

Proposed Schools Funding Formula 2018/19

5 December 2017

1. Purpose of report

- 1.1 The schools funding formula is the local process that is utilised (informed by national guidance which details the funding factors that can be incorporated) to allocate the Dedicated Schools Grant (DSG) funding that the Council receives to the mainstream schools in the Borough of Walsall. The Department for Education (DfE) requires each Local Authority, in consultation with their Schools Forum, to produce a schools funding formula for the following financial year, by the third week in January each year. Due to the timing of Cabinet meetings this therefore normally requires the agreement in advance of the DfE informing each Local Authority of their Dedicated Schools Grant (DSG) for that year (as this is normally provided until the last week in December each year).
- 1.2 Central Government, in line with the commitment set out in its manifesto document, has now begun the process of implementing a schools National Funding Formula (NFF), which it believes will allow for a more equitable and comparable distribution of funding to schools across the country compared to the current methodology (which is in the main based on historic spending on education in each area rather than need).
- 1.3 This will commence from April 2018, however for 2018/19 and 2019/20 although allocations for each school will be calculated nationally by the Education & Skills Funding Agency (ESFA) under the values associated with the NFF, these individual school level calculations will not be paid directly to schools and instead will be aggregated to calculate an allocation for each local authority – with each authority able to then still operate a local funding formula for each of those years.
- 1.4 As such a working group of Schools Forum members was set up to review the options available for revising and setting the local funding formula for 2018/19 with the aim of identifying the most appropriate option for distributing the total funds available to the authority to fund mainstream education.
- 1.5 The outcome of this working group and proposed basis of the local funding formula for 2018/19 is set out in this report, and the recommendation of Schools Forum will be reported to Cabinet at their meeting on 5 December 2017, where they are required to approve any formula that will be utilised.

2. Recommendations

- 2.1 That Schools Forum note the work undertaken by officers and the working group containing members of Schools Forum, and agree the recommended formula that will be utilised to distribute funding to mainstream schools and academies within Walsall for 2018/19.
- 2.2 Schools Forum are asked to note that this recommendation will then be reported to Cabinet on 13 December 2017 to seek their approval.

- 2.3 Schools Forum are asked to approve the continuation of work to identify a local funding formula to be operated for 2019/20, to begin from May 2018, and are asked to identify appropriate members to form part of that group.

3. Report detail

- 3.1 The DfE undertook consultations in March 2016 and December 2016 regarding changes to the way that funding for Schools will be allocated nationally going forward, proposing a revision to the factors that can be utilised when then allocating this funding locally, and seeking to move to funding per school being calculated and at a national level and allocated on that basis from April 2020 (but with the ability to still seek to operate a local funding formula for 2018/19 and 2019/20 in preparation for this).

- 3.2 The detail on the government's response to the consultation and the final proposals for the national funding formula can be found at the following link:

<https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs>

- 3.3 The initial consultation and indicative allocations under the NFF showed that the majority of Walsall schools were at risk of losing funding from the implementation. However following feedback throughout the consultation process the final NFF proposals provided indicative allocations that sought to ensure that no school would lose funding as a result of the introduction of the NFF (assuming no underlying changes in pupil numbers and characteristics from 2017/18 to 2018/19 – and based on this assumption for Walsall the change would see overall Schools Block Funding increase from £198.165m to £201.868m).

- 3.4 The NFF is due to commence from April 2018, however for 2018/19 and 2019/20 although allocations for each school will be calculated nationally by the Educations & Skills Funding Agency (ESFA) under the values associated with the NFF, these individual school level calculations will not be paid directly to schools and instead will be aggregated to calculate an allocation for each local authority – with each authority able to then still operate a local funding formula for each of those years.

- 3.5 Due to the implementation of the NFF there are a number of significant changes to the funding system for 2018/19 that are set out in the operational guidance, that was released in September 2017, that impact on the way that funding for mainstream schools will be allocated to Walsall. These are as follows:

- (i) Within the schools block, the Government will provide for at least a 0.5% per pupil increase for each school in 2018 to 2019 through the national funding formula. Local authorities' schools block allocations will be calculated by aggregating schools' notional allocations under the national funding formula, and these notional allocations will reflect these increases. Schools block allocations will be expressed as

separate per pupil primary and secondary rates for each local authority. They will also include funding at local authority level for premises, mobility and growth, based on historic spend.

