

LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	Cabinet, 12 January 2023	
Report Title	Draft Local Funding Formula for Schools 2023/24	
Cabinet Portfolio	Councillor Alistair Strathern, Portfolio Lead Member for Children and Young People	
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Wards affected	All	
Public Access	OPEN	
Appendices	A: Draft Local Funding Formula 2023/24 B: Draft Local Funding Formula & Change from 2022/23	

1. SUMMARY

- 1.1 This report seeks approval from Cabinet for the draft 2023/24 Local Funding Formula (LFF) for 5- to 16-year-olds which is used to allocate the Schools Block of the Dedicated Schools Grant (DSG) to schools and academies in Waltham Forest.
- 1.2 The draft LFF was devised in consultation with Schools Forum and agreed at the November 2022 Schools Forum meeting. The LFF is finalised once any adjustments to funding factors and rates are made to ensure all funding is allocated.

2. RECOMMENDATIONS

- 2.1 Cabinet is recommended to approve the draft Schools Block Local Funding Formula for 2023/24 for 5- to 16-year-olds at Appendix A. After running the formula, if there are unallocated funds, these are allocated through raising the rates for Basic Entitlement (AWPU),

subject to the maximum permitted. If these upper limits are reached, any further funds will be applied to the Growth Fund.

3. PROPOSALS

- 3.1 Funding is allocated to schools and academies for the education of 5- to 16-year-olds by a Local Funding Formula (LFF) set following consultation with the Schools Forum. This allocates over 92% of the funding by pupil numbers and pupil characteristics. The allocation for academies is recouped by the Education and Skills Funding Agency (ESFA) and passed to academies directly.
- 3.2 In 2018/19 the national funding formula (NFF) for schools was introduced and while it remains the government's intention that every school budget should be set based on a single NFF, Local Authorities continue to determine final funding allocations for schools through a LFF currently. In Waltham Forest the NFF factors and rates have been used since 2019-20 with the exceptions of PFI and Split Sites factors which are not yet within the NFF.
- 3.3 The Schools Block of the Dedicated Schools Grant (DSG) is expected to increase by £8.42 million (2.16%) in 2023/24 from £217.71 million to £226.14 million. This estimate includes the rolling-in of the school supplementary grant of £6.23 million but excludes the Growth Fund which is announced separately. The actual uplift from 2022/23 is £2.19 million (0.98%)
- 3.4 This does not mean in practice that every school will receive an increase as schools' funding fluctuates due to the number of pupils on roll and their characteristics such as deprivation and additional educational needs, however some schools will be supported through the Minimum Funding Guarantee (MFG).
- 3.5 Local authorities will continue to set a pre-16 Minimum Funding Guarantee (MFG) in their local formulae, to protect schools from excessive year-on-year changes and to allow changes in pupil characteristics (for example, reducing levels of deprivation in a school) to flow through. The MFG excludes rates and the lump sum payment to each school but includes the PFI and split sites factors. For 2023/24 Local Authorities will be able to set an MFG between 0% and +0.5% per pupil.
- 3.6 In November 2022, Schools Forum agreed that when the Local Authority sets the 2023/24 school budget allocations officers should continue to use the NFF factors and rates; set the Minimum Funding Guarantee at the maximum of +0.5%; and use any residual funding available after running the formula to increase the Basic Entitlement (Age Weighted Pupil Unit) subject to the maximum permitted. If these upper limits are reached, any further funds will be applied to the Growth Fund.

4. OPTIONS & ALTERNATIVES CONSIDERED

- 4.1 The ESFA requires local authorities to bring their own formulae closer to the schools NFF from 2023 to 2024. In particular: local authorities will only be allowed to use NFF factors in their local formulae; must use all NFF factors – except for the locally determined premises factors which remain optional; and must move their local formula factor values at least 10% closer to the NFF, except where local formulae are already mirroring the NFF.
- 4.2 Waltham Forest started using the NFF factor rates in 2020/21, taking advantage of the raising of the Minimum Funding Guarantee (MFG) that year to share the increase in funding and protect schools from any redistribution flowing from the adoption of NFF factor rates.
- 4.3 The MFG protects schools' per-pupil funding and since 2020/21 Schools Forum has agreed to maximise the use of the positive MFG. This sharing of resources is demonstrated by Waltham Forest having the sixth highest proportion nationally of Schools Block allocated through the MFG in 2022/23: £6.23 million (2.9%).

