

31 March 2022

Schools Funding Formulas

Ward(s): All

Portfolios: Councillor Towe - Education and Skills

1. Aim

- 1.1 To provide scrutiny members with an update detailing the work undertaken to establish funding formulas for mainstream schools, high needs and early years for 2022/23.

2. Recommendations

- 2.1 That scrutiny notes the processes that have been followed and options considered, when identifying changes made to funding formulas for mainstream schools, high needs and early years for 2022/23.
- 2.2 That Members consider the main points set out and raise any questions in relation to this.

3. Report detail – know

- 3.1 Each local authority with education responsibilities receives a revenue grant, the Dedicated Schools Grant (DSG), each year to fund the provision of education. The DSG grant is made up of 4 “blocks”, each of which is set out in more detail below.

Central School Services Block (CSSB)

- 3.2 For Walsall for 2022/23 this equates to £1.663m, and is provided to local authorities to support the statutory services that they are required to provide to all schools.
- 3.3 This funding was previously provided via a separate specific grant but moved in to DSG in 2018/19, with the funding for the previous specific grant seeing a significant reduction before the transfer. As such the actual cost of the statutory services that the local authority has to provide to all schools is now significantly more than the CSSB funding that is received.
- 3.4 As such this change placed financial pressure on authorities as they are required to provide these statutory services but funding paid within the CSSB is not in line with costs.

- 3.5 Schools funding guidance does allow the authority to seek a contribution toward these costs from schools, but given that no funding has been provided to schools for these services schools have not been supportive of this approach as it would in effect constitute a reduction in funding for them. As such the local authority has had to invest its own revenue funding as part of the budget process since 2018/19 to offset the fall out of previous specific grant funding.

Schools Block

- 3.6 For Walsall for 2022/23 this equates to £249.278m and is provided to local authorities to fund mainstream education. Funding for the authority is driven by the October school census carried out by each mainstream school in Walsall each year and then there is a requirement for the authority to set a 'local funding formula' which details how it will then allocate this funding to individual schools (with a requirement for 100% of funding to be passed on).
- 3.7 It should also be noted that once the local funding formula has been agreed each year any funding to be allocated to mainstream academies is not paid to Walsall council, and is held by the Department for Education (DfE) and paid directly to those schools (for 2022/23 this equates circa £142.751m of the total Schools block funding).
- 3.8 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).
- 3.9 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.
- 3.10 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.
- 3.11 Subsequent to Cabinet approving this 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.
- 3.12 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 also detailed the extent of any time frame at which the national formula should over-ride local authority formulas.

- 3.13 The consultation proposed 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.
- 3.14 The consultation document additionally indicated 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.
- 3.15 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.
- 3.16 Four different options were considered by the working group taking into account the following principles:
- 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.
- 3.17 The four options were:
- 1) No Change to Current Funding Formula Factors – but incorporating an allowance for inflation,
 - 2) Adopt the NFF in full,
 - 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,
 - 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.
- 3.18 However 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 a recommended option.
- 3.19 A report was therefore presented to Schools Forum at their meeting on 12 October 2021 recommending that a vote was undertaken by Schools Forum Members to

establish their recommended mainstream schools local funding formula for 2022/23, and that this recommendation would then be reported to Cabinet at their meeting on 20 October 2021 to seek their approval.

- 3.20 Given the current uncertainty whilst awaiting the outcome of the DfE's recent consultation the majority of Schools Forum members voted for option 1 – no change to current funding formula factors, however this was subject to reconvening a working group in early 2022 once the outcome of the DfE consultation was known to seek to begin the work to review options for a 2023/24 mainstream funding formula at as early a point as possible. This decision was also supported by Cabinet at their meeting on 20 October 2021.

High Needs Block

- 3.21 For Walsall for 2022/23 this equates to £49.520m and is provided to local authorities to fund support to children with additional needs, whether supported in mainstream schools, Additionally Resourced Provision, Special Schools, Pupil Referral Units, Independent Schools or Alternate Provision.
- 3.22 A significant amount of work was undertaken by a working group to provide a revised High Needs Funding Formula which was approved and implemented for 2021/22. This saw the introduction of a new banding model to support all pupils with EHCP's. This was in line with the Walsall Rights 4 SEND guidance document which was written following the formation of the High Needs Working Group working alongside SEND officers. The new banding model is based on the different areas of primary need which correlate to the SEND Code of Practice.
- 3.23 As such the majority of work during 2021/22 and focus for the 2022/23 formula has been around the implementation and embedding of those changes, with only small amendments to that formula recommended for 2022/23, with a report setting out the proposed High Needs Local Funding Formula for 2022/23 being presented to Schools Forum at their meeting on 9 March 2022, and Cabinet at their meeting on 17 March 2022.
- 3.24 However the High Needs Working Group has recently reconvened to complete further moderation around the new model and to look at other areas of SEND with a view to potentially recommending future changes, for example, Early Years High Needs Funding and Post 16 High Needs Funding. The group is due to report back to Schools Forum in the summer term 2022 with recommendations being used to inform the formula for 2023/24.

Early Years Block

- 3.25 For Walsall for 2022/23 this equates to £20.835m and is provided to local authorities to fund early education (15 hours per week, term time, for eligible 2 year olds, 15 hours per week, term time, for all 3 / 4 year olds, and the additional 15 hours per week, term time, for 3 / 4 year olds of working parents who meet eligibility requirements) whether this is taken up in Private / Voluntary / Independent (PVI) settings, with childminders, in nursery schools or in nursery classes at primary schools.

- 3.26 With the implementation of the additional 15 hours of support for 3 / 4 year olds of working parents in September 2017 the government introduced an Early Years National Funding Formula as the basis of allocating funding to each local authority, and which also introduced a requirement to pay all providers a universal hourly rate for all 2 year old hours and also all 3 / 4 year old hours.
- 3.27 A further element of the EYNFF is funding of free entitlement for disadvantaged 2 years olds. Unlike funding for 3 & 4 year olds, which must be allocated via a local early years funding formula, local authorities are encouraged to fund providers on the basis of a flat hourly rate.
- 3.28 Early Years Funding operational guidance sets out the funding factors permitted within the local funding formula for early years (these include a universal hourly base rate, a mandatory deprivation factor, discretionary supplements and additional funding in respect of maintained nursery schools) and the requirement of a 95% pass through of funding to early years providers, thereby limiting the amount of funding that can be retained by the local authority to fund central expenditure on early years entitlement to a maximum of 5%.
- 3.29 The guidance therefore limits the amount of local flexibility that can be applied and as such the focus for the early years funding formula is normally around distribution of any increases in hourly funding rates that are paid to the authority.
- 3.30 The authority received confirmation of its expected early years funding rates for 2022/23 in December 2021, which showed an increase in both hourly funding for 2 and 3 / 4 year olds.
- 3.31 As such a report was presented to Schools Forum at their meeting on 9 March 2022 setting out the proposed early years funding formula for 2022/23 which identified how these increases would be passed on to providers to ensure that the authority was still able to operate within the requirement to pass on at least 95%, and would maximise the funding increase in support of financial pressures that providers are currently seeing.

4. Decide

Members are requested to note the details of the school funding formulas that are outlined in this report and the processes that have been followed to set the funding formulas for 2022/23.

5. Respond

Members are requested to note the content of the report and raise any further questions that they feel may be required to support their understanding of Education funding.

6. Review

All key financial issues are highlighted on a regular basis to Schools Forum and the Children's Services directorate management team. As set out in the report further review work will be undertaken during 2022/23 to support the delivery of funding formulas for 2023/24.

Background papers

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