- (ii) The formula will provide local authorities with per pupil funding of at least £4,800 for all secondary schools that have pupils in years 10 and 11 by 2019-20. A new factor will be allowed in local authority formulae so they can set a transitional amount of per pupil funding in 2018 to 2019, as a step towards £4,800 in 2019 to 2020.
- (iii) There remains the ability to incorporate a Minimum Funding Guarantee (MFG) within the formula. The MFG ensures that the funding individual schools receive does not decrease by more than an allowable value (which in past years has been set at minus 1.5% per pupil per year). This ensures that any schools that have lost funding through amendments to the formula have sufficient time to manage this change. This is funded through a cap on schools who have gained funding which therefore means that these schools potentially have to wait a number of years to see the full benefit of any increase in funding. However from 2018/19 local authorities will have the flexibility to set a local MFG between 0% and minus 1.5% per pupil. Local authorities can use this flexibility to offer higher levels of protection locally, but as above as the overall level of funding is limited any increased protection will need to be met by capping the level of gains at schools who are due to receive increases in funding.
- (iv) The schools block will be ring-fenced from 2018 to 2019, but local authorities will be able to transfer up to 0.5% of their schools block funding out with the agreement of their schools forum. Local authorities will be expected to demonstrate to their schools forum that they have consulted locally with all maintained schools and academies when seeking agreement to transfer any funding out of the schools block. There will be an exceptions process, which will require Secretary of State approval, for considering transfers above the 0.5% limit and/or where the schools forum is opposed to the transfer. Whilst the other blocks are not subject to limits on transfers, local authorities will be strongly encouraged to consult their schools and agree with their schools forum any other proposal to move funding between blocks.
- (v) local authorities can now use both current free school meals and “ever 6” free school meals measures within their deprivation factors (previously they have been able to use one of these measures, but not both);
- (vi) Pupil Premium Plus rates will be increasing for 2018 to 2019 rather than including a looked-after children factor in the national funding formula. Local authorities will want to consider whether they reflect this in their local formulae;
- (vii) There will no longer be a deduction to schools block pupil numbers for high needs places in mainstream schools. Instead, the school’s budget share (or the equivalent academy funding) will be determined on the

basis of the total number of pupils on the roll of the school, including those in the special unit or resourced provision. An adjustment has been made between the high needs block and schools block for each local authority to reflect this change. The 2017 to 2018 baselines and 2018 to 2019 minimum funding amounts table published alongside the guidance explains the adjustment for each local authority. The balance of funding for this kind of special provision will come from the place funding decided in accordance with the local authority's commissioning decisions, and the top-up funding for individual pupils. The place funding will be £6,000 per place where the place is occupied by pupils in years reception to 11 on the roll of the school at the time of the October school census return. Places not filled by such pupils will still be funded at £10,000. Further information for local authorities on this change will be included in the high needs operational guide;

3.6 In addition to the above it should also be noted that, although it is not explicitly set out in the operational guidance that has been issued, although most of the funding factor values that were utilised for 2017/18 within the Walsall local schools funding formula were very similar to those proposed under the NFF there were some areas that would see larger variances. These were as follows:

- (i) Deprivation – whilst the annual value per eligible pupil within the Walsall local funding formula for 2017/18 is very close to the values proposed under the NFF across all categories for primary schools, for secondary schools the lower categories see a large variance, with Band F being £222.82 within the local formula and £290 within the NFF, Band E being £272.34 and £390 respectively and Band D £346.61 and £515.
- (ii) Low Prior Attainment – The annual value per eligible pupil that was proposed under the NFF was £1,050 for primary and £1,550 for secondary, compared to the £215 included within the 2017/18 local funding formula.
- (iii) English as an Additional Language – The annual value per eligible pupil that was proposed under the NFF was £515 for primary and £1,385 for secondary, compared to the £438.85 included within the 2017/18 local funding formula.
- (iv) Lump Sum – The annual value per school proposed under the NFF was £110,000, compared to the £175,000 included within the 2017/18 local funding formula.

As such when allocations for individual schools are calculated under the NFF for 2018/19 and aggregated to calculate a funding allocation for the local authority as a whole, it will utilise funding rates based of the NFF values for these areas.

