



Report to: Schools Forum

Date of Meeting(s): 19th January 2023

Subject: School Funding Formula 2023/24 – Schools Block

Report of: Colette Dutton - Director for Children and Families

Contact Officer: Mark Rotheram Strategic Finance Manager
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Summary: To provide details of the DSG allocations for 2023/24 and details of the allocation per school.

Recommendation(s): For Schools Forum to sign off the formula and school level allocations for 2023/24.

To agree the total growth fund for 2023/24.

To agree the allocation of the Central School Service Block (CSSB) funding.

Implications:

*What are the **financial** implications?* Contained within report

*What are the **staffing** implications?* n/a

Risks: n/a

Please list any appendices:-

Appendix number or letter	Description
1	School Allocations 2023-24 (options 1 to 3)
2	NFF factors and values

1.0 SCHOOL FUNDING FORMULA 2023/24

- 1.1 The LA will remain responsible for determining the local schools funding formula model to be used to distribute final delegated budget allocations to individual schools (referred to by the DfE as the NFF “soft” approach). Each authority’s process must ensure that there is sufficient time to gain political approval and to subsequently notify maintained mainstream schools of their budget shares before 28/02/2023. Political ratification means approval in line with the authority’s local scheme of delegation, so this may mean decisions being made by the council cabinet, cabinet member or full council.
- 1.2 The Government is committed to implementing the direct National Funding Formula (NFF) within the next 5 years and has published specific transition requirements for those LA’s not yet using the NFF. It was agreed by Forum in 2018/19 that Wigan’s local formula should mirror the NFF factors and rates and this has continued since.

2.0 SCHOOLS BLOCK

- 2.1 The NFF model for the schools block calculates an “indicative” budget for each individual school in their host Local Authority and the aggregated total of such forms the 2023/24 LA baseline schools block allocation. The schools block allocation is expressed as separate per pupil primary and secondary rates for each LA and includes funding for premises based on historic spend and growth on a formulaic basis. The final published allocation for 2023/24 is £247,463,556 (inc. Growth) which is an increase of approximately £5.7m on Wigan’s 2022 actual allocation (circa 2% increase per pupil). The pupil numbers for funding purposes have increased by 44 (a reduction of 236 pupils in the primary sector, but an increase of 280 pupils in the secondary sector).
- 2.2 The minimum funding guarantee (MFG) for schools continues to provide protection and stability to school budgets, but local authorities have the flexibility to set a local MFG rate between 0% and 0.50% per pupil. The mandatory minimum funding levels continue to apply to ensure that all schools receive a minimum amount of funding per pupil (£4,405 per pupil for primary schools and £5,715 for secondary schools) and any funding arrangement agreed by the Local Authority must ensure that this is protected.
- 2.3 The schools block is ring-fenced, but the LA is permitted to transfer up to 0.5% of the schools block funding allocation to other blocks (i.e. high needs) with the agreement of their Schools Forum. At the November 2022 forum meeting it was agreed that there would be no contribution from Schools Block to High Needs in 2023/24 in view of financial pressures in schools. It was, however, previously agreed that £0.750m would be contributed from DSG reserves to the High Needs Block in 2023/24.

3.0 BUDGET ALLOCATIONS

- 3.1 At the November 2022 Forum meeting, members were presented with proposals in regards to the key principles to be applied in setting the 2023/24 funding formula, together with indicative school level allocations.

3.2 Provided below is a summary of the key principles agreed at the meeting:

- The NFF factors and associated values (including the Area Cost Adjustment) should be adopted.
- The Minimum Funding Guarantee (MFG) should be maintained at the maximum 0.5%.
- If the NFF was found not to be affordable within the funding envelope, proposals would be brought to this meeting for consideration in order to balance the position to the overall available funding.

3.3 **Affordability of the National Funding Formula (NFF)**

Having modelled the 2023/24 funding formula for schools, using the NFF, it has been found that this cannot be met from the core schools block allocation (exc. Growth factor funding). There is currently a shortfall in funding of around £0.783m. This has arisen as the Primary and Secondary units of funding used in the NFF are based on October 2021 pupil characteristics (uplifted by inflationary factors), albeit adjusted to reflect October 2022 pupil numbers. There has been a significant increase in the number of pupils attracting funding through the deprivation factors in the formula over the 12 month period and as a result the overall funding received (exc. growth factor) does not fully meet the application of the NFF. We have seen a growth in FSM eligibility of 6% comparable to a pupil number increase of 0.1%.

On top of the core schools block allocation the LA receives additional funding through a growth factor, this totals £987,993 in 23/24 and can be used to support the overall NFF.

3.4 Included at **Appendix 1** of this report are 3 options for schools forum consideration and approval. The three options look to ensure that the NFF can be applied, however, that this is affordable within the funding envelope whilst maintaining a sufficient funding to support growth. The appendix includes details of school level post MFG allocations (before de-delegation) under each option. The three options are summarised below:

Option 1 – This option applies all NFF factors and values, leaving a gap in funding of £0.783m. This proposes to use the growth factor funding to cover the gap, which would leave only £0.205m in the growth fund.

This proposal ensures that schools receive all gains/funding in line with the NFF. To ensure that there is a sufficient funding available to support local planning around growth in basic need we would also seek Schools Forum's agreement to use central DSG reserves to support the growth fund in 2023/24. The current 2022/23 spend from our Growth Fund totals c£0.450m in respect of the period September 22 to March 23.

