



Lewisham Schools Forum

Report title:

DSG 2024/25- Updates Towards Hard Formula Plus PFI Consultation

Date: 29th June 2023

Key decision: No.

Item number: 13

Outline and recommendations

This report provides an update of the Schools Delegated Budget Share – transition to the hard formula

To note- updates from DfE received for Split Sites and Growth Fund.

PFI – remains within scope to move towards a hard formula, we do not know when the DfE will consult.

In 2023/24, following engagement with schools forum and Schools who receive funding from PFI, it was agreed that a post implementation review would be undertaken, including discussion on 2024/25 PFI factor. This report discusses the next steps.

Timeline of engagement and decision-making

- Schools forum will be required to approve the 2024/25 APT tool at their January 2024 meeting.
- The detail for consideration will not be available until just before the December school break, leaving very limited time for any detailed engagement.
- At the time of writing three factors need to be considered:-
 - Split sites - for information.
 - Growth Fund - for information.
 - Private finance initiative (PFI) factor – for further engagement with schools affected (mainstream schools only).
- Report will provide timeline for the PFI factor engagement and a draft consultation paper.

1. Purpose of report

- 1.1. As previously advised to schools forum, the Department for Education (DfE) is working towards a **fully** hard formula. Much of the work is complete and broadly speaking most LAs, including Lewisham, operate the National Funding Formula (NFF) via a hard model, as prescribed by the DfE.
- 1.2. There are however a limited number of factors which remain complicated and are currently NOT prescribed as hard formula. The DfE acknowledges this and is working its way through them. These therefore presently remain as locally determined.
- 1.3. For 2024/25, the DfE has confirmed its intention to move split sites and the Growth Fund to a hard formula - detail is shown in the following paragraphs.
- 1.4. Broadly speaking that leaves PFI, discretionary factors and falling rolls as potentially the last remaining factors that the DfE will consider. No specific timeline has been provided. The report also discusses the next stages for the PFI factor.

2. Split Sites

- 2.1. The DfE has now confirmed their intention for these two factors to transfer to the hard formula from 2024/25. There is very little information provided by the DfE at this time.
- 2.2. A **split sites** factor will be introduced into the 2024 to 2025 NFF. This will replace the current local authority-led approach.
- 2.3. The factor will be made up of a 'basic eligibility' element and a 'distance eligibility' element.
- 2.4. It is understood that in the first year, 2024/25, there will be protections in place resulting in no losses. No price values have been given, however the consultation suggested

that there would be a favourable outcome for Lewisham.

- 2.5. It is likely that more defined information will be made available late July as part of the provisional settlement (with confirmation in late December).
- 2.6. Table 1 below shows the list of schools in scope and the DfE consideration. No financial information has been provided by the DfE yet. We will engage with schools as soon as this is available.

Region	School Name	Number of additional sites eligible for the basic funding element*	Number of additional sites eligible for part of the distance funding element**	Number of additional sites eligible for the full distance funding element***
Inner London	Haberdashers' Hatcham College	1	0	1
Inner London	Trinity Church of England School, Lewisham	1	0	1
Inner London	Bonus Pastor Catholic College	1	1	0
Inner London	Prendergast School	1	0	1

3. Growth Fund

- 3.1. Details are not yet known, but this funding is currently used to afford any in-year expansions and bulge class requirements.
- 3.2. Previously Lewisham has benefitted from the existing methodology which has enabled funding to support transfer of full MFG, support High Needs Block, etc.

