

Schools Forum

12th October 2021

Proposed for Mainstream School Local Funding Formula 2022/23

1. Purpose of Report

- 1.1 For 2022/23 local authorities are required to set a local funding formula for their mainstream schools.
- 1.2 An Authority Pro-forma Tool (APT), with pupil data specific to individual authorities, will be published in December 2021, and local funding formula factors will be used within the pro-forma to determine a budget share for all mainstream schools for 2022/23.
- 1.3 This report outlines a number of proposed options developed by a working group of Schools Forum members for consideration in relation to the local funding formula for schools for 2022/23 and beyond.

2. Recommendations

- 2.1 Schools Forum note the work undertaken by the Schools Forum Working Group in developing the models set out in section 4 of this report for consideration.
- 2.2 That Schools Forum undertake a vote to establish their recommended mainstream schools local funding formula for 2022/23 (noting that if either option 2, 3 or 4 as set out in section 4 of the report, is chosen these will require a full consultation with all mainstream schools, with the outcome of this consultation being presented back to Schools Forum in December 2021).
- 2.3 That Schools Forum note that if no recommendation can be made then a full consultation will be required with all mainstream schools, with the outcome of this consultation being presented back to Schools Forum in December 2021.
- 2.4 That Schools Forum note that, once the final Dedicated Schools Grant (DSG) allocations for 2022/23 have been issued in December 2021, a further report will be presented to Schools Forum at their meeting in January 2022 to highlight any final amendments that may be required to the recommended formula.
- 2.5 Schools Forum are asked to note that the recommendation from this report will then be reported to Cabinet on 20 October 2021 to seek their approval (and dependent on the option recommended may also need to be reported back to Cabinet for final decision on December 2021).

3. Background

- 3.1 From April 2018 Central Government began the implementation of the schools National Funding Formula (NFF), which it believes will allow for a more equitable and comparable distribution of funding to schools across the country compared to the previous methodology (which was in the main based on historic spending on education in each area rather than on the basis of need).
- 3.2 This implementation of the NFF originally followed a 'soft' approach whereby local authorities could still set a local funding formula, within allowable funding factors, to distribute funding in a different way based on local priorities, with a 'hard' NFF (which would remove the ability to set a local formula) due to be implemented (following a number of changes to the deadline for this) in April 2021.
- 3.3 A report, supported by School Forum and Cabinet, in October 2018 set out Walsall's approach would be to incrementally move local factor values towards those within the NFF over a period of time rather than adopting them all fully at once, to allow schools to manage any corresponding financial impact over a period of time.
- 3.4 Subsequent to approving the above direction of travel, in July 2020 the government announced that, due to the "need to focus efforts on meeting the challenges of Covid 19", the move to a 'hard' NFF would be delayed and would not be implemented in April 2021, and that local authorities would continue to operate a local funding formula for the financial year 2021/22.
- 3.5 In July 2021 the DfE released a consultation with the main focus being to move further towards a nationally determined school-level allocation that eliminates local authority interventions in the formula i.e. a 'hard' NFF. The consultation proposes details of the formulae and the extent of any time frame at which the national formula should over-ride local authority formulas.
- 3.6 The consultation proposes that an initial movement of all local formulas toward the NFF by 10% provides the right balance of avoiding turbulence in schools budgets, while being significant enough that it allows the DfE to test the impact of moving to a hard NFF, and to take an informed decision regarding how quickly to move to a full hard NFF thereafter. A movement of 10% towards NFF values would be broadly in line with the current pace of change observed from LAs voluntarily moving towards the NFF in their local formulae.
- 3.7 The consultation document additionally indicates that after an initial 10% movement closer to the NFF in 2023/24, and subject to reviewing the impact of this movement, the DfE would then aim to move at least 15% closer to the NFF in 2024/25 and at least 20% closer in 2025/26.
- 3.8 In support of the direction now being proposed by the DfE in their latest consultation a working group of Schools Forum members was set up to review options available for revising and setting the local funding formula for 2022/23, to ensure that schools in Walsall are prepared for any further incremental movements towards the hard NFF being proposed by the DfE.

