

Cabinet – 18 October 2023

Proposed Schools Local Funding Formula 2024/25

Portfolio: Councillor M. Statham, Education and Skills

Related portfolios: Councillor M. Bird, Leader of the Council

Service: Children's Services: Education

Wards: All

Key decision: Yes

Forward plan: Yes

1. Aim

- 1.1 In December 2022, following a full consultation with all mainstream schools in Walsall in October 2022, Cabinet approved, a transition to full National Funding Formula (NFF) rates over a period of two years (2023/24 and 2024/25) as endorsed by Schools Forum.

2. Summary

- 2.1 The first stage of the transition was implemented in 2023/24 where funding factor rates were moved 50% closer to NFF rates and previously unused funding factors (Free Schools Meals 6 and Pupil Mobility) were added and used for the first time.
- 2.2 The aim of this report is to obtain the approval of Cabinet to finish the transition by continue with the second and final stage to implement NFF rates in full from the 2024/25 funding year, with that being the recommended basis for the local Mainstream Schools Funding formula for the year.

3. Recommendations

Subject to outcome of the discussion of Walsall's Schools Forum at its meeting on 17th October 2023:

- 3.1 That Cabinet notes that the recommendation for the basis of the local mainstream schools funding formula for 2024/25 is to implement the National Funding Formula (NFF) rates in full from that year, which is in line with the full consultation exercise undertaken in 2022 and the endorsement of Schools Forum and approval of Cabinet following that in December 2022.
- 3.2 Cabinet to note the provisional Schools Block allocation of Dedicated Schools Grant (DSG) funding that the modelling for 2024/25 has been based on.

- 3.3 That Cabinet notes that, once the final Dedicated Schools Grant (DSG) allocations for 2024/25 have been issued in December 2023, a further report will be presented to Schools Forum at their meeting in January 2024 confirming the final allocation and funding factor values.
- 3.5 That Cabinet delegates authority to the 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 relevant funding regulations for the 2024/25 Schools Funding Formula.

4. Report detail - know

Context

Funding Formula Background

- 4.1 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 (DSG) funding that the Council receives to the mainstream schools in the Borough of Walsall. The Department for Education (DfE) requires each Local Authority, in consultation with their Schools Forum, to produce 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 this therefore normally requires the agreement in advance of the DfE informing each Local Authority of their Dedicated Schools Grant (DSG) for that year (as this is not normally provided until the last week in December each year).
- 4.2 The implementation of the schools National Funding Formula (NFF) commenced from April 2018 to 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).
- 4.3 Allocations for each school are calculated nationally by the Education & Skills Funding Agency (ESFA) under the values associated with the NFF, and the totality of that funding is then allocated to Walsall as a whole as the local authority is still then able to operate a local funding formula to calculate individual school budgets due to national delays in implementing the NFF in full.
- 4.4 Following DfE consultations during 2021 and 2022, the Government announced their response which confirmed their intention to move forward with plans to implement the NFF in full with a period of transition and to ensure all allowable NFF factors are used in local formulae from 2023/24.
- 4.5 Due to Walsall being a local authority that had a local formula that differed significantly from NFF rates and did not include all allowable funding factors a full consultation exercise with all mainstream schools in Walsall was completed ahead of 2023/24 funding year.

- 4.6 The outcome of the consultation was in favour of implementation of NFF in full as soon as possible, but to allow time for schools who may have been negatively impacted by that to manage that change Schools Forum endorsed a recommendation to transition in full to the NFF over a two year period (a move half way to the full NFF in 2023/24 and then a move to the full NFF from 2024/25) which was also supported by Cabinet.

NFF Provisional Allocations 2024/25

- 4.7 The DfE have published provisional allocations for 2024/25, with Mainstream Schools Additional Grant (MSAG) (one off funding received in 2023/24 to support schools with increases in costs for pay awards and energy costs) rolled in, setting out the funding that would be received under an NFF calculation assuming no underlying changes in pupil numbers and characteristics from October 2022 census data.
- 4.8 This provisional data shows a potential increase in Schools Block funding of £7.8m for 2024/25 (prior to any amendments to funding relating to any increases or decreases in the overall number of pupils being supported). This equates to a 2.7% increase in funding.
- 4.9 It should be noted though that the actual level of Schools Block DSG that will be payable to Walsall Council for 2024/25, which is normally provided during the last week in December each year, will be based on the pupil numbers and characteristics set out within the Schools Census carried out during October 2023.
- 4.10 There are also a number of schools within Walsall where, due to increased need for places, the Council have completed expansions within the last 7 years which are not yet full in each year group. This group of schools are therefore expected to see an increase in pupil numbers, above those contained within the October 2023 census, for the period September 2024 to March 2025.
- 4.11 As these pupils will not be in place when the October 2023 census is completed the local funding formula must recognise these additional children and seek to allocate funding for them from within the 'Growth Funding' allocation that is provided to authorities within the Schools Block of DSG to account for these potential changes.