5. SUSTAINABLE COMMUNITY STRATEGY PRIORITIES (AND OTHER NATIONAL OR LOCAL POLICIES OR STRATEGIES)

- 5.1 The key priority is to provide children and young people with good quality education, welfare and health services including better school buildings.

6. CONSULTATION

- 6.1 In addition to formal consultation with Schools Forum, officers also work with task and finish groups which are set up by Schools Forum from time to time and which are open to all schools and include head teachers and school business managers. The groups consider any changes to funding arrangements and report their conclusions to Schools Forum.

7. IMPLICATIONS

7.1 Finance, Value for Money and Risk

- 7.1.1 Funding for schools is through the ring-fenced Dedicated Schools Grant Schools Block. Any budget variations are contained within the ring-fenced budgets.
- 7.1.2 In the Autumn Statement 2022, the government announced that schools, nationally, will get an extra £2.3 billion in each of the next two years – a yearly rise of 4 per cent. The Institute for Fiscal Studies confirmed the additional funding will at least restore real-terms per-pupil funding to 2010 levels. No statement was given regarding an extension of the current cap on utilities costs for schools and businesses however it is being reviewed.
- 7.1.3 Staff salary pressures (teachers' pay rising by just over 5% this year and support staff pay likely to rise by 8-9%); increasing utility costs; and other inflationary pressures will undermine the impact of the extra funding.
- 7.1.4 How the additional funding will be allocated has not been confirmed, but this may be by way of a supplementary grant, in which case the local funding formula would not be affected.

- 7.1.5 There is a significant risk that more schools will use up their reserves and submit deficit budgets, not least due to the impact of falling rolls in primary schools. 12 schools are projecting a deficit in Financial Year 2023/24, with a projected cumulative deficit of £3.1m, although the overall balance across all schools is a surplus of £6 million. If a school has a deficit and becomes a sponsored academy, the Council is responsible for writing off the deficit. The sponsored academy risk is managed by the Education service ensuring all schools are rated Good or Outstanding.
- 7.1.6 As maintained schools seek to reduce costs there is a risk to the Council's general fund as redundancy costs for both teaching and non-teaching staff related to savings are a charge to the Council as the employer of those staff.
- 7.1.7 A Schools Facing Financial Challenges (SFFC) programme was established which works with schools in deficit or at risk of being so to support schools and to mitigate the risks to the Council. A £1 million one-off reserve was set aside to support the SFFC programme and the remaining balance should support this programme for another two years.

7.2 Legal

- 7.2.1 The legal framework for school budgets is based on legislative provisions contained in sections 45-53 of the School Standards and Framework Act 1998 and accompanying regulations. The School and Early Years Finance (England) Regulations 2022 provide the current framework for the funding of maintained schools including how the local authority may allocate their schools budget for 2022/2023 and regulations in respect of 2023/2024 are expected to be passed in the same form as previously. Consultation has therefore taken place in accordance with regulation 9 of existing and previous years regulations.
- 7.2.2 The Education & Skills Funding Agency (ESFA) announced indicative Dedicated Schools Grant (DSG) funding allocations for the schools, central schools services and high needs blocks, along with the "Schools revenue funding 2023 to 2024 operational guide" in July 2022. Local authorities must report their local funding formula to ESFA on a combined modelling tool and proforma known as the 'authority proforma tool' (APT). ESFA will then calculate academy budgets based on the formula set out in the proforma.
- 7.2.3 The local authority is responsible for making the final decisions on the formula and must gain Cabinet approval before the deadline of 20 January 2023 for its' submission to ESFA.

7.3 Equalities and Diversity

- 7.3.1 An equality impact assessment has been carried out on this report and has concluded that no major change is required as the assessment

has not identified any potential for discrimination or adverse impact and all opportunities to advance equality have been taken.

7.4 Sustainability (including climate change, health, crime and disorder)

7.4.1 The changes to the distribution of funding to schools through the local formula do not in themselves have a direct impact on climate change. Schools use funding to support premises related expenditure including minor works. An Officer in the Energy team is assisting some schools to reduce their energy use by investing in energy saving technologies.

7.4.2 The individual needs of pupils are assessed in allocating funding to individual schools and in funding held centrally

7.5 Council Infrastructure

8.5.1 There is no direct impact on Council Infrastructure

BACKGROUND INFORMATION (as defined by Local Government (Access to Information) Act 1985)

None