4. PFI Factor

- 4.1. Schools forum will recall that as part of the 2023/24 budget setting process for schools, forum was advised that a review of the PFI factor was necessary to ensure that the historic method was DfE compliant.
- 4.2. Detailed discussions noted some anomalies which have been addressed as part of the changes in 2023/24.
- 4.3. For clarity they are:-
 - a) Income from SEN was included in the original method.
 - b) Some schools are partial PFI and non PFI, but the previous method did not acknowledge that position.
 - c) Not all schools received funding outside of the affordability gap.
- 4.4. The timing afforded between the settlement and submission (circa 20th December 2022 to 19th January 2023), also allowing for school holidays in the middle, enabled a short engagement period during which meetings were held with schools that are part of

- PFI contracts, and an extra-ordinary meeting of schools forum was convened.
- 4.5. As advised at the extra-ordinary meeting, it is not possible to provide accurate details of funding for each school in any model due to fluctuating factors:-
 - a) Value of PFI factor
 - b) MFG baseline guarantee's (protection)
 - c) Movement in schools characteristics including pupil numbers and therefore the value each school would generate as part of the delegated budget share.
 - 4.6. For this reason this consultation, as requested by PFI Schools will enable PFI schools to engage effectively with their governing bodies on the principles behind any proposed changes.
 - 4.7. It is suggested that as part of the engagement, schools work with their governing bodies -
 - a) To understand the new model of funding and note that there are three aspects that interlink (lump sum; weighted distribution based on "delegated budget share" vs. estimated "PFI charge"; transitional protection.
 - b) Note that all allocations must remain within the PFI factor allocation, so effectively if the lump sum is increased as an example, less funding would be available for the weighted distribution /transitional protection.
 - c) Note that all allocations must remain within the PFI factor allocation, so effectively if the lump sum is increased as an example, less funding would be available for the weighted distribution /transitional protection.
 - 4.8. A further point to note is as the case with any change in method, there will be winners and losers. It remains important that transitional protection is offered to schools for a reasonable period of time. Normally that would be 3 to 5 years depending on the scale of volatility.
 - 4.9. Officer view remains that a 20% lump sum target is appropriate, as it ensures that all schools receive some funding with as much as possible then targeting the difference between PFI cost and each schools delegated budget share. The extra complexity here is that schools vary in the value of their delegated budget shares to the value of the PFI cost.
 - 4.10. Finally, any method must be simple to understand and equitable. The ethos of the PFI factor was to contribute towards a school's costs where there was a proportionate disparity. For example, all schools would bear x% of the cost pressure.
 - 4.11. Appendix A is a draft consultation paper for schools forum to consider and for the associated schools to engage in, with their governing body.
 - 4.12. The consultation will be limited to mainstream schools that have PFI factor.

5. Conclusion and Recommendation

- 5.1. Schools forum is asked to note the content of this report in particular:
- 5.2. Movement of the split sites and Growth Fund to hard formula from 2024/25.
- 5.3. Agree to the further consultation with schools (who receive PFI factor) from September to end of October – outcome to be reported to schools forum for inclusion in the 2024/25 funding formula, noting that:

- 5.3.1. the consultation and outcomes are subject to override – if instructed by DfE.
- 5.3.2. detailed exemplification cannot be provided on a school by school basis as the funding will not be announced till late December and also due to the interdependency of the wider formula to the final PFI factor school value.
- 5.3.3. The consultation does however enable schools to engage with their governing bodies to discuss the PFI factor methodology. The outcome of the consultation will provide valuable feedback for officers to have the appropriate feedback to progress on any changes for 2024/25 onwards. The main focus should be treatment of transitional funding and any new funding.
- 5.3.4. The officer recommendation remains that 20% lump sum and 80% targeted support, is the optimum split.

6. Financial Implications

- 6.1. There are no direct financial implications arising from this report.

7. Equalities Impact

- 7.1.1. There are no direct equalities issues arising from this report. Items on growth fund and split site would be an instruction from the DfE (our understanding is that impact assessment is undertaken at the national level).
- 7.1.2. With regards PFI factor – overall application is governed by the DfE. Local discretion is part of the consultation process with Schools who receive funding from the PFI factor. Any changes would be equitably applicable to all those schools.

Legal Implications

- 8. There are no direct legal implications arising from this report.

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Appendix A

DRAFT CONSULTATION

Private Finance Initiative (PFI) Factor 2024/25

1. Purpose of the Consultation Process

All schools receive their delegated budget share via the submission of the “authority proforma tool” ATP.

