

Cabinet – 20 October 2021

Proposed Schools Local Funding Formula 2022/23

Portfolio: Councillor Towe, Education and Skills

Related portfolios: Councillor Bird, Leader of the Council

Service: Children's Services: Education

Wards: All

Key decision: Yes

Forward plan: Yes

1. Aim

- 1.1 The schools local funding formula is the process that is utilised (informed by national guidance which details the funding factors that can be incorporated) to allocate the Schools Block of the Dedicated Schools Grant funding that the Council receives to mainstream schools in the Borough of Walsall. The Department for Education (DfE) requires all Local Authorities, in consultation with their Schools Forum, to finalise a schools local funding formula for the following financial year by the third week in January each year. Due to the timing of Schools Forum and Cabinet meetings, agreement of the proposed direction for consideration in relation to the 2022/23 local funding formula requires agreement in advance of the Department for Education informing the Local Authority of its Dedicated Schools Grant for 2022/23 year, which is not expected to be provided until the last week of December 2021.

2. Summary

- 2.1 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).
- 2.2 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.

- 2.3 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.
- 2.4 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.
- 2.5 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.
- 2.6 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.
- 2.7 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.
- 2.8 In support of the direction now set out 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 prepare for the further incremental movements towards the hard NFF being proposed by the DfE.
- 2.9 Following the work of that group, and informal conversations with both the Primary Nursery Schools (PNS), and Walsall Association of Secondary Heads (WASH) forums, a report to Schools Forum on 12 October set out that the working group could not reach a consensus on the options set out in section 4 of this report, and that Schools Forum members will need to agree their recommendation to Cabinet at their meeting on 12 October 2021.
- 3.0 Following the outcome of that meeting the recommendation from Schools Forum will be provided as an update to this report to Cabinet Members to help inform their decision on 20 October.

3. Recommendations

Subject to outcome of the discussion of Walsall's Schools Forum at their meeting on 12 October 2021:

- 3.1 That Cabinet approves the Schools Funding Formula (**Appendix 1**) that was recommended by Walsall's Schools Forum at their meeting on 12 October 2021, 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, and that the outcome of this consultation will be reported back to Schools Forum and Cabinet in December 2021 to inform a final decision on a Schools Local Funding Formula for 2022/23.
- 3.2 Should no overall consensus and recommendation be forthcoming from Schools Forum, that Cabinet identifies the option that they would want to approve from those set out in section 4 of this report, again noting that should either option 2, 3 or 4 set be approved a full consultation will need to be undertaken with all maintained schools, and that the outcome of this consultation will be reported back to Schools Forum and Cabinet in December 2021 to inform a final decision on a Schools Local Funding Formula for 2022/23.
- 3.3 In the event that no overall consensus and recommendation is forthcoming from Schools Forum and Cabinet are therefore unable to make a decision at this point as set out at 3.2 above, it is recommended that Cabinet approve a full consultation with all maintained schools on all options, and that the outcome of this consultation will be reported back to Schools Forum and Cabinet in December 2021 to inform a final decision on a Schools Local Funding Formula for 2022/23.
- 3.4 That Cabinet notes that the Department for Education may request revisions to the school funding formula and that values attributed in the formula may need to change once the Department for Education reviews the October 2021 census data.
- 3.5 Cabinet approves to delegate authority to the Executive Director of Children's Services in consultation with the Portfolio Holder for Education and Skills to amend the formula in line with Department for Education requirements and to comply with all and any relevant Department for Education regulations for the 2022/23 Schools Funding Formula.

4. Report detail - know

Context

- 4.1 For 2022/23 local authorities are required to set a local funding formula for their mainstream schools.
- 4.2 An Authority Pro-forma Tool, with pupil data specific to individual authorities, will be published in December 2021. The agreed local funding formula factors will be used within the pro-forma to determine a final budget share for all mainstream schools for 2022/23.

- 4.3 In support of the direction now set out by the DfE in their latest consultation regarding the future implementation of a 'hard' NFF, 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.

Options presented to the Working Group

- 4.4 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 is minimised as much as possible

- 4.5 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 meeting on 14 September 2021 for consideration:

- 4.6 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 are uplifted across the board for 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 ration 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.

- 4.7 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.

4.8 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 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.

4.9 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 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 see less of an increase in funding than option 1.