- 3.9 Following the work of that group, and informal conversations with both the Primary Nursery Schools (PNS) meeting, and Walsall Association of Secondary Heads (WASH) group, the group could not reach a consensus on the options set out in section 4 of this report.

4. Options presented to the Working Group

- 4.1 The working group initially met during July 2021 to seek to agree a set of principles to drive potential options to be considered in relation to any proposed 2022/23 formula. The principles that the group agreed were as follows:

- 1) To ensure schools are able to prepare and plan for the implementation of a 'hard' NFF by minimising the impact of significant financial changes in any given year.
- 2) To ensure that the number of schools seeing a reduction in per pupil funding from one year to the next is minimised as much as possible.

- 4.2 Following the agreement of the principles and further discussions at the July meeting in terms of direction for any changes to the current formula, the following options were presented to the mainstream funding formula working group at their meetings on 14 September 2021 and 30 September 2021 for consideration:

- 4.3 Option 1 - No Change to Current Funding Formula Factors – but incorporating an allowance for inflation

The DfE have recently provided indicative data for 2022/23 based on inflationary increases in funding per school totalling approximately £5.5m for Walsall. Therefore if the local funding formula factors used for 2022/23 remain in line with the existing factors, but were uplifted across the board for the inflationary increases expected to be provided by the DfE, and assuming no change in pupil numbers or characteristics, this model showed that all mainstream schools (100%) would see an increase in funding for 2022/23 ranging between £11,110 to £188,578.

This modelled option would distribute funding between primary and secondary at a ratio of 1:1.25, meaning that the formula would allocate more funding overall to secondary compared to primary, to take account of the additional costs seen as children progress through the education system.

However given recent discussions at Schools Forum it is important to note that due to the local decision made in this model this would result in a different ratio than that which would be seen if the full NFF were implemented in Walsall in 2022/23 (with the ratio in relation to that shown in option 2 below).

This option has the advantage of ensuring all schools see an inflationary increase in their funding and provides consistency to schools, however it does not make any further change / progress towards the NFF.

4.4 Option 2 - Adopt the NFF in full

The second option considered by the group looked at applying the NFF in full for the 2022/23 financial year including inflation to the NFF rates currently being suggested by the DfE.

Assuming no change in pupil numbers or characteristics, this option would see 32 schools (31%) experience a reduction in funding compared to 2021/22 levels ranging between £481 and £24,495, and 72 schools (69%) gain in funding compared to 2021/22 levels ranging between £2,978 and £594,726.

This modelled option would distribute funding between primary and secondary at a ratio of 1:1.29, meaning that the formula would allocate more funding overall to secondary compared to primary to take account of the additional costs seen as children progress through the education system, with this split being in line with the DfE's own distribution of funding between these phases.

This option has the advantages of adopting the NFF in full, which the DfE believes is the most equitable way of allocating funding based on a core value per child with additional funding targeted at those pupils with additional needs, and removes further uncertainty around additional incremental moves towards the NFF in future years, while allowing for the majority of schools to gain in funding.

It does however have the disadvantage of those schools who would see a reduction in funding having less time to prepare for those changes in time for the 2022/23 financial year.

4.5 Option 3 – Further incremental move toward the NFF with reduction in current Lump Sum rate and that funding invested in to Low Prior Attainment, and then a reduction in the Free Schools Meals rates and investment of that funding in to the creation of an Ever6 Free School Meal factors at the NFF rate, and also the addition of the mobility factor

This option models a reduction of £25k in the individual school lumps sum payable under the current local funding formula, reallocating that funding into an increase in the funding rate for Low Prior Attainment (LPA).

In addition, funded by a reduction in the current funding rate applied to the Free School Meals (FSM) factor, the implementation of Ever6 FSM and Mobility factors at the full NFF rate. These two factors (Ever6 FSM and mobility) are not currently used in the local formula. The modelling also includes inflation for 2022/23.

Assuming no change in pupil numbers or characteristics, this option would see all schools (100%) experiencing an increase in funding compared to 2021/22 funding levels ranging between £3,642 and £287,668.