NFF Indicative Allocations

- 3.7 As set out at 3.3 above as part of the final feedback on the consultation process the DfE published indicative allocations per school setting out the funding that each would receive under an NFF calculation assuming no underlying changes in pupil numbers and characteristics from 2017/18 to 2018/19. However the DfE have not released the detailed backing information relating to these calculations.
- 3.8 Furthermore it should be noted that the actual level of Schools Block DSG that will be payable to Walsall Council for 2018/19, which is normally provided during the last week in December each year, will be based on the pupil numbers set out within the Schools Census carried out during October 2017.
- 3.9 There are however a number of schools within Walsall where, due to increased need for places, the Council have completed expansions within the last 7 years which are not yet full in each year group, or where expansions are underway and due to be in place for September 2018. This group of schools are therefore expected to see an increase in pupil numbers, above those contained within the October 2017 census, for the period September 2018 and March 2019.
- 3.10 As these pupils were not in place when the October 2017 census was completed no funding will be provided to Walsall Council for them for 2018/19, but the local funding formula should recognise these additional children and seek to allocate funding for them. This must therefore be funded within the overall School Block DSG that will be available.
- 3.11 The impact of the above means that the Council would not be able to seek to implement the NFF indicative allocations as the basis of its local formula for 2018/19, and as such there is a need to review alternate options.

Review of Options for a 2018/19 Local Funding Formula

- 3.12 As such a working group of Schools Forum members was set up to review the options available for revising and setting the local funding formula for 2018/19 with the aim of identifying the most appropriate option for distributing the total funds available to the authority to fund mainstream education.
- 3.13 This group comprised a mixture of primary, secondary and governor representatives from both maintained and academy schools, with the group meeting over a two month period, on 13 October 2017, 6 November 2017 and 27 November 2017, to review and work through options.
- 3.14 The aims of the group were:
- i. To ensure as small a number of schools as possible would see reductions in funding, on a per pupil basis, for 2018/19 compared to the local funding formula allocations calculated by the authority for 2017/18.

- ii. To seek to offer some consistency of funding to schools across 2018/19 and 2019/20 to allow schools time to plan / prepare for the implementation of a 'hard' NFF from 2020/21.
 - iii. To ensure transparency regarding the work of the group and any recommendations made
- 3.15 When the DfE released indicative NFF allocations per school they also released details of actual 2017/18 funding provided to each school, to provide a comparison for schools. When reviewing this information the authority identified that for a number of academy schools (where budget allocations are calculated by the local authority but their funding is paid directly by the DfE) there were variations between the 2017/18 allocation calculated by the authority and the 2017/18 funding detailed by the DfE.
- 3.16 This was queried with the DfE who confirmed that there are instances where individual agreements are in place with academies where for a variety of reasons the actual amount that is paid to the school may be different to the allocation calculated by the authority. As such the guidance from the DfE was that comparisons in potential funding levels for any modelling work should be in reference to the local funding formula allocations calculated by the authority for 2017/18 (and that the DfE would then separately carry out a review of these individual agreements in advance of 2018/19).
- 3.17 With the above principles in mind the working group reviewed a number of options for implementing changes to the local funding formula for 2018/19. These models can be summarised as follows:

Model 1 – Keeping the Local Funding Formula factor values unchanged from 2017/18 to 2018/19, and retaining an MFG of -1.5%. Pupil numbers were adjusted for projected September 2018 growth in schools which have / will be expanded.

This would see 76% of mainstream primary and secondary schools within Walsall either gain or see no change to their budget for 2018/19 compared to the local funding formula allocations calculated by the authority for 2017/18 (assuming no change in pupil numbers or characteristics), with a maximum gain of £77k and an average change for these schools of £8k.

However 24% of schools would see a reduction in funding (assuming no change in pupil numbers or characteristics) compared to the local funding formula allocations calculated by the authority for 2017/18, with a maximum loss of £77k and an average loss of £14k.

The average gain across all schools under this model was 0.14%.

Model 2 – Utilising the NFF factor values in full within the local funding formula for 2018/19 and allocating any residual funding to the lump sum, and retaining an MFG of -1.5%. Pupil numbers were adjusted for projected September 2018 growth in schools which have / will be expanded.

