2021 the DfE announced the provisional School Funding Settlement 2022/23. The allocations are notional. Increasing by 3.2% overall, and by 2.8% per pupil, compared with 2021/22, with the funding floor allocating at least 2% more in pupil-led funding per pupil. Manchester will receive the minimum, a 2% increase, which equates to £10m for primary and secondary schools in the City.

- 2.10 After the provisional settlement the October spending review announcements indicated at a national level a core school budget increase of £4.7bn by 2024/25, compared to original 2022/23 plans, this includes £1.6bn in additional funding for 2022/23 budgets, on top of the year-on-year increase of £2.4bn already confirmed at spending review 2019. The increase is intended to help the sector respond to the pressures in overall costs in: national insurance, high needs, managing Covid and supporting children and young people to recover from the pandemic. Due to the provisional School Funding settlement in July this funding will be allocated in 2022/23 for schools and high needs as a separate grant. It is expected that the details will be provided to councils mid December 2021.

### 3. Recommendations

- 3.1 The Committee is invited to review and comment on the 2022/23 individual school budgets primary and secondary recommendation of starting a transition to the NFF. More specifically it is recommended that a **10% transition to NFF values in 2022/23**, as well as the **addition of the NFF factor for Free School Meal (FSM) at the NFF rate**, with larger capping to ensure affordability.

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**APPENDIX ONE:**

The Local Authority analysed several models to understand the financial impact to Manchester of a move to NFF (using 2021/22 data):

- **Model G:** Current LFF model
- **Model N1:** Complete and direct move to NFF
- **Model N2:** 10% transition of LFF to NFF
- **Model N2A:** Model N2 except FSM values at NFF rates and a higher cap.

The table below outlines the number of schools and whether they will be funded under LFF, MFG, or Capping under the various models outlined above.

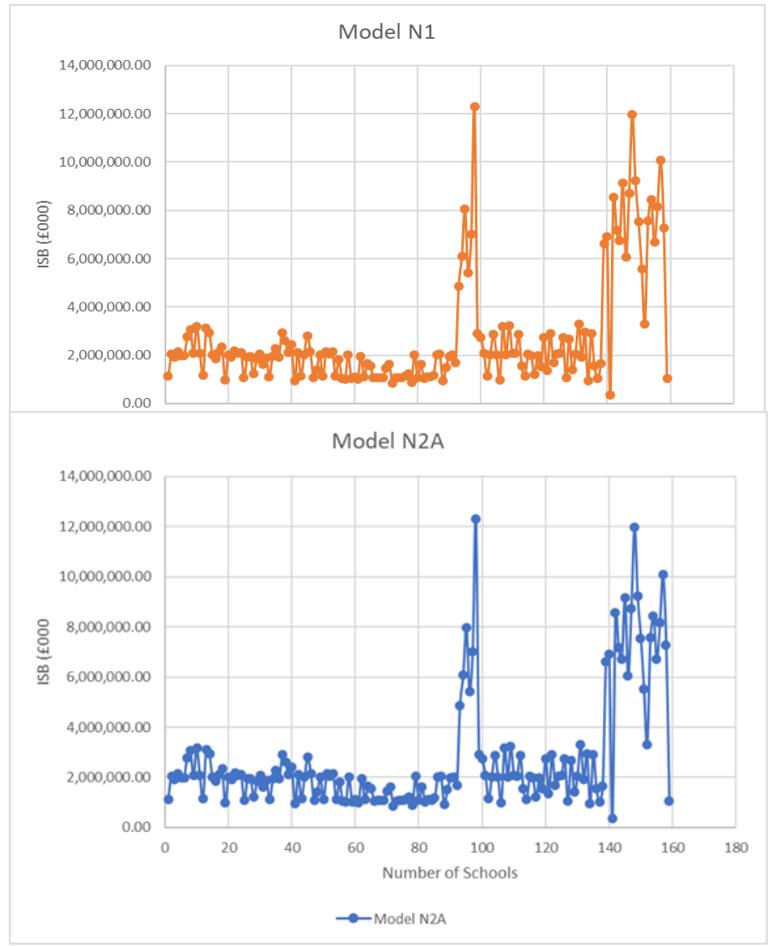
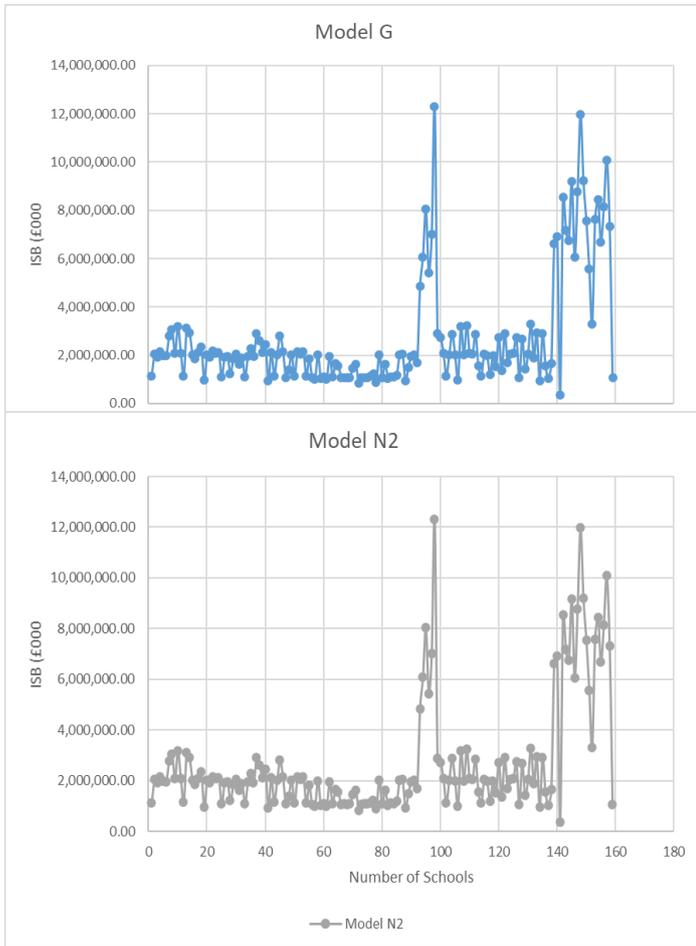
	Model G	Model N1	Model N2	Model N2A
<b>MFG</b>	124	150	131	49
<b>Cap</b>	15	7	10	107
<b>LFF</b>	28	10	26	11