Financial Modelling for 2024/25 Individual School Budgets

- 4.12 Financial modelling using the 2024/25 provisional NFF allocation and October 2022 pupil numbers and characteristics has been completed, assuming that in line with the previous agreement the local funding formula mirrors the NFF in full from that year, and shows a positive outcome for the majority of schools.
- 4.13 The modelling shows a financial gain for all schools with the exception of one primary school which shows a small reduction of £7.6k (-0.77%). As above though the modelling can only be based on October 2022 pupil data at present, and the final position for this school may change once October 2023 pupil data is applied.

- 4.14 The modelling shows an average gain for a primary school of circa £30k (+1.61%) and an average gain for a secondary school of circa £256k (+3.53%).
- 4.15 The maximum allowable Minimum Funding Guarantee (MFG) of +0.5% has been used in the modelling. This offers protection against per-pupil funding losses between the funding years.
- 4.16 The overall position shows that the NFF factor rates and MFG of +0.5% are affordable within the provisional allocation. If this should change when the final allocation and October 2023 pupil data are announced, then further modelling will be carried out with proposed adjustments to factor rates recommended to Schools Forum in January 2024.

Primary / Secondary Funding Ratio Split

- 4.17 The funding ratio split between primary and secondary schools was 1:1.27 for 2023/24 and the proposed local formula for 2024/25 would move that to a ratio of 1:1.29, based on the modelling undertaken – which is more aligned to the national split of funding under the NFF of 1:1.30 and which the DfE / government would expect local authorities to be working toward.

Funding Formula Factors

- 4.18 Set out below is a brief summary of the factors that must be included within any proposed funding formula for 2024/25:

Age Weighted Pupil Unit (AWPU)

- 4.19 AWPU is the biggest part of the funding formula, it is the funding which has not been allocated to the other specific factors and is allocated on a per pupil basis. The AWPU rates are different for Primary and Secondary children.

Deprivation

- 4.20 Walsall allocates funds to schools to meet the additional needs that children from deprived backgrounds may face for both the Income Deprivation Affecting Children Index (IDACI) measure of deprivation and the number of children who receive free school meals (FSM). The updated regulations now also include the ability to allocate funding via an 'FSM6' Free School Meals factor (which represents the number of pupils per school who have been eligible for free school meals at any point in the last 6 years). Previous work has highlighted that this composite measure should ensure that all schools experiencing deprivation will receive some funding to help them. DfE also allocate Pupil Premium funding outside of Walsall's formula to support deprivation, and this is also allocated utilising the 'FSM6' Free School Meals measure.

Lump Sum

- 4.21 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 Attainment

- 4.22 The only factor allowable to take account of Special Educational Needs (SEN) in the funding formula for mainstream schools is low attainment, which looks at the number of Primary pupils identified as not achieving the expected level of development. The Walsall funding formula then allocates an amount of funding to provide schools with the resources required to support these children.

English as an Additional Language

- 4.23 For pupils where English is an additional language funding is allocated through the formula to allow schools to provide additional support for a period of up to 3 years after they enter the statutory school system.

Pupil Mobility

- 4.24 This measure allows authorities to allocate additional funding to schools based on numbers of pupils who entered a school during the last three academic years but did not start in August or September (or January for reception pupils).

Business Rates

- 4.25 Business rates for each school are funded through the formula based on an estimate of cost.

Split Sites

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

Premise Rental – Exceptional Factor

- 4.27 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. There has been individual agreement with the DfE to allow this factor.

- 4.28 The following factors are allowable but have either not been used in the Walsall funding formula or do not apply:

- Private Finance Initiative (PFI) contracts – Not applicable as there are no schools in Walsall where there are additional unfunded costs due to PFI contracts.
- London fringe – Not applicable as this is only applicable to local authorities who have some but not all of their schools within the London fringe area.

