

Agenda Report – Schools Forum – 9 December 2021 – Item 8

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SCHOOL FUNDING FORMULA 2022-23

EXECUTIVE SUMMARY

THIS REPORT OUTLINES ANTICIPATED ISSUES RELATING TO THE 2022/23 SCHOOLS FUNDING FORMULA AND SEEKS FORUM'S VIEWS ON AREAS TO INVESTIGATE FURTHER.

1. Recommendations

The Schools Forum is asked for its views on

1. Setting the Minimum Funding Guarantee
2. Using the Mobility factor
3. Using the Free Meals factor
4. National Funding Formula rates and proportions.

2. Background

3.1 The Department for Education (DfE) provides local authorities with funding for education via the Dedicated Schools Grant (DSG), which is the accumulation of separately calculated blocks; Schools Block, High Needs Block, Early Years Block and Central Support Services Block.

3.2 The Schools Block is distributed to schools, primarily through a formula administered by the local authority, covered by statutory regulations and agreed with the Schools Forum. (Other

distribution methods are the Growth Fund and the Falling Rolls Fund.)

- 3.3 The formula calculates each School's Budget Share (SBS) using data relating to pupil numbers and characteristics (FSM eligibility, home postcode deprivation, prior attainment, EAL) and school characteristics (NNDR charges and split-site status). The formula also contains a lump-sum that awards a flat-rate amount as a contribution towards fixed costs.
- 3.4 Prior attainment is an allocation within the formula which is intended to reflect the additional costs associated with pupils that arrive at the school with a lower than expected level of development in the Early Years Foundation Stage Profile (for primary schools) or lower than expected KS2 attainment in maths, writing or reading (for secondary schools).
- 3.5 National Non-Domestic Rates (NNDR) are funded at actual cost, but the deadline for finalising the formula allocations is before NNDR charges are set so estimates have to be used in the formula calculation. As regulations preclude amending a School Budget Share, any amendments required are carried over to the following year.
- 3.6 Laying over the top of the funding formula is the Minimum Funding Guarantee (MFG). The MFG is a statutory requirement for all local authorities and sets a minimum amount by which a school's per pupil funding must increase (or at times a maximum amount by which it can decrease). The per pupil nature of the MFG means that it is not a cash guarantee: a school that loses pupils will still see a fall in its funding, just not in the amount per pupil.
- 3.7 The operation of the MFG is laid out in statutory regulations, but at present the MFG rate is set at a local authority level but must be within a range stipulated by the DfE.
- 3.8 The DfE uses a National Funding Formula (NFF) to calculate the Schools Block for each local authority. The NFF uses the same formula factors available to local authorities to calculate a notional allocation for each school. Lagged amounts for premises and growth are then added to this.
- 3.9 The current system, whereby the DfE used the NFF to calculate the Schools Block, but the LA is free to use its own formula to calculate the Schools' Budget Shares is referred to as a soft-NFF. The DfE intends to move to a hard-NFF, whereby the DfE calculated figures will be the actual allocation to schools. The implementation of the hard-NFF has been postponed a number of times and the DfE have recently issued a consultation document on how they intended to merge the local soft-NFF into the NFF. Although the outcome of the consultation is awaited it gives us a steer in terms of direction of travel.
- 3.10 The DfE notifies Local Authorities of their DSG allocation each December and at the same time provides a spreadsheet which must be used to show the DfE the calculation of each school's School Budget Share. This spreadsheet, the Authority Proforma Tool (APT), contains the data that must be used in the calculation and restricts the calculation to that which falls within the regulations.

3. NNDR (Business Rates) changes

The DfE has consulted on a system to centralise the payment of National Non-domestic Rates (NNDR), more commonly known as business rates, for state-funded primary and secondary schools from the 2022-23 financial year onwards.

Under the proposal the Education and Skills Funding Agency (ESFA) will pay schools' business rates directly to billing Local Authority on behalf of the schools. To enable this they will collect the payment details from each Local Authority. Then the Local Authority will supply payment information to the schools to allow for local accounting for their business rates obligations.

The amount of funding required to meet the NNDR charge will be deducted from the funding available for schools prior to distribution. There should not be any impact on schools' purchasing power (i.e. the amount deducted will match the amount the schools no longer have to pay).