- 4.10 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

- 4.11 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.
- 4.12 Appendix 1 to this report details the proposed local funding factor values for 2022/23 for all options set out in this report, with a brief summary on each of the factors within the formula set out below.

Basic Entitlement (Age Weighted Pupil Unit) – a pupil - led factor:

This compulsory factor assigns funding on the basis of individual pupils, with the number of pupils for each maintained school or academy based on the October 2021 pupil census. This represents the largest element of the funding formula. Operational Guidance for 2022/23 confirms the requirement for a single rate for primary age pupils, which must be at least £2,000. Rates for secondary age pupils can vary between Key Stage 3 and Key Stage 4, with a minimum of £3,000 for each.

Minimum per Pupil Factor – new compulsory factor from April 2020:

The purpose of the factor is for local authorities to provide the NFF minimum per pupil funding levels to every school.

Deprivation – a pupil - led factor:

This is a compulsory factor and local authorities can use FSM (FSM eligibility, taken from October census, and/or FSM6), the Income Deprivation Affecting Children Index (IDACI), or a combination, to calculate the deprivation factor.

Walsall allocates funds to schools to meet the additional needs that children from deprived backgrounds may face using the 6 bands of the IDACI measure and FSM eligibility data.

Lump Sum – school - led factor:

A lump sum is an amount of funding that each school receives without reference to pupil numbers, deprivation, buildings etc. This is designed to cover the costs

all schools need to meet regardless of their size. The maximum lump sum allowable under the regulations is currently £175,000 per school.

Low Prior Attainment – pupil - led factor:

This factor is applied to the proportion of primary pupils identified as not achieving the expected level of development in the early year's foundation stage profile and to the proportion of secondary pupils not reaching the expected standard in Key Stage 2 at either reading or writing or maths.

English as an Additional Language – pupil-led factor:

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. Local authorities can choose to use indicators based on one, two, or three years, and there can be separate unit values for primary and secondary.

Walsall allocates funding based on the three year indicator which mirrors the indicator used in the NFF.

Business Rates - premises factor:

This was an optional factor used by all local authorities. However rates will be paid by the Education and Skills Funding Agency (ESFA) directly to billing authorities on behalf of all maintained schools and academies from 2022 to 2023 onwards.

Split Sites - premises factor:

The purpose of this optional factor is to support schools which have unavoidable extra costs because the school buildings are on separate sites.

Walsall allocates funding based on estimated costs of maintaining a second administrative office/reception.

Premise Rental - exceptional premises factor:

One school in the Borough has to pay extra costs relating to rent. The rationale for allowing this funding factor is that it is similar to business rates and there has been individual agreement with the Department for Education to allow this factor.

Factors not currently used in the local formula:

There are a small number of factors, set out below, that are allowable in the national funding formula but are not currently utilised in Walsall:

Pupil Mobility

This is an optional factor. The mobility factor allocates funding to schools with a high proportion of pupils with an entry date in the last three years that is not typical.

“Not typical” means that the first census a pupil is recorded as attending the school is a January or May census as opposed to October which is considered as “typical”.

This factor has not been used in Walsall previously as there has been a low incidence of pupils starting school mid-year historically.

Sparsity

This is an optional factor. Schools that are eligible for sparsity funding must meet two criteria. Firstly they must be located in areas where pupils would have to travel a significant distance to an alternative should the school close and secondly they must be identified as a small school.

This factor has not been used in Walsall as no school meets the criteria as the factor is more applicable to rural authorities.

London Fringe

This is an optional factor and is only applicable to Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex.

5. Council Corporate Plan priorities

- 5.1 The funding formula is seen as equitable and is transparent to those who have been consulted with when setting the formula. The funding formula will not alter the total amount of funding given to Walsall schools and as such the role that schools play in meeting Council objectives will not be adversely impacted by the proposed funding formula.

6. Risk management

- 6.1 Where schools see fluctuations in pupil numbers (or changes in pupils characteristics) between 2021/22 and 2022/23 this will impact on final budgets that are allocated as it always has (and there will also be schools who gain from this process where pupil numbers have increased). Where schools do see a reduction in per pupil funding the authority will seek to provide guidance and support to them where they are experiencing difficulty managing the financial impact of that as and when required.