This had the impact of amending the lump sum (the funding that all schools receive regardless of size) from £110k set out within the NFF to £150k.

This would see 75% of mainstream primary and secondary schools within Walsall either gain or see no change to their budget for 2018/19 compared to the local funding formula allocations calculated by the authority for 2017/18 (assuming no change in pupil numbers or characteristics), with a maximum gain of £264k and an average change for these schools of £50k.

However 25% of schools would see a reduction in funding compared to the local funding formula allocations calculated by the authority for 2017/18 (assuming no change in pupil numbers or characteristics), with a maximum loss of £42k and an average loss of £13k.

The average gain across all schools under this model was 1.61%.

Model 3 – Utilising the Local Funding Formula factor values used for 2017/18 however amending the factor values applicable to Looked After Children, Low Attainment and English as an Additional Language. This model also retained an MFG of -1.5%. Pupil numbers were adjusted for projected September 2018 growth in schools which have / will be expanded.

Within the NFF the factor value associated with Looked After Children (LAC) is set at £0 as this funding has been removed from DSG and will be paid to those schools who supported looked after children as part of the Pupil Premium Funding (with a new Pupil Premium Plus rate introduced from 2018/19 to take account of this). As such this option also reduces the value associated with LAC in the 2018/19 local funding formula to £0 to avoid this area of need being funded twice.

Additionally within the NFF the factor values associated with Low Attainment and also English as an Additional Language (EAL) are considerably higher than those currently utilised within the local funding formula. This model therefore increased the values associated with Low Attainment from £215 per pupil to £474 per pupil, and for EAL from £438.85 to £515.

This would see 92% of mainstream primary and secondary schools within Walsall either gain or see no change to their budget for 2018/19 compared to the local funding formula allocations calculated by the authority for 2017/18 (assuming no change in pupil numbers or characteristics), with a maximum gain of £201k and an average change for these schools of £39k.

Only 8% of schools would see a reduction in funding compared to the local funding formula allocations calculated by the authority for 2017/18 (assuming no change in pupil numbers or characteristics), with a maximum loss of £82k and an average loss of £20k.

However this option would see a more even distribution of gains with the average gain across all schools under this model was 2.31%.

Model 4 – Utilising the Local Funding Formula factor values used for 2017/18 but amending the factor values applicable to Looked After Children, harmonising local deprivation rates to the NFF rates, and increasing Low Attainment and English as an Additional Language rates toward those included within the NFF. This model also retained an MFG of -1.5%. Pupil numbers were adjusted for projected September 2018 growth in schools which have / will be expanded.

Within the NFF the factor value associated with Looked After Children (LAC) is set at £0 as this funding has been removed from DSG and will be paid to those schools who supported looked after children as part of the Pupil Premium Funding (with a new Pupil Premium Plus rate introduced from 2018/19 to take account of this). As such this option also reduces the value associated with LAC in the 2018/19 local funding formula to £0 to avoid this area of need being funded twice.

Within this model the deprivation factors within the local formula were also harmonised with those set out within the NFF.

Additionally within the NFF the factor values associated with Low Attainment and also English as an Additional Language (EAL) are considerably higher than those currently utilised within the local funding formula. This model therefore increased the values associated with Low Attainment from £215 per pupil to £560 per pupil for primary and £600 for secondary, and for EAL from £438.85 to £515.

This would see 90% of mainstream primary and secondary schools within Walsall either gain or see no change to their budget for 2018/19 compared to the local funding formula allocations calculated by the authority for 2017/18 (assuming no change in pupil numbers or characteristics), with a maximum gain of £225k and an average change for these schools of £40k.

Only 10% of schools would see a reduction in funding compared to the local funding formula allocations calculated by the authority for 2017/18 (assuming no change in pupil numbers or characteristics), but with a much smaller maximum loss compared to model 3 of £28k and an average loss of £12k.

This option also sees a more even distribution of gains with the average gain across all schools under this model was 2.07%.