4. 2022/23 Schools Funding Formula Considerations

5.1 The NFF consultation talked of a gradual merging of the local formula to the NFF. The DfE proposed that, in 2023-24, they would require each LA to bring each of its local formula factors at least 10% closer to the NFF factor value, compared to how far the factor was from the NFF value in 2022-23. After an initial 10% movement closer to the NFF in 2023-24, the aim would be to move at least 15% closer to the NFF in 2024-25 and at least 20% closer in 2025-26.

5.2 Although we have responded to the consultation saying we would like to maintain as much flexibility as possible and retain a local funding formula, as we know our schools better than anyone, it does seem there is a clear direction of travel towards the hard-NFF. It is with this in mind we are seeking the Schools Forum views and guiding principles to set next year's schools budget. The schools budget will of course be fully discussed at the January meeting and final decisions made then.

6. Funding Settlement

6.1 While the chancellor in his recent budget indicated overall increases to the schools budget, we still await the exact details by each Local Authority. This presents a problem in determining the exact level of funding we will have in Southwark next year. There are suggestions that it is likely to be on average 3.2% but of course we need to see the details, and generally London authorities settlements over recent times have been well below the average. The minimum level we are likely to receive is thought to be 2%. While we await the settlement there is a further paper on the agenda regarding next year's school block transfer, it is proposed that the amount is reduced, the only question currently is how much. This will mean there will be extra resources available to schools.

While this is good news for schools there is also the issue of inflation which is predicted to be around 4% and the unknown of next year's pay awards that will have to be met.

7 Funding Formula

7.1 Minimum Funding Guarantee

For the 2021/22 financial year, regulations allow the MFG protection rate to be set between +0.5% and +2%.

As the DSG allocations are not published until later in December, the amount for distribution to schools is not yet known. However, and with that caveat in mind, current estimates indicate that there may be sufficient funding to set an MFG at the maximum of +2%.

Being able to afford the +2% figures, does not necessitate setting the MFG at that rate. A lower MFG could be set and the funding this freed up could be targeted at a priority area or areas. However, the DfE have expressed an expectation that as national funding is guaranteed to increase by 2%, MFG rates should reflect this.

7.2 Distribution Of Funding Available Over And Above The MFG.

As we have seen above there are two main considerations in building the schools budget, how any funds over and above the MFG is allocated and then how do we ease are way into the NFF rather than add to the gap between our formula and the NFF.

There are two NFF factors we currently do not use in the the Southwark formula, which it is suggested consideration now needs to be given to including.

7.21 Mobility

The mobility factor supports schools in which a significant proportion of pupils join the school part way through the year. Pupils are classed as mobile if they joined the school at a 'non typical' date within the last three years. We do not use this factor at the moment and it is suggested funding is applied to it.

This factor is included in the NFF as there is a correlation between pupils that join the school at a non-typical time in the year and pupils that have additional needs that will require additional spend. In a Southwark context, this allocation would also support those schools with the extra burden of taking pupils when a school is re-organised.

7.22 Free Meals

The NFF allocates 9.1% of its funding to deprived pupils. Pupil deprivation is based on three deprivation measures – current Free School Meal (FSM) eligibility, FSM eligibility at any time in the last 6 years ("FSM6"), and the level of deprivation in the postcode where the pupil lives, which is measured using the Income Deprivation Affecting Children Index (IDACI). Currently we do not use Free School Meals but use the other factors. It is suggested to ease our move into the NFF that we start allocating funding to Free Meals. This funding is broadly intended to cover the cost of providing free meals for each eligible pupil. As this funding is currently distributed through the FSM6 allocation, which is higher than the NFF rate, a redistribution of funding from the FSM6 allocation will be modelled for members to consider in January.

7.23 National Funding Formula Rates And Proportions

Once the Mobility and Free Meals factors have been considered, it is suggested the funding available be allocation to those areas of the formula where funding rates are below the national funding rates only. This will avoid some turbulence in the funding system when or if the NFF is introduced.

Comparison of Southwark Formula Rates to NFF Rates

Pupil-Led Formula Factors	Comparison Of Southwark Formula Rates To NFF Rates	
	Primary	Secondary
AWPU - Primary	+ 18%	
AWPU – KS3		+ 20%
AWPU – KS4		+ 6%
FSM	-100%	-100%
FSM6	+ 66%	+ 38%
IDACI	-25%	-4%
Low Prior Attainment	-64%	-16%
EAL	-59%	-18%
Mobility	-100%	-100%