

City of Wolverhampton Council

SCHOOLS' FORUM

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Report title	Dedicated Schools Grant and School Funding 2024-2025
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Summary

This report considers the indicative Dedicated Schools Grant (DSG) settlement for 2024-2025 and the proposed local funding formula for the Schools block in Wolverhampton.

Decision

Members of the Schools' Forum are asked to:

1. Note the indicative DSG settlement for 2024-2025.
2. Endorse and recommend to Cabinet the agreed local funding formula option (which uses the same factors as the National Funding formula (NFF)). The results of a consultation with all mainstream schools in Wolverhampton on their preferred option will be presented at the meeting.
3. Note the resulting growth fund and budget allocations to schools in Wolverhampton.
4. Agree the proposed rates for de-delegation from maintained schools for 2024-2025.
5. Agree the proposed rates for maintained schools' contribution to Education Functions and School Improvement for 2024-2025.
6. Note that Schools' Forum will receive further reports in February 2024 detailing the breakdown of High Needs, Early Years and Central Services Blocks budgets along with a Schools block report detailing final school budget shares.

1.0 Background

- 1.1 As discussed at the December 2023 meeting of Schools' Forum, it will remain the duty of Local Authorities in 2024-2025 to set a local funding formula, in consultation with their Schools' Forum, to determine the allocation of funding from the Schools Block of the DSG to schools in the City.
- 1.2 As part of the annual process for determining school budget shares, the Council is required to enter the agreed local funding arrangements into the Authority Proforma Tool (APT) and submit this to the Education and Skills Funding Agency (ESFA). The ESFA will then check that the local formula is appropriate. The Council is also required to obtain Member approval of the local funding arrangements in February 2024, enabling it to notify Schools of their final budget share by the time of the 29 February 2024 Schools' Forum meeting. This means that the school level allocations detailed within this paper remain indicative until final approved is received.

2.0 DSG Allocation 2024-2025

- 2.1 On 19 December 2023, the Department for Education announced the Local Authority's indicative DSG allocation for 2024-2025. The City of Wolverhampton's initial allocation was announced as £352.3 million as set out in the following blocks:

2024-2025 Indicative DSG Settlement	2023-2024	2024-2025 Indicative	% Change
	£m	£m	
Schools Block (not including supplementary funding)	253.6	271.3	7%
High Needs Block	48.4	50.4	4%
Central Services Block	2.0	2.0	0%
Early Years Block	19.8	28.6	44%
TOTAL	323.8	352.3	3%

- 2.2 In addition to the DSG allocations above, Schools will continue to receive the Teachers Pay additional grant, announced in July 2023, as a separate grant in 2024-2025. The schools supplementary grant will not continue as a separate grant in 2024-2025 and the ESFA has built this funding into baselines for the NFF.
- 2.3 Schools' Forum will receive reports at the 29 February 2024 meeting detailing the budgets for High Needs, Central Services and Early Years Blocks as well as the approved Schools Block budget.

3.0 Schools Block Funding

3.1 The Schools Block Funding of £271.3 million in 2024-2025 is made up of the following elements:

Area of Funding	Total (£m)
Primary and secondary per pupil funding	263.4
Premises Factors (Rates and PFI)	6.3
Growth Factor	1.6
TOTAL ALLOCATION	271.3

4.0 Formula Funding and Preparation of Individual Schools' Budgets for 2024-2025

4.1 At its meeting of 5 December 2019, Schools Forum agreed to adopt all NFF rates as part of its local formula for 2020-2021 and has continued to do so in subsequent years. The factors are updated each year by the ESFA. In December it was agreed with Schools' Forum to maintain the mirroring of NFF factors in the local funding formula for 2024-2025. It was noted however that this may not be affordable with the maximum allowable MFG of 0.5% or without a cap on gains.

4.2 The area allocation received by the Council is based on the number of students on roll in the October census and includes an element for growth which is used to pay for schools taking on new classes which were not on the October census. The December paper highlighted that in recent years the element for growth has been used to fund the NFF allocations to schools. However, in 2023-2024 there has been an increase in demand for the growth fund and there is an anticipated in year budget deficit of £350,000.

4.3 The funding allocation includes an element for growth of £1.5 million and the Council requires a 2024-2025 growth fund of £1.3 million. In addition to this, there are costs related to the new Free school in Wednesfield and the expanded age range at Thomas Telford UTC, costing in total £660,000.

4.4 The ESFA regulations include a mechanism known as the Minimum Funding guarantee (MFG). In 2024-2025 this needs to be between 0% and 0.5% and relates to pupil led funding on a per pupil basis. If set at the maximum of 0.5%, all schools will receive a minimum increase of 0.5% for pupil led funding on a per pupil basis, even if this takes them above NFF levels. A 0.5% MFG would cost an additional £606,000 in 2024-2025.

