

TELFORD & WREKIN COUNCIL

CABINET – 6 JANUARY 2022

SCHOOL FUNDING FORMULA 2022/23

REPORT OF THE DIRECTOR: EDUCATION & SKILLS

LEAD CABINET MEMBER – COUNCILLOR SHIRLEY REYNOLDS

PART A) – SUMMARY REPORT

1. SUMMARY OF MAIN PROPOSALS

- 1.1 Each year we review the local funding formula for mainstream schools in the context of revisions to Department for Education (DfE) regulations or any other relevant developments. Although we consult with schools and the Schools Forum regarding any changes, the Council makes the final decision on the funding formula. The local funding formula applies both to academies and maintained schools. For 2022/23 it will determine the distribution of around £143m.
- 1.2 The following is proposed for 2022/23:
- We continue to apply the DfE's National Funding Formula (NFF) model for school funding, details of which are updated each year. 2020/21 was the first year in which we were able to apply it in full, as DfE funding to T&W finally caught up with national rates, following three years of transitional funding increases for previously underfunded authorities
 - Apply the maximum allowable minimum funding per pupil guarantee of a 2% increase compared to 2021/22,
 - When schools have agreed with the local authority to increase their Pupil Admission Number (PAN), or admit additional pupils above their PAN, to fund these schools on the basis of estimated pupil numbers for the year groups concerned, so as to avoid this agreed growth negatively impacting upon the financial position of these schools, arising from the usual lag in funding compared to pupil numbers.
- 1.3 The revised funding formula has to be submitted to the Education & Skills Funding Agency (ESFA), a DfE agency, by 21 January 2022.
- 1.4 This report seeks Cabinet approval for the proposed 2022/23 funding formula for Telford & Wrekin mainstream schools.

2. RECOMMENDATION

- 2.1 **That the 2022/23 funding formula for Telford & Wrekin mainstream schools, consulted on with the Schools Forum, be approved. The formula:**
- distributes an estimated £143m;
 - includes a guaranteed increase per pupil of 2%, the maximum allowable by government;

- where appropriate, supports growing schools by using estimated pupil numbers to determine funding, to avoid a lag in money reaching growing schools.

3 SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Co-operative Council priority objective(s)?	
	Yes	By ensuring that as far as is possible schools receive fair funding for their pupils, this supports the objective to improve local people's prospects through education and skills training.
	Will the proposals impact on specific groups of people?	
	Yes	Children, young people, parents and the wider community served by schools.
TARGET COMPLETION/DELIVERY DATE	The revised funding formula will take effect from 1 April 2022 for maintained schools and from 1 September 2022 for academies. Details of the formula have to be provided to the ESFA by 21 January 2022.	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	Schools are funded by the Dedicated Schools Grant (DSG), ring-fenced funding allocated to councils by government. Most mainstream schools in Telford & Wrekin (T&W) are forecast to receive an increase in funding in 2022/23 both in funding per pupil and in total funding. There is a national Minimum Funding Guarantee (MFG) per pupil set at between 0.5% and 2% for 2022/23. We propose to set the local MFG at the maximum 2%.
LEGAL ISSUES	Yes	<p>The dedicated schools grant (DSG) is payable to the local authority under Section 14 Education Act 2002 and administered under the DSG: Conditions of Grant Guidance, as updated by the Education & Skills Funding Agency from time to time.</p> <p>The Chief Financial Officer of the local authority is required to confirm the deployment of the DSG in support of the schools budget</p> <p>The School and Early Years Finance (England) (No. 2) Regulations 2018 were revoked for financial year commencing 1st April 2021, replaced by the School and Early Years Finance (England) Regulations 2021 which govern how the local authority determines its schools budget and consultation requirements.</p> <p>The application of the national funding formula (NFF) for schools for 2022-2023 is informed by Department for Education guidance and Education & Skills Funding Agency operational guidance, as updated from time to time.</p> <p>KF 03.12.2021</p>

OTHER IMPACTS, RISKS & OPPORTUNITIES	No	
IMPACT ON SPECIFIC WARDS	Yes	The revised funding formula will affect all schools in T&W, including academies, with the exception of nursery schools, special schools and independent schools and so will impact upon all Wards across the Borough.

