


LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	Cabinet 11 January 2024	
Report Title	Draft Local Funding Formula for Schools 2024/25	
Cabinet Portfolio	Councillor Kizzy Gardiner, Portfolio Lead Member for Children and Young People	
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Wards affected	All	
Public Access	OPEN	
Appendices	A: Draft Local Funding Formula 2024/25 B: Draft Local Funding Formula & Change from 2023/24 C: Split-Site funding D: Equality Analysis Screening Tool	

1. SUMMARY

- 1.1 This report seeks approval from Cabinet for the draft 2024/25 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 2023 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:

- 2.1.1 the draft Schools Block Local Funding Formula for 2024/25 for 5- to 16-year-olds at Appendix A;
- 2.1.2 using the maximum Minimum Funding Guarantee permitted (+0.5%);
- 2.1.3 that, if after running the formula, there are unallocated funds, these are allocated through raising the rates for Basic Entitlement (AWPU) subject to the maximum permitted; and
- 2.1.4 that, if the rates for Basic Entitlement (AWPU) reach the maximum permitted, 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 2020/21 with the exceptions of PFI and Split Sites factors which were not yet within the NFF.
- 3.3 The ESFA has introduced new compulsory split-site funding criteria into the NFF for 2024/25 comprising basic eligibility and distance eligibility. These changes have been incorporated into the LFF and the impact on the schools affected is shown in Appendix C.
- 3.4 The Schools Block of the Dedicated Schools Grant (DSG) is expected to increase by £10.4 million (4.6%) in 2024/25 from £227.7 million to £238.1 million. This estimate excludes the Growth Fund which is announced separately.
- 3.5 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).
- 3.6 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 2024/25 Local Authorities will be able to set an MFG between 0% and +0.5% per pupil.

- 3.7 In November 2023, Schools Forum agreed that when the Local Authority sets the 2024/25 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. These decisions from Schools Forum are recommended to Cabinet to approve in this report.

4. OPTIONS & ALTERNATIVES CONSIDERED

- 4.1 The ESFA requires local authorities to bring their own formulae closer to the schools NFF in 2024/2025. Relevant to Waltham Forest is that local authorities are not allowed to 'overshoot' the NFF value of a formula factor by more than 2.5%, setting a limit on the use of any unallocated funds to increase Basic Entitlement (AWPU).
- 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. COUNCIL STRATEGIC 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 addition to general inflationary pressures, the 2023 pay awards have recently been announced.
- 7.1.3 For Teachers' pay an increase of 6.5% will be applied on all pay points except for M1 which is an increase of 7.1% to give a minimum starting salary of £30,000 per annum.
- 7.1.4 For support staff, the pay rise is £1,925 for all staff. This ranges from a 9.42% pay raise for the lowest paid who currently earn £20,441 to 3.88% for those at the top of the pay spine.
- 7.1.5 Schools are receiving a teachers' pay additional grant in 2023-24 (£2.258 million) and 2024-25 (£3.871 million) which will help mitigate some of the pay pressures.
- 7.1.6 There continues to be a 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 as at Quarter 2, with a projected cumulative deficit of £2.7 million, although the overall balance across all schools is a surplus of £6.5 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.
- 7.1.7 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.
- 7.1.8 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. This programme has been successful in reducing risk to the Council by supporting schools with their financial resilience and agreeing payment plans with schools to recover cash advances and pay outstanding invoices from 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 2023 provide the current framework for the funding of maintained schools including how the local authority may allocate their schools budget for 2023/2024 and regulations in respect of 2024/2025 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 2024 to 2025 operational guide” in October 2023. 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 22 January 2024 for its’ submission to ESFA.

7.3 Equalities and Diversity

- 7.3.1 An equality analysis screening tool 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