Revised Models

- 3.18 Based on the principles set out the working group agreed that Model 1 and 2 would potentially see too high a proportion of schools seeing a reduction, and as such these models were not progressed further.
- 3.19 With regard to Models 3 and 4 the feedback from the group was that as the total percentage of schools seeing a loss was broadly consistent across both models, that additional work should be undertaken to seek to refine these models further.
- 3.20 This refinement was also informed by the confirmation from the DfE on 23 November 2017 that the funding regulations will be amended to enable local formulae for 2018/19 to include a positive minimum funding guarantee (MFG) of up to +0.5% per pupil (meaning that a guaranteed minimum increase in funding for all schools, subject to the totality of funds available within the Schools Block, could be incorporated into modelling options).
- 3.21 Models 3A and 4A were therefore developed and can be summarised as follows:

Model 3A – Utilising the Local Funding Formula factor values used for 2017/18 but amending the factor values applicable to Looked After Children, harmonising local deprivation rates to the NFF rates, and increasing Low Attainment and English as an Additional Language rates toward those included within the NFF. Pupil numbers were adjusted for projected September 2018 growth in schools which have / will be expanded. This model incorporated an equivalent positive MFG of 0.11% (which was the maximum affordable within the totality of funding available).

This would see all mainstream primary and secondary schools within Walsall see a gain of at least 0.11% to their budget for 2018/19 compared to the local funding formula allocations calculated by the authority for 2017/18 (assuming no change in pupil numbers or characteristics), with a maximum gain of £187k.

No school would see a reduction in funding compared to the local funding formula allocations calculated by the authority for 2017/18 (assuming no change in pupil numbers or characteristics), and the distribution of gains would see an average gain of 2.25%.

This model would also start aligning the local factor values towards those set out in the NFF, in preparation for the implementation of a 'hard' NFF in 2020/21.

Model 4A – Utilising the Local Funding Formula factor values used for 2017/18 but amending the factor values applicable to Looked After Children, harmonising local deprivation rates to the NFF rates, and increasing Low Attainment and English as an Additional Language rates toward those included within the NFF. Pupil numbers were adjusted for projected September 2018 growth in schools which have / will be

expanded. This model incorporated an equivalent positive MFG of 0.10% (which was the maximum affordable within the totality of funding available).

This would see all mainstream primary and secondary schools within Walsall see a gain of at least 0.10% to their budget for 2018/19 compared to the local funding formula allocations calculated by the authority for 2017/18 (assuming no change in pupil numbers or characteristics), with a maximum gain of £179k.

Again, no school would see a reduction in funding compared to the local funding formula allocations calculated by the authority for 2017/18 (assuming no change in pupil numbers or characteristics), and the distribution of gains would see an average gain of 2.08%.

This model also incorporates a greater alignment of the local funding formula factor values towards those set out in the NFF than that seen within model 3A above.

Recommended Model and Rationale

3.22 Both models 3A and 4A would see no schools lose funding, and the minimum increase across both models is broadly equal. However the feedback from the working group was that Model 4A:

- Showed a flatter allocation of gains (with an average gain of 2.08% rather than 2.25% seen in Model 3A)
- Showed a greater movement toward starting to align local funding factor values to those set out within the NFF
- Saw more investment targeted toward low prior attainment (with local rates under model 4A being equivalent to 53% of the NFF values for primary and 39% for secondary – compared to 45% and 31% respectively for model 3A)
- Additionally the ratio of funding between primary and secondary schools was reviewed which highlighted that model 4A was more consistent with the current allocation split – the current funding formula allocates funding at a ratio of 1:1.245 between primary and secondary school, reflecting the greater cost of supporting students at the higher levels of educational attainment, Model 4A would see a ratio of 1:1.238 compared to 1:1.229 under Model 3A.

As such the working group identified option 4A as the preferred formula for allocating funding to schools for 2018/19.

3.23 As such Appendix 1 provides a breakdown of the proposed Walsall Council local schools funding formula for 2018/19 setting out the potential values for each factor if these were in line with those included in Model 4A.

- 3.24 It must be noted that this formula only applies to mainstream schools and academies (as those providers who support children with additional needs e.g. special schools / pupil referral units, and also early year's provision are subject their own funding arrangements).
- 3.25 It should also be noted that this proposed formula will only apply to the 2018/19 financial year and further work will be undertaken with a working group, and reports provided to Schools Forum and Cabinet, to agree the local formula to be utilised for 2019/20.