PART B) – ADDITIONAL INFORMATION

4 THE FUNDING SYSTEM FOR SCHOOLS

- 4.1 Dedicated Schools Grant (DSG) is allocated to local authorities by the DfE in four blocks; Schools, High Needs, Early Years and Central School Services, using the following bases:
- Schools Block: Calculated by multiplying the number of pupils at the preceding October census (i.e. October 2021 for 2022/23) by a unit of funding, which is different for each local authority. The 2022/23 allocation for T&W is approximately £143m.
 - High Needs Block: Calculated by a combination of historic allocations and a national funding formula. The 2022/23 allocation for T&W is approximately £30.5m.
 - Early Years Block: Calculated by taking the average pupils in the relevant two January censuses (i.e. January 2022 and January 2023 for 2022/23) and then multiplying by a unit of funding. The 2022/23 allocation for T&W is approximately £13m.
 - Central School Services block: Calculated by a mixture of historic expenditure levels and number of pupils. The grant was introduced in 2018/19 replacing (albeit at a much reduced level) the abolished Education Services Grant. The 2022/23 allocation for T&W is £1.1m.
- 4.2 There is some flexibility to move money between blocks, but any movement out of the Schools and Early Years blocks is limited in scale and subject to a Schools Forum vote. DSG as a whole is ring-fenced for schools.
- 4.3 Unfortunately the DfE have announced a proposal to cut the ‘School Improvement Monitoring and Brokering Grant’ by 50% next year with the remaining grant being fully removed in 2023/24. This essential grant is used to support statutory local authority functions. Nationally this is a £50m reduction in Government support to councils for these essential activities and only affects local authority maintained schools rather than academies. There is no indication that the DfE are proposing to reinvest the £50m back into the school sector.
- 4.4 Telford & Wrekin currently receive £182k of School Improvement Monitoring and Brokering Grant. The DfE proposal would see this cut by £91k in 2022/23 and a further £91k cut imposed in 2023/24. There is, however, no current change to the statutory duties of Local Authorities to monitor maintained schools standards and the suggestion by the DfE to plug the funding gap is to ask maintained schools to further “de-delegate” money (affecting their budgets) to ensure the Local Authority can continue to provide these services. We will be advised whether, or not, the DfE are proceeding with the proposal in the new year. If they confirm that the proposal will proceed, we will liaise with the School Forum to determine next steps.
- 4.5 The final distributions of DSG are notified in December, based upon October census data.

4.6 DSG is distributed to institutions as follows:

- Mainstream schools – currently via a locally determined funding formula, within the constraints of DfE regulations. The details of this are discussed in section 5 below. The DfE is proposing to move to a national formula at school level, with a plan to compel local authorities to begin converging to the national formula from 2023/24
- Special schools and pupil referral units (PRUs) - via a place plus top-up system, the place element being set nationally at £10,000, the top-up element being locally determined. The number of places is determined by a combination of the local authority and the ESFA.
- Nurseries, nursery classes and private, voluntary and independent early years providers – for 3 and 4 year olds via an Early Years Single Funding Formula, locally determined, within the constraints of DfE regulations; for 2 year olds, calculated on the basis of a single hourly rate (currently set at £5.27 in T&W).

4.7 In recent years there has been increasing budget pressure in the high needs area, as a result of legislative change and demographics. Many local authorities have incurred DSG deficits as a result, although T&W's strong partnerships with schools and good financial management meant that we ended 2020/21 with a £0.6m DSG surplus.

4.8 The DfE has responded to the national pressures by again allocating significant additional funding for high needs in 2022/23, amounting to around £2.5m for T&W.

