

**Schools Forum
22 June 2021**

Mainstream Schools Local Funding Formula Review

1. Purpose of Report

- 1.1 Funding for mainstream schools in Walsall is allocated based on the Schools National Funding Formula (NFF) within the Schools Block of the Dedicated Schools Grant.
- 1.2 The local authority is then required to develop a Schools Local Funding Formula (informed by national guidance which details the funding factors that can be incorporated) to allocate the Schools Block of the Dedicated Schools Grant (DSG) funding that the Council receives to the mainstream schools in the Borough of Walsall.
- 1.3 With the development of the NFF the authority undertook consultation with Schools Forum and mainstream schools in Walsall to determine the direction of travel for the local funding formula, with the last full consultation taking place in October 2018 ahead of the 2019/20 financial year.
- 1.3 This report therefore seeks to identify recommended actions to support the development of a mainstream funding formula for 2022/23.

2. Recommendations

- 2.1 That Schools Forum identifies members to form part of a working group to contribute to the development of the Schools Local Funding Formula for 2022/23.
- 2.2 That this working group seeks to meet, at least once, prior to the end of the summer term 2021, and again early during the autumn 2021 term with recommendations from the group being presented to Schools Forum and Cabinet at their meetings in October 2021.

3. Background

- 3.1 The Department for Education (DfE) use a National Funding Formula (NFF) to allocate funding for mainstream schools to local authorities, within the Schools Block of the Dedicated Schools Grant (DSG).
- 3.2 The move to utilising the NFF to allocate funding to local authorities began from the 2018/19 financial year, with a “soft” approach being utilised since then that requires local authorities to then set a local formula to distribute the Schools Block funding.
- 3.3 The “soft” approach was originally meant to be used for a period of two years before moving to a “hard” approach whereby the flexibility to set a local funding formula would be removed and allocations to all mainstream schools would be based on the NFF calculations (however the move to a hard NFF has been delayed due to a number of national issues, most lately the challenges relating to the impact of COVID-19), with Local authorities presently awaiting proposals from the DfE regarding an updated implementation date for the move to the “hard” approach.

- 3.4 However given the risk around movement to a national allocation of funding to mainstream schools, the approach adopted by Walsall, supported by the Council, Schools Forum and schools, was to seek an incremental movement over a small number of years toward the NFF values, aiming to minimise the annual movements in individual schools budgets so that these were more manageable, but to ultimately leave schools in a position to be able to better manage the impact of a move to a “hard” NFF allocation when that occurred.

4. Current Position

- 4.1 Whilst there have been movements in local funding formula values toward the NFF factor values over the last 4 years, this progression has slowed and been minimal for the last two years with the majority of increases in Schools Block funding needing to be directed toward increases in pupil numbers within Walsall, leaving little new funding remaining to be used to move local factor values further toward NFF values.
- 4.2 Operational guidance sets out the funding factors that are included within the NFF and permitted within the schools local funding formula. Table 1 below illustrates the variations between the current, 2021/22, national and local funding formula factors.
- 4.3 The table also includes an overview of ratios of funding between primary and secondary schools. In summary the NFF recognises the increase in costs of supporting a pupil as they progress through the key stage milestones and therefore allocates additional funding to secondary age pupils – for every £1 allocated to a primary pupil in Walsall via the NFF £1.29 is allocated for a secondary pupil – a ratio of 1:1.29 in the mainstream schools funding that Walsall receives.
- 4.4 However the table highlights that due the actual local factor values that Walsall currently utilises this ratio drops to 1:1.25 within the local funding formula. This in the main is linked to the position around the ‘lump sum’ factor which is allocated to Walsall in the NFF at £117,800 per school but is paid out in the local funding formula at £175,000 per school (the maximum value allowed to be utilised in the local formula), £57,200 per school per year more than the NFF – and with 67 more primary schools than secondary schools in Walsall this is in the main factor that is causing the realignment of funding between primary and secondary schools.