4. Financial implications

- 4.1 As required under the DfE guidelines, the proposed local funding formula allocates all of the funding that Walsall Council receives within the Schools Block of its DSG to schools in Walsall.
- 4.2 Under the proposed formula no school will see a reduction in funding per pupil between the 2017/18 and 2018/19 financial year. If schools see fluctuations in pupil numbers between years this will impact on budgets as it always has (and there will also be schools who gain from this process where pupil numbers have increased).
- 4.3 Once the authority receives final details of its DSG allocation for 2018/19 a further review of proposed funding factor values may be required, under the delegations set out within the recommendations for the report, to ensure that the final factor values that are utilised are affordable within the overall level of funding that will be available to the authority.

5. Legal Implications

- 5.1 The DfE has prescribed the way in which schools should be financed for the 2018/19 financial year. These guidelines are set out in the Schools revenue funding 2018 to 2019 operational guide, and can be found at the following link:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/648147/Updated_schools_operational_guidance.odt

- 5.2 The purpose of these arrangements is to help secure greater consistency in the way in which funding is distributed to schools. The Council is bound to adhere to the rules issued by DfE, and the proposed Walsall Funding Formula sets out how funding will be allocated to schools in Walsall within the prescribed arrangements.

6. School Improvement

- 6.1 As part of making any decisions regarding possible changes to the funding formula factor values, consideration should be made of the potential impact on the desired outcomes of the Walsall school improvement programme.

7. Members eligible to vote

- 7.1 All elected members with voting rights are eligible to vote on this matter.

Appendix 1

Detail of proposed funding formula allocation factors for 2018/19 with unit values

Factor		Indicator / Criteria / Data		£ Unit / multiplier	
Basic Entitlement (AWPU) excluding distribution of one off surpluses	mandatory	October 2017 census		Primary	2,873.34
				Secondary	4,329.16
Deprivation - Primary	mandatory	via Free School Meal %		1,241.85	
		The IDACI score has been matched, by DfE, to pupil records where the pupil's postcode is known and then placed into six bands. Only pupils with an IDACI score above 0.2 can be funded.	0.2 < 0.25	Band F	200
			0.25 < 0.3	Band E	240
			0.3 < 0.4	Band D	360
			0.4 < 0.5	Band C	390
			0.5 < 0.6	Band B	420
			0.6 < 1	Band A	575
Deprivation - Secondary	mandatory	via Free School Meal %		1,490.22	
		The IDACI score has been matched, by DfE, to pupil records where the pupil's postcode is known and then placed into six bands. Only pupils with an IDACI score above 0.2 can be funded.	0.2 < 0.25	Band 1	290
			0.25 < 0.3	Band 2	390
			0.3 < 0.4	Band 3	515
			0.4 < 0.5	Band 4	560
			0.5 < 0.6	Band 5	600
			0.6 < 1	Band 6	810
Lump Sum		Maximum allowable		175,000	
Low Attainment	optional	<p>EYFSP and Key Stage 2 results are used as indicators for low cost, high incidence SEN.</p> <p><i>In primary</i> – Total of EYFSP score mapped to census for pupils in years 1,2,3,4 & 5.</p> <p>Yrs 1-2 the % pupils not achieving good level of development</p> <p>Yrs 3-5 the % pupils scoring below</p>		<p align="center">Primary - 560</p> <p align="center">Secondary - 600</p>	

		78 points on EYFSP <i>In secondary</i> – Total of pupils achieving level 3 or below in either English or Maths	
Looked After Children	optional	Number of Looked After pupil as at March 2017 mapped to Jan '17 census.	0
English as Second Language	optional	Pupils whose language is not English and who appear on the school census for the first, second or third year.	515
Business Rates	optional	Rateable value of premises as at Jan.'17, with discretionary relief applied where appropriate.	0.493
Split Site – fixed sum	optional	A separate site is recognised either where a single school occupies more than one building separated by a public highway or following an amalgamation of two schools where the new school continues to use the two former sites and have two entrances e.g. one for infant pupils and one for junior pupils, thus necessitating two reception & admin areas.	16,615
Premise Rental	exceptional circumstances	An exceptional factor approved by DfE to fund one primary school for the premise rental charged by the diocese of the school	38,000