4.9 The overall high needs funding increase does not remove the pressure in this area, but does offer some financial respite. T&W has a number of initiatives in place with the aim of delivering the most effective and cost efficient provision possible, but is experiencing similar difficulties to most other LAs in dealing with fundamental pressures in what, to a large extent, is a demand-led system. An expected Green Paper is anticipated from national government in 2022 on potential reform to the SEND system, given the significant funding pressures caused by the current legislative system.

5 T&W 2022/23 FUNDING FORMULA

5.1 The DfE is calculating 2022/23 Schools Block funding allocations to local authorities by a National Funding Formula (NFF). This revised methodology replaced the existing historically based allocations in 2018/19.

5.2 The NFF has benefited T&W schools. Between 2017/18 and 2020/21, the increase for T&W was around 6.8% per pupil – resulting in £7m of additional resources per annum. This was in addition to any increases arising from extra pupil numbers. It vindicated our long-standing belief that mainstream school funding for T&W had previously been held at an unacceptably low level by the DfE. In 2020/21, the DfE also allocated a general increase to local authorities exceeding 4% per pupil and a further 3% increase in 2021/22 (on a like-for-like basis, teachers pay grants were brought into DSG for 2021/22).

5.3 In 2022/23 there is an increase of just under 3% per pupil. Mainstream funding per pupil in T&W is now around the national mid-point, but higher than the average for non-London authorities (London authorities receive additional funding from 'area cost

adjustments'). Total schools block funding for T&W has increased from £107.5m in 2017/18 to an estimated £143m in 2022/23.

- 5.4 Since 2020/21 the DfE has also required local authorities to apply a minimum funding per pupil amount to all schools. For 2022/23 this is set at £4,265 for primary schools and £5,525 for secondary schools. This has the impact of boosting the funding of schools with less deprived intakes, as these schools receive relatively little from funding factors linked to deprivation and low prior attainment.
- 5.5 The local funding formula for 2022/23 was discussed with the Schools Forum on 16 September and 18 November. The Forum agreed that we should continue to mirror the NFF funding factors in the local funding formula.
- 5.6 Allocations to schools are also influenced by the amount allocated to growth funding. T&W pupil numbers in the secondary sector continue to grow and some primary schools are also experiencing significant growth. A number of schools have agreed to increase their pupil number intakes in response to demographic pressures, and we plan to continue to fund such schools using estimated pupil numbers. This means that the schools do not have to wait until the following April (for maintained schools) or September (for academies) for funding to reflect the increased pupil numbers.
- 5.7 The authority's successful Building Schools for the Future (BSF) capital programme prepared the way for this secondary growth, by building capacity to absorb more pupils, both through the completed buildings and also through the schools being designed to enable expansion when required.
- 5.8 As noted above, the actual allocations to schools can only be finalised once the confirmed data from the October 2021 census is released by the DfE in December. Cabinet approval is therefore being sought for the principles behind the local funding formula for schools, rather than the precise amounts allocated to each school.

6 IMPACT ASSESSMENT – ADDITIONAL INFORMATION

- 6.1 Schools continue to be protected by the national Minimum Funding Guarantee, which for 2022/23 sets the minimum increase per pupils at 0.5% per pupil. As noted above, T&W is proposing a local protection that amends this to 2%, the maximum allowable level of protection.
- 6.2 Under current regulations, the formula can be reviewed and, if desirable, it can be amended by the local authority each year. The power to do this may diminish from 2023/24 as the government proposes to compel local authorities to converge to the national funding formula, in preparation for a national formula at school level.

7. PREVIOUS MINUTES

- 7.1 Minutes of the meetings of the Cabinet held on 3 January 2019 (concerning the 2019/20 funding formula), 2 January 2020 (concerning the 2020/21 funding formula) and 7 January 2021 (concerning the 2021/22 funding formula).

8. BACKGROUND PAPERS

"Schools revenue funding 2022 to 2023: Operational guide", Education & Skills Funding Agency, July 2021.

T&W Schools Forum, minutes and accompanying papers of meetings held on 16 September 2021 and 18 November 2021.

Report prepared by:
Tim Davis
Group Accountant
Telephone: 01952 383756