4.5 This means that to set a local funding formula using full NFF factors, with maximum MFG of 0.5% and no cap on gains, would cost £271.9 million, which is £615,000 more than the total allocation. The ESFA regulations state that in such a situation, the MFG can be adjusted or a cap on gains introduced. The Council has therefore prepared two options detailed below.

5.0 Options for consideration

5.1 **Option 1:** The first option is to reduce the MFG to 0%. This will mean that every school will receive at least the same amount of funding for pupil-led factors per pupil as received in 2023-2024 (the modelling tool includes the additional schools grant for 2023-2024 in determining the 2023-2024 baseline). This measure would also require a gains cap of 2.57%, meaning that the maximum per pupil increase on pupil-led factors that a school can receive is 2.57%.

This would result in 36 (out of 92 schools) receiving a reduction in their funding, with an average reduction of 0.7% of their overall Budget and a maximum of 2%.

5.2 **Option 2:** The second option is as above but the MFG would be set at the maximum of 0.5% and a gains cap of 2.41%. This would result in a reduction to 33 schools with an average reduction of 0.8% and a maximum reduction of 2.2%.

5.3 The individual school budgets of each option are shown in appendix 2.

5.4 Appendix 1 shows the funding factors included in the proposed 2024-2025 local factors and 2023-2024 rates for comparison. A list of schools and their forecast budget share under the proposed options for the local funding formula are shown in Appendix 2.

6.0 Recommended Option

6.1 The recommended option for the City of Wolverhampton is Option 1. This option means that the schools currently funded above NFF levels will move closer to NFF whilst still not receiving a reduction to pupil led factors on a per pupil basis. It will also minimise the required cap on school gains due to NFF factors.

7.0 Education Functions

7.1 Where local authorities continue to provide additional services for maintained schools, which were formerly funded through the Education Services Grant, these services are now expected to be funded from school budget shares, with the agreement of maintained school members of the Schools' Forum.

7.2 In 2023-2024 the agreed rate of Education Functions contribution for mainstream schools was £32.71. For 2024-2025 the proposed rate is £33.69 which is an increase of 3% based on the forecast pay award for 2024-2025.

7.3 Differential rates have historically been applied for special schools and PRUs and are calculated on a per place basis. The current agreed multipliers are 3.75 for PRUs and 4.25 for special schools.

8.0 School Improvement

8.1 The ESFA announced in January 2022 that they would proceed with reducing the local authority school improvement monitoring and brokering grant by 50% for the financial year 2022 to 2023, prior to full removal in the financial year 2023-2024. The Council was receiving in the region of £160,000 per annum from this grant and applying this to the schools' improvement service. The grant's purpose was to fund a service that is able to monitor the performance of maintained schools, broker school improvement provision, and exercise their statutory intervention powers.

8.2 The latest ESFA Schools operational guide states that local authorities are now able to deduct funding from maintained school budgets to support the costs of core schools improvement service.

8.3 As part of the 2022-2023 budget setting process it was agreed at Schools' forum that schools would fund the 50% 'lost' grant in 2022-2023, via an additional charge of £5.04 per pupil for maintained mainstream schools (with relevant multipliers for Special Schools and PRUs as detailed above). This continued into 2023-2024 and the proposal is to increase this contribution in line with the forecast pay award of 3% to £5.19 per pupil.

8.4 The forecast cost of the current Educational excellence team in 2024-2025 and funding is shown below.

£	
Total controllable Cost of School improvement service	657,000
Funded by Council budgets	(589,000)
Funded by De-delegation	(68,000)

8.5 In the event that the continuation of funding is not approved by Schools' Forum, this would result in a reduction of capacity in the Educational Excellence team. This would impact on the service responding to school enquiries and requests in the current way and reduce the number of school and subject reviews.

9.0 De-delegation

9.1 The Local Authority continue to offer a de-delegation option for the provision of services to maintained primary and secondary schools. As in previous years, special schools, nursery schools, PRUs and academies will need to enter into Service Level Agreement (SLA) arrangements to secure these services.

9.2 The only currently de-delegated service is for Under-performing Ethnic Minority Groups. Wolverhampton Citizenship, Language and Learning (CLL) Service supports schools/academies in Wolverhampton before, during, and after the admittance of a newly arrived pupil, for whom English is an additional language and also supports pupils from traditionally under achieving ethnic groups.

9.3 The cost of providing the CLL service in 2024-2025 will be £230,000 and the de-delegation funding is topped up by Academy SLAs and Maintained school upgrades. Due to increased costs related to corporate salary increases it is proposed that the cost per pupil is increased by the Authority's budget setting rate for salaries inflation rate of 3.0% to £10.15.