However under this model 70 schools would see less of an increase in funding when compared to Option 1 set out above.

This modelled option would distribute funding between primary and secondary at a ratio of 1:1.27, meaning that the formula would allocate more funding overall to secondary compared to primary, but again at a lower ratio than that included within the full NFF.

This option has the advantage of implementing two NFF funding factors which are not currently utilised in the local formula, therefore making further progression toward the NFF, with the existing lump sum, LPA and FSM factors also moving closer to the NFF values.

The disadvantages of this model are that a large number of schools would see less of an increase in funding than option 1.

4.6 Option 4 – Further incremental move toward the NFF with reduction in current Lump Sum rate and that funding invested in to Low Prior Attainment, and then a lower reduction in the Free Schools Meals rates and investment of that funding in to the creation of an Ever6 Free School Meal factors at 50% of the NFF rate, and also the addition of the mobility factor

This option models a reduction of £25k in the individual school lumps sum payable under the current local funding formula, reallocating that funding into an increase in the funding rate for Low Prior Attainment (LPA).

In addition, funded by a smaller reduction in the current funding rate applied to the Free School Meals (FSM) factor, the implementation of Ever6 FSM factor at 50% of the NFF rate and Mobility factor at the full NFF rate. These two factors (Ever6 FSM and mobility) are not currently used in the local formula. The modelling also includes inflation for 2022/23.

Assuming no change in pupil numbers or characteristics, this option would see all schools (100%) experiencing an increase in funding compared to 2021/22 funding levels ranging between £3,285 and £251,531.

However under this model 68 schools would see less of an increase in funding when compared to Option 1 set out above.

This modelled option would distribute funding between primary and secondary at a ratio of 1:1.26, meaning that the formula would allocate more funding overall to secondary compared to primary, but again at a lower ratio than that included within the full NFF.

This option has the advantage of implementing two NFF funding factors which are not currently utilised in the local formula, therefore making further progression toward the NFF, with the existing lump sum, LPA and FSM factors also moving closer to the NFF values.

The disadvantages of this model are that a large number of schools would again see less of an increase in funding than option 1.

- 4.7 A number of small variations to the above models were also presented to the working group for consideration but were not explored further mainly due to the impact on numbers of schools seeing a reduction in funding.

Proposed Schools Funding Formula

- 4.8 The working group considered the options set out above however, having informally consulted with both Primary Nursery Schools (PNS) and Walsall Association of Secondary Heads (WASH) forums, the group could not reach a consensus. However the general direction amongst primary school members was mostly in favour of option 1 (No Change to Current Funding Formula Factors – but incorporating an allowance for inflation) with then a move to full NFF values in 2023/24 (dependent on the outcome of the current consultation being undertaken by the DfE), and the general direction amongst secondary school members was in favour of option 2 and adopting the full NFF values from April 2022.
- 4.9 Schools Forum will therefore need to decide and recommend to Cabinet a proposed mainstream schools local funding formula for 2022/23, noting that should either option 2, 3 or 4 set out in section 4 of this report be recommended a full consultation will need to be undertaken with all maintained schools.
- 4.10 Appendix 1 to this report details a proposed local funding factor values for 2022/23 for all the options set out above, with a brief summary on each of the factors within the formula.

5. Financial implications

- 5.1 As required under DfE guidelines, it is estimated that any proposed Local Funding Formula would allocate all of the funding that Walsall Council receives within the Schools Block of its DSG to schools in Walsall.
- 5.2 Once the authority receives final details of its DSG allocation for 2022/23 a further review of proposed funding factor values may be required to ensure that the final factor values utilised are affordable within the overall level of funding that will be available to the authority.
- 5.3 Where schools see fluctuations in pupil numbers, or changes in pupil characteristics, between 2020/21 and 2021/22 this will impact on budgets as it always has (and there will also be schools who gain from this process where pupil numbers have increased).