- Sparsity – Not applicable as this factor is used to support schools in rural areas where there are on average smaller year groups.

5. Council Plan priorities

- 5.1 The recommended 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 pupil characteristics) between 2023/24 and 2024/25 they will see an impact on final budgets that are allocated as they always have (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 After analysing the provisional level of Schools Block funding of the provisional Dedicated Schools Grant (DSG) available for 2024/25 and comparing it to the proposed formula and values set out in Appendix A (which are based on replicating the NFF in full), this report confirms the formula would be affordable for 2024/25.
- 7.2 The modelling that has been completed in relation to the proposed formula indicates that one school may see a small reduction in overall funding between the 2023/24 and 2024/25 financial year but, however the final position for this school may change once October 2023 pupil data is applied.
- 7.3 If schools see fluctuations in pupil numbers between years this will impact on allocations, as has been the case in previous years. This could result in both increases or decreases in funding dependent on changes in pupil numbers and characteristics.
- 7.4 Once the authority receives final details of its DSG allocation for 2024/25 a further review of proposed funding factor values may be required to ensure that the final factor values that are utilised are affordable within the overall level of funding that will be available to the authority.

8. Legal implications

- 8.1 The Department for Education has prescribed the way in which schools should be financed for the 2024/25 financial year. These guidelines are set out in the Schools Revenue Funding 2024 to 2025 operational guide, and can be found at the following link:

- 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 2024/25 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 whilst at the same time preparing schools for the ultimate transition to the NFF.
- 13.4 The recommended schools funding formula for 2024/25 takes account of all mandatory factors that have to be utilised. 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 2024/25.
- 14.2 As set out in the report a full consultation exercise was also undertaken with all mainstream primary and secondary schools within Walsall in 2022 to address the Government's announcement of their intention to progress with the transition to NFF.

15. Decide

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

16. Respond

- 16.1 Subject to approval of the recommendations and confirmation of the 2024/25 Dedicated Schools Grant in December 2023, 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 in January 2024.
- 16.2 A Budget Statement for each maintained school will then be published, confirming their budget share for 2024/25 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 NFF rates and funding factors will continue to be reviewed. In future funding years, a local funding formula that mirrors NFF rates will still need to be decided by Cabinet, in consultation with Schools Forum.

Background papers

Schools Forum Report 17 October 2023 – Proposed Schools Local Funding Formula 2024/25

ESFA – Schools revenue funding 2024 to 2025 operational guide

Author

Richard Walley
Finance Manager – Technical Accounting, Treasury Management & Education Finance
☎ 01922 650708
✉ richard.walley@walsall.gov.uk



Colleen Male
Interim Executive Director
Childrens & Customer

6th October 2023



Councillor Statham
Portfolio Holder
Education & Skills

6th October 2023

Appendix A

Detail of proposed funding formula factor values for 2024/25

Factor			2023/24 Local value	2024/25 NFF value including ACA	Current variance	Proposed 2024/25 Local value	
			£	£	£	£	
Basic Entitlement (AWPU)	Primary		3,405	3,610	(204)	3,610	
	Secondary	KS3	4,801	5,090	(289)	5,090	
		KS4	5,411	5,737	(326)	5,737	
Free School Meals	Primary		870	492	378	492	
	Secondary		995	492	503	492	
Free School Meals 6	Primary		354	833	(479)	833	
	Secondary		517	1,214	(698)	1,214	
Deprivation	Band F	Primary	225	236	(11)	236	
		Secondary	324	346	(23)	346	
	Band E	Primary	268	286	(18)	286	
		Secondary	435	457	(21)	457	
	Band D	Primary	413	452	(39)	452	
		Secondary	585	637	(52)	637	
	Band C	Primary	448	492	(44)	492	
		Secondary	638	697	(59)	697	
	Band B	Primary	479	522	(43)	522	
		Secondary	686	753	(66)	753	
	Band A	Primary	647	687	(40)	687	
		Secondary	904	953	(50)	953	
	Lump Sum	School		161,214	136,176	25,037	136,176
	Low Prior Attainment	Primary		1,015	1,189	(174)	1,189
Secondary		1,529	1,796	(267)	1,796		
English as Second Language	Primary		565	597	(32)	597	
	Secondary		1,059	1,611	(551)	1,611	
Mobility	Primary		474	973	(499)	973	
	Secondary		682	1,400	(718)	1,400	
MFG			0.5%	0.5%	-	0.5%	