The following table provides a funding comparison under various models of key funding factors, including Age Weighted Pupil Unit (AWPU), MFG, Capping, and Additional Need.

**2021/22 DSG SB Quantum:** £456,200,384.00

2021/22	Model G LFF	Model N1 NFF values exactly	Model N2 10% move towards NFF	Model N2A Model N2 with FSM @ NFF & Larger Cap
<b>Total Allocated</b>	456,200,384.00	455,652,663.94	456,058,714.28	456,200,412.26
<b>Unallocated</b>	0.00	547,720.06	141,669.72	-28.26
<b>Average ISB Funding Per Pupil</b>	£5,392.23	£5,386.49	£5,390.67	£5,392.84
MFG	8,769,117.81	15,876,720.70	9,386,621.88	3,281,545.36
Capping	-677,487.84	-492,988.33	-610,397.18	-6,505,497.08
AWPU Total	325,644,377.28	300,749,732.03	323,154,912.76	323,154,912.76
Additional Need Total	91,491,294.11	113,581,508.64	93,700,315.57	105,914,743.84
Lump sum	25,730,000.00	19,661,373.66	25,123,137.37	25,123,137.37
<b>AWPU, Additional Need, &amp; Lump Sum*</b>	442,865,671.40	433,992,614.32	441,978,365.69	454,192,793.96

The below graphs illustrate individual schools' budgets (ISBs) under each model. Via operation of the MFG, during the transition, school funding levels are protected at nearly the same levels across all models.



**GLOSSARY**

Term	Definition
National Funding Formula (NFF)	A single, national formula to be used by the government to allocate the core funding for all mainstream schools in England.
Local Funding Formula (LFF)	Individual school funding formulas curated by local authorities (LAs), tailored to best meets the needs of their locality.
Minimum Funding Guarantee (MFG)	MFG protects schools from excessive year-on-year changes (arising from changes in pupil characteristics) in per-pupil funding in cash terms.
Capping	LAs have the provision to “cap” gains in school funding arising from changes to formula factors, to ensure affordability. The cap is set at a fixed percentage, which must be equal to or higher than the MFG, and ensures schools do not see greater than a fixed and uniform levels of gains year-on-year.
Age Weighted Pupil Unit (AWPU)	AWPU is the rate of basic minimum entitlement funding received by each mainstream school per pupil on roll, regardless of whether the child is eligible for additional funding via deprivation or special need characteristics.
Individual School Budgets (ISB)	The budget share disseminated to schools annually.

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