7. Financial implications

- 7.1 As required under DfE guidelines, it is estimated that the 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.
- 7.2 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.
- 7.3 The recently published local authority formulae arrangements in 2022 to 2023 allow the Minimum Funding Guarantee (MFG) to be set between +0.5% and +2% per pupil. The MFG in the proposed allocations in this report is included at the minimum +0.5% (the highest level that is affordable without capping gains at some schools to pay for a higher level of MFG). This means that all schools will see an increase in their funding allocations on a per pupil basis.

8. Legal implications

- 8.1 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

- 8.2 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.

9. Procurement Implications/Social Value

- 9.1 None relating directly to this report.

10. Property implications

- 10.1 Unless any schools in Walsall were to close, there will be no property implications associated with this report.

11. Health and wellbeing implications

- 11.1 The content of this report has taken into account the Marmot objectives and it is confirmed that the proposals have been tested against the relevant considerations in this respect. As such there has been no indication that the proposed school funding formula would have any adverse impact on the health and wellbeing of staff and pupils based at Walsall schools.

12. Staffing implications

- 12.1 Where the proposed funding formula sees any school suffer a budget reduction Finance officers will continue to work with and support those schools that do experience financial difficulties so that they can plan the most appropriate way in which to manage these changes.

13. Reducing Inequalities

- 13.1 The implications for reducing inequalities have been taken into account and assessed as set out below.
- 13.2 When undertaking the consultation on the implementation of the NFF, Department for Education prepared an equality impact assessment. A copy of this is attached to this report.
- 13.3 With regard to equality implications the principles followed for allocating funding for 2022/23 are set out within the report, and were based on seeking consistency of funding between years, and to limit any financial impact on individual schools.
- 13.4 The current, and proposed options for a 2022/23 schools funding formula take account of all mandatory factors that have to be utilised, and modelling has considered all other allowable factors which are relevant to Walsall. Funding is allocated to support children where English is an additional language, children with low attainment and to support schools in meeting the additional needs that children from deprived backgrounds may face.

14. Consultation

- 14.1 Walsall Schools Forum have received a report on the proposed schools funding formula for 2022/23. As set out in section 4 above the funding formula working group were provided with detailed models setting out potential options, and these have also been informally discussed at both Primary Nursery Schools (PNS) and Walsall Association of Secondary Heads (WASH) groups.
- 14.2 Should options 2, 3 or 4 be approved by Cabinet, then Cabinet should note that as these add in additional factors which are not currently utilised in the existing local formula, that a full consultation with all mainstream schools in Walsall would be required, before a further report back to Schools Forum and Cabinet with the outcome of that consultation to inform a final decision.

15. Decide

- 15.1 The operational guidance provided by the Department for Education identifies the mandatory factors and also the optional factors that can be utilised within the local funding formula. The options discussed with Schools Forum were therefore based on ensuring all mandatory factors were met.

16. Respond

16.1 Subject to approval of the recommendation, and confirmation of the 2022/23 Dedicated Schools Grant in December 2021, local funding formula factors values will be finalised and used to populate the Authority Pro-forma Tool. The completed pro-forma will be submitted to the Department for Education by the required deadline of January 2022.

16.2 A Budget Statement for each maintained school will then be published, confirming their budget share for 2022/23 as determined by the local funding formula. In respect of mainstream academy schools the totality of budget share allocations for these schools will be top-sliced from Walsall's Dedicated Schools Grant and paid directly to academies by the Education and Skills Funding Agency.

17. Review

17.1 Any further information releases by Department for Education in respect of the implementation date of a hard NFF will continue to be reviewed. Until the implementation of a NFF the process of determining a local funding formula will, for any given year, need to be decided by Cabinet, in consultation with Schools Forum with the proposed approach for 2023/24 due to be reported to Cabinet during 2022/23.

Background papers

Schools Forum Report 12 October 2021 – Proposed Schools Local Funding Formula 2022/23

ESFA – Schools revenue funding 2022 to 2023 operational guide

DfE NFF consultation <https://consult.education.gov.uk/funding-policy-unit/completing-our-reforms-to-the-nff/>

Cabinet Report 13 December 2017 – at this meeting Cabinet supported a formula that started to move the local funding factor values towards those included within the NFF.

Author

Richard Walley
Finance Manager – Technical Accounting, Treasury Management & Education
Finance

☎ 01922 650708

✉ richard.walley@walsall.gov.uk



Sally Rowe
Executive Director Children and Customer
Skills



Councillor Towe
Portfolio holder Education and
Skills