6. Legal implications

- 6.1 The Department for Education has prescribed the way in which schools should be financed for the 2022/23 financial year. These guidelines are set out in the Schools Revenue Funding 2022 to 2023 operational guide, and can be found at the following link:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1003631/Schools_revenue_funding_2022_to_2023.pdf

- 6.2 The purpose of these arrangements is to help secure greater consistency in the way in which funding is distributed to schools. The Council is bound to adhere to the rules issued by Department for Education, and the proposed Walsall Funding Formula sets out how funding will be allocated to schools in Walsall within the prescribed arrangements.

7. School Improvement

- 7.1 As part of making any decisions regarding possible changes to the funding formula factor values, consideration should be made of the potential impact on the desired outcomes of the Walsall school improvement programme.

8. Members eligible to vote

- 8.1 All elected members with voting rights are eligible to vote on this matter.

Appendix 1

Proposed Local Schools Funding Formula 2022/23

					Option 1		Option 2		Option 3		Option 4	
Factor		Indicator / Criteria / Data			£ Unit / multiplier		£ Unit / multiplier		£ Unit / multiplier		£ Unit / multiplier	
Basic Entitlement (AWPU)	Compulsory	October 2021 census		Primary	£3,211		£3,211		£3,211		£3,211	
				Secondary	£4,831		£4,831		£4,831		£4,831	
Minimum per Pupil Funding	Compulsory	MPPL rates have been set in guidance		Primary	£4,265		£4,265		£4,265		£4,265	
				Secondary	£5,525		£5,525		£5,525		£5,525	
Deprivation	Compulsory	Proportion of pupils eligible for Free School Meals		Primary	£1,257		£470		£470		£838	
				Secondary	£1,508		£470		£470		£1,006	
		Proportion of pupils eligible for Free School Meals within the last 6 years - Ever 6		Primary	N/A		£590		£590		£295	
				Secondary	N/A		£865		£865		£433	
					Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
		Now changed to use IDACI 2019 ranks to group each lower super output area into one of six bands of decreasing deprivation. IDACI bands have previously been defined on basis of scores. Funding allocated on proportion of pupils in each band.	Pupils in the next 10% most deprived LSOAs	Band F	£215	£307	£215	£307	£215	£307	£215	£307
			Pupils in the next 10% most deprived LSOAs	Band E	£256	£415	£256	£415	£256	£415	£256	£415
			Pupils in the next 5% most deprived LSOAs	Band D	£384	£548	£384	£548	£384	£548	£384	£548
			Pupils in the next 5% most deprived LSOAs	Band C	£415	£594	£415	£594	£415	£594	£415	£594
			Pupils in the next 5% most deprived LSOAs	Band B	£445	£640	£445	£640	£445	£640	£445	£640

			Pupils in the most deprived 2.5% of LSOAs	Band A	£614	£860	£614	£860	£614	£860	£614	£860
Lump Sum		Maximum permitted			£175,000		£121,000		£150,000		£150,000	
Low Prior Attainment	Optional	Primary pupils identified as not achieving the expected level of development in the early years foundation stage profile (EYFSP). Secondary pupils not reaching the expected standard in KS2 at either reading or writing or maths.			Primary - £870 Secondary - £1,300		Primary - £1,130 Secondary - £1,710		Primary - £1,124 Secondary - £1,424		Primary - £1,124 Secondary - £1,424	
English as Second Language	Optional	Pupils identified in the October census with a first language other than English may attract funding for up to three years after they enter the statutory school system.			£548		£548		£548		£548	
Business Rates	Optional	Following a DfE consultation it has been confirmed that the payment of business rates in respect of schools will be centralised from April 2022 and therefore no longer funded through delegated budgets.			N/A		N/A		N/A		N/A	
Split Site – fixed sum	Optional	A separate site is recognised either where a single school occupies more than one building separated by a public highway or following an amalgamation of two schools where the new school continues to use the two former sites and have two entrances.			£16,615		£16,615		£16,615		£16,615	
Premise Rental	Exceptional circumstance	An exceptional factor approved by DfE to fund one primary school for the premise rental charged by the diocese of the school			£54,000		£54,000		£54,000		£54,000	
Mobility	Optional	Pupils eligible for funding where school census records at their current school (or one of its predecessors) in the last three years indicated an entry date is not typical			N/A		£65,000		£65,000		£65,000	