This document is required by the Department for Education (DfE) in mid-January and is largely prescribed in terms of factors that can be used, e.g. age weighted pupil unit (AWPU); Free School Meals (FSM) etc. and also the associated unit values – this process is known as the hard formula.

In 2023/24, there remain a few factors that are determined locally, amongst these is the private finance initiative (PFI) factor. The DfE has confirmed their intention to transfer the PFI factor to a hard formula, but equally recognises the challenge in doing so. For this reason, it is not possible to state at which point the PFI factor would be reviewed and become part of the hard formula.

Officers, in conjunction with schools that currently receive funding through the PFI factor undertook a short review (limited by the timing from settlement end of December to mid-January). The review was challenging, not only due to time constraints but also the varying potential negative or positive outcomes of any change for individual schools.

Transitional arrangements were put in place to ensure no school “lost funding” relevant to the calculation of their budget share for 2023/24 between the old method and the new method.

Meetings with headteachers also noted anomalies in the “old method” which affected:

- schools that are partially PFI - adjusted by including only income for the PFI element of the school.
- measure of schools’ affordability included SEN and other such funding streams – correctly now excludes these funding streams.
- not all schools received funding to support the PFI cost. Introduction of lump sum at 20% so that all schools receive some “cash” contribution towards costs of PFI, with 80% targeting those schools who for 2023/24 had PFI costs exceeding 14% of income (delegated budget share and post 16 funding).

This consultation provides schools the opportunity to consider any further changes for 2024/25 onwards.

The key questions are

- How long should transition protection be in place?
- As the transitional protection falls out, what should happen with any funding released?
- PFI factor normally receives additional uplift in line with RPI (inflation). What is the view to determine if any additional funding should support
 - lump sum;
 - targeted funding;
 - maintain the 20% (lump sum) and 80% targeted support;
 - maintain a lump sum and targeted support split (at a differing position e.g. 30%/70%)?

Important caveats to bear in mind include:

- School specific data cannot be provided at this stage and will not be available post new year 2024.
- DfE could instruct a move to the National Funding Formula and evoke their own consultation on the PFI factor.
- Changes currently in place are in the base line and were agreed with schools, so cannot be reversed.

Current position for the PFI factor

			Comments
2022/23 funding pot	£3,208,208		This normally increases by RPI
Affordability Gap	£1,200,000		
Remaining Funding	£2,008,208	100%	
Lump sum	£433,848	22%	
Targetted	£1,574,359	78%	
	£2,008,208		
Transitional Protection	£253,116		funded from MFG release, added to PFI pot so hopefully will be in the 2023/24 base
Total Funding for PFI	£2,261,324		
Possible Additional Money if RPI is 10%	£226,132		

What is not in scope for discussion

- **Affordability gap.**

- Reducing either the value allocated to lump sum or targeted (as that is in the base).
- Decisions agreed with Heads for 2023/24
 - Agree to exclude, SEN and Playing Fields.
 - Agree to reconfigure schools which have partial PFI and Partial non PFI schools.

What is in scope for discussion

- Transitional protection
 - Period of transition.
 - Agreement on where to transfer any funding released from the fall out transitional protection.
- Any new funding
 - The PFI traditionally benefits from uplift aligned to RPI, this could be therefore in the region of circa £200k. Consultation to seek agreement if the funding should be added to lump sum or targeted funding.

Transitional protection

The value of transitional protection is £253k. this is currently given to:

Transitional Protection	
Deptford Green School	£45,793
Conisborough College	£0
Sedgehill Academy	£68,846
Forest Hill School	£84,504
Prendergast Ladywell School	£0
Trinity Lewisham CE School	£0
Bonus Pastor Catholic College	£0
Prendergast Vale School	£53,972
Total	£253,116

It should be noted that no school received less between 2022/23 and 2023/24. The transitional protection was the difference between if the old method and the new method had been applied in 2023/24. Transitional protection is commonly given for a period of 3 to max 5 years. Mindful that the PFI factor is currently being considered by the DfE towards a hard formula, officer recommendation is for the protection to be offered for a 3 year period – i.e. a further 2 years (subject to DfE).