Table 1: Local Funding Formula and National Funding Formula comparison

Category	Funding Factor	NFF				Walsall				Variance				Comments	
		Primary		Secondary		Primary		Secondary		Primary		Secondary			
		Rate £	Total £	Rate £	Total £	Rate £	Total £	Rate £	Total £	Rate £	Total £	Rate £	Total £		
Basic Entitlement	AWPU - Basic Entitlement	3,123.00	83,096,003	4,404.00	49,386,456	3,129.39	83,266,074	4,708.57	52,801,932	6.39	170,071	304.57	3,415,476	Local rates above NFF	
	AWPU - KS4	-	-	4,963.00	35,048,706	-	-	4,708.57	33,251,939	-	-	(254.43)	(1,796,767)	Local rates lower than NFF	
Deprivation	Free School Meals - eligibility	460.00	4,003,721	460.00	2,355,200	1,228.00	10,688,193	1,473.00	7,541,760	768.00	6,684,473	1,013.00	5,186,560	Local rates above NFF	
	Free Schools Meals - Ever6	575.00	5,514,693	840.00	5,924,058	-	-	-	-	(575.00)	(5,514,693)	(840.00)	(5,924,058)	Factor not used	
	IDACI – Band F	215.00	526,398	310.00	574,883	210.00	514,156	300.00	556,339	(5.00)	(12,242)	(10.00)	(18,544)	Local rates lower than NFF	
	IDACI – Band E	260.00	825,982	415.00	860,745	250.00	794,213	405.00	840,004	(10.00)	(31,769)	(10.00)	(20,741)	Local rates lower than NFF	
	IDACI – Band D	410.00	781,325	580.00	699,267	375.00	714,626	535.00	645,014	(35.00)	(66,699)	(45.00)	(54,253)	Local rates lower than NFF	
	IDACI – Band C	445.00	2,465,923	630.00	2,005,691	405.00	2,244,267	580.00	1,846,509	(40.00)	(221,656)	(50.00)	(159,182)	Local rates lower than NFF	
	IDACI – Band B	475.00	2,022,810	680.00	2,059,076	435.00	1,852,468	625.00	1,892,533	(40.00)	(170,342)	(55.00)	(166,543)	Local rates lower than NFF	
	IDACI – Band A	620.00	1,714,143	865.00	1,381,617	600.00	1,658,848	840.00	1,341,686	(20.00)	(55,295)	(25.00)	(39,931)	Local rates lower than NFF	
Lump Sum	Lump Sum	117,800.00	10,013,000	117,800.00	2,238,200	175,000.00	14,875,000	175,000.00	3,325,000	57,200.00	4,862,000	57,200.00	1,086,800	Local rates above NFF	
Other targeted	Low Prior Attainment	1,095.00	9,688,479	1,660.00	7,185,854	850.00	7,520,737	1,270.00	5,497,611	(245.00)	(2,167,742)	(390.00)	(1,688,243)	Local rates lower than NFF	
	English as an Additional Language	550.00	2,062,071	1,485.00	556,102	535.00	2,005,833	535.00	200,347	(15.00)	(56,238)	(950.00)	(355,756)	Local rates lower than NFF	
	Mobility	900.00	47,619	1,290.00	15,401	-	-	-	-	(900.00)	(47,619)	(1,290.00)	(15,401)	Factor not used	
	MFG	-	1,327,876	-	228,808	-	40,787	-	-	-	(1,287,089)	-	(228,808)	Local rates lower than NFF	
	MPPF	-	1,172,866	-	-	-	917,125	-	42,613	-	(255,741)	-	42,613	Local rates lower than NFF	
	Premises Factor	-	1,569,291	-	610,280	-	1,503,710	-	575,126	-	(65,581)	-	(35,154)	Local rates lower than NFF	
	Other Factors	-	991,906	-	-	-	-	-	-	-	(991,906)	-	-		
Total			127,824,106		111,130,344		128,596,037		110,358,413		771,932		(771,931)		
	Primary:Secondary Weighting	1:1.29				1:1.25				(0.04)					Local ratio lower than NFF

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- 4.5 The table above shows that whilst there has been some movement toward aligning local funding factor values toward the NFF values, that there are still significant variances - in summary lump sum, free school meals and AWPU factors in the local funding formula are set at higher rates than the NFF and these are funded by lower rates in the targeted areas of Low Prior Attainment, EAL and other targeted factors. Additionally, as mentioned above these variances are driving a movement in the funding ratio between Primary and Secondary pupils with secondary schools seeing significantly less funding in the local formula than they would receive under a “hard” NFF.

5. Next Steps

- 5.1 Given the previously agreed direction of travel and the slowing in progression toward this and the alignment of NFF and local factors, and the corresponding impact that this is seeing on the ratio of funding between primary and secondary pupils, it is recommended that members are identified to form part of a working group to review this position and contribute to the development of the Schools Local Funding Formula for 2022/23.
- 5.2 The outcome of any working group and recommendations on the 2022/23 formula would need to be reported to Schools Forum and Cabinet at their meetings in October 2021, to allow time for undertaking any formal consultation if required before the assumed date for confirming final local funding formulas back to DfE, which is normally requested by the third week in January each year.
- 5.3 As such an initial meeting or meetings of the working group is recommended to take place prior to the end of the summer term 2021.

5. Financial implications

- 5.1 As required under the DfE guidelines, the Local Funding Formula allocates all of the funding that the Council receives within the Schools Block of its DSG to schools in Walsall.
- 5.2 Financial modelling will be required for any proposed amendments to the formula to understand the potential impact in support any formal decision on the 2022/23 formula.

6. Legal implications

- 6.1 The DfE prescribes the way in which schools should be financed. The 2022/23 guidance has not yet been issued, however the current guidelines, for the 2021/22 financial year, are set out in the Schools revenue funding operational guide and can be found at the following link:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945784/Schools_Operational_guide_2021_to_2022_V4_.pdf

7. School Improvement

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

8. Members eligible to vote

- 8.1 This report is not asking for a decision at this point, it is seeking nominations for members to form part of a working group which will then report back recommendations for decision to a future Schools Forum meeting. As such no vote is required.