If this option is agreed, we would request that Schools Forum consider an initial contribution from reserves of £0.295m in order to establish a Growth fund of £0.500m. As previously reported, there was an underspend on central DSG in 2021/22 of £1.6m, of which c£0.950m has been ring fenced for future use (High Needs contribution 23/24, WLZ project and school deficit). Growth spend would then need to be monitored with potentially further reserve contributions required if the fund is insufficient.

Option 2 – This option applies all NFF factors and values, however, capping and scaling of gains is then applied to reduce overall allocations so that they can be met within the initial funding envelope (excluding any growth funding). Under this option all of the growth factor would then be ring fenced as a growth fund, totalling £0.988m.

A cap has been applied on 0.5% of gains, which aligns with the MFG percentage, and scaling of 17% on gains over the cap to ensure affordability.

Option 3 – This option again applies all NFF factors and values, however, uses both cap and scaling and growth factor funding to ensure affordability. This option includes a growth fund of £0.500m (£0.488m used to support NFF) and then applies capping and scaling of 0.5% and 6% respectively. Again, growth spend would need to be monitored and if necessary contributions from reserves may be required to ensure sufficiency.

Action – Forum members are asked to consider the above options and agree a preferred approach.

- 3.5 Included at **Appendix 2** of this report provides details of the NFF factors and values used in the formula.
- 3.6 The notional SEN percentages and de-delegation values to be applied were agreed at the previous forum meetings in October and November 2022.

4.0 GROWTH FUND

- 4.1 Growth funding is allocated to local authorities using a formulaic method based on lagged growth data. The allocations are based on pupil data from the October 2022 census. As outlined above the total growth funding allocation for 2023/24 is **£987,993**.
- 4.2 In October 2019 a report was presented to schools forum on Growth Funding and it was agreed that our local method of allocation should be maintained until any changes are directed by the DfE. To summarise, Wigan's methodology is as follows:

'A school or academy can submit a business case where it has agreed with the authority to provide an extra class in order to meet basic need or where a school has increased its PAN in agreement with the authority. The business case will detail the additional costs to the school for this extra provision, and this will be cross referenced against an amount based on an additional per pupil AWPU increase reflecting the proportion of the year which is not funded within the school's budget share. (The amount paid includes not just the AWPU but all funding factors less the fixed sum)'
- 4.3 As the growth allocation is within the schools block, the establishment of the growth fund is not treated as a transfer between blocks, however, the Schools Forum are required to agree the total value of the growth fund. The value of the growth fund will be informed by decision as outlined in 3.4 above.
- 4.4 Any unspent growth funding remaining at year end will be reported to Schools Forum. Any such underspends will be carried forward to the following funding

period and Forum will be consulted on the use of the funding. Any overspends on the growth fund will form part of the overall DSG surplus or deficit balance.

5.0 CENTRAL SCHOOL SERVICES BLOCK

5.1 The central school services block (CSSB) is the fourth block of funding within the DSG framework.

5.2 This block funds local authorities for the statutory duties that they hold for both maintained schools and academies and brings together 3 former funding streams as detailed below:

- Funding previously allocated through the retained duties element of the Education Services Grant (ESG) functions including education welfare and asset management;
- Funding previously top-sliced from the schools block for ongoing responsibilities (i.e. Admissions/Schools Forum); and
- Residual funding for historic commitments, previously top-sliced from the schools block

The CSSB also incorporates an element of funding for the teacher's pension grant for centrally employed teachers, which was previously allocated through a separate grant payment and also covers the cost of copyright licences.

5.3 The CSSB block for 2023/24 is **£917,588**.

5.4 Schools Forum approval is required each year to confirm the amounts for activities within the CSSB and when using centrally held funding, local authorities must treat maintained schools and academies on an equivalent basis.

6.0 MAINSTREAM SCHOOL ADDITIONAL GRANT (MSAG)

6.1 At the time that the final DSG allocations were published the DfE also provided further information on an additional grant which will be provided to schools next year.

In the Autumn Statement the Government confirmed that an extra £2 billion nationally would be made available in 2023/24 for schools (including High Needs). An indicative local authority level allocation for Wigan's mainstream schools of £8.6m has been published. School level allocations have not yet been released, however, the DfE have advised that this will follow later in the spring term.

Schools will have the flexibility to prioritise their spending of the MSAG to best support the needs of their pupils and staff and address cost pressures.

The grant is to be paid in two instalments in 2023/24 (April to August and September to March). In recognition of Academy funding cycles, they will receive a further allocation for April to August 2024.

The funding rates which will inform school level allocations are as follows:

The base funding rates for 5-16 schools will be:

- basic per-pupil rate of £119 for primary pupils
- basic per-pupil rate of £168 for key stage 3 pupils
- basic per-pupil rate of £190 for key stage 4 pupils
- lump sum of £4,510
- FSM6 per-pupil rate of £104 per eligible primary pupil
- FSM6 per-pupil rate of £152 per eligible secondary pupil

The grant is also subject to an area cost adjustment. For Wigan the adjustment is 1.00547.

7.0 ACTIONS

- 7.1 To agree the funding formula and school block allocations having considered the 3 options set out in 3.4 above.
- 7.2 To agree the total growth fund for 2023/24 (pending confirmation 7.1 above).
- 7.3 To agree to the allocation of the Central Schools Services Block (CSSB) for Local Authority statutory duties.
- 7.4 To note the information regarding the Mainstream Schools Additional Grant (MSAG) in 2023/24.