It should also be noted that as the transitional protection funding falls out, it would be recycled either into the lump sum or the targeted element, so schools receiving a reduction will gain some funding via the redistribution.

The information is only for exemplification. As previously stated, the PFI factor is extremely interrelated.

Transitional Protection Options

Option 1 = 2 Year Protection

	2024/25	2025/26
Deptford Green School	£22,896.73	0
Conisborough College	£0.00	0
Sedgehill Academy	£34,422.98	0
Forest Hill School	£42,252.14	0
Prendergast Ladywell School	£0.00	0
Trinity Lewisham CE School	£0.00	0
Bonus Pastor Catholic College	£0.00	0
Prendergast Vale School	£26,986.19	0
Total	£126,558.03	£0.00

3 Year Protection

	2024/25	2025/26	2026/27
Deptford Green School	£30,529	£15,264	£0
Conisborough College	£0	£0	£0
Sedgehill Academy	£45,897	£22,949	£0
Forest Hill School	£56,336	£28,168	£0
Prendergast Ladywell School	£0	£0	£0
Trinity Lewisham CE School	£0	£0	£0
Bonus Pastor Catholic College	£0	£0	£0
Prendergast Vale School	£35,982	£17,991	£0
Total	£168,744	£84,372	£0

	Per School				Total Value of LUMP SUM			
	2023/24	2024/25	2025/26	2026/27	2024/25	2025/26	2026/27	
Current Lump Sum	£54,231				£433,848			
If transitional protection is for total 2 years	£54,231	£70,051	£85,871		£433,848	£560,407	£686,965	
if transitional protection is for total 3 years	£54,231	£64,778	£75,324	£85,871	£433,848	£518,221	£602,593	£686,965

Question 1

Should transitional protection be offered for a further 2 years i.e. 2024/25 and 2025/26 or just for 2024/25?

Officer recommendation is for the transitional protection to last the 3 year period to enable schools affected sufficient time to work towards any changes (i.e. for a further two years).

Question 2

The funding released from the fall out of transitional protection:-

Option 1 added to lump sum

Option 2 added to targeted funding?

This figure cannot be exemplified in detail due to the inter-relationship of the funding method. However, the total value of the targeted pot can be illustrated as follows:-

	2023/24	2024/25	2025/26	2026/27
Current Targeted Funding Value	£1,574,359			
if transitional protection is for total 2 years		£1,700,917	£1,827,475	
if transitional protection is for total 3 years		£1,743,103	£1,827,475	£1,827,475

Option 3

Both lump sum and targeted funding are increased to maintain a 20% and 80% split

Officer recommendation is for the funding to be added to the lump sum and targeted funding to maintain a 20% v 80% split (broadly in line with the revised method).

RPI related increase in funding

Allocations from DfE for PFI to date, have seen an increase in line with RPI (inflation). Assuming that the uplift remains in the ballpark same position, this could add a circa £200k to the PFI pot.

As with the above the options for consideration are:-

- A Lump Sum
- B Targeted support
- C **Maintaining the 20% (lump sum) and 80% targeted position** – officer recommendation.
- D Agree a different split:
 - 30% lump sum, 70% Targeted
 - 40% lump sum, 60% Targeted

LA would not support a method that supported more funding to lump sum, as the intention of this funding stream is to provide contribution to schools to support relief from the value of PFI cost and the schools ability to raise funding to pay for that cost. For this reason, we believe the 20-80 split is the optimum position.

RPI uplift

£226,132 Estimate for exemplification

	Current	Revised		
Option 1 - to add to lumpsum	£433,848	£659,981		
Option 2 - to add to targeted funding	£1,574,359	£1,800,492		
Option 3 - Keeping Lumpsum and targeted funding in balance (20-80)	Current	Increase (20-80)	Total	
	£433,848	£45,226.48	£479,075	Lumpsum
	£1,574,359	£180,905.91	£1,755,265	Targeted funding
	£2,008,208	£226,132	£2,234,340	