

## **Cabinet – 28 October 2015**

### **Proposed Schools Funding Formula 2016/17**

**Portfolio:** Councillor Towe, Learning skills and apprenticeships

**Related portfolios:** Councillor Bird, Leader of the Council

**Service:** Children's Services: Education

**Wards:** All

**Key decision:** Yes

**Forward plan:** Yes

#### **1. Summary**

- 1.1 The schools funding formula is the local process that is utilised (informed by national guidance setting out funding factors that can be incorporated) to allocate the Dedicated Schools Grant (DSG) funding that the Council receives to the 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 31 October each year. This therefore needs to be agreed in advance of the DfE informing each Local Authority of their Dedicated Schools Grant (DSG) for 2016/17, which is expected in December 2015, and as such a final funding proforma is required to be completed by each Local Authority and sent to the DfE by the third week in January 2016.
- 1.2 As part of the consultation with Walsall Schools Forum on the 2016/17 formula, Schools Forum have recommended, that following extensive review during 2012 and 2013, that the current schools funding formula remains fit for purpose with 8 of the 12 voting members supporting no change.
- 1.3 The recommendation from Walsall Schools Forum was in support of the fact that the current funding formula gives considerable weight to deprivation, reflecting the challenges faced by many children and young people in Walsall, and that to ensure consistency and continue to support schools with their improvement plans the formula should not be changed at this point.
- 1.4 Additionally the Central Government has previously announced a desire to move to a national schools funding formula, with the intention to "*make schools funding fairer*". As such Schools Forum felt that further information was needed to understand any impact that a national change may have, before recommending any further changes to the current local funding formula.

- 1.5 As the Schools Funding formula will result in the Local Authority, and individual schools, incurring expenditure which is significant, the approval of the formula is a key decision.

## **2. Recommendations**

- 2.1 That Cabinet approves the Schools Funding Formula (**Appendix 1**) that was recommended by Walsall's Schools Forum at their meeting on 13 October 2015.
- 2.2 That Cabinet notes that the Department for Education may request revisions to the school funding formula and that values attributed in the formula may change once the Department for Education receive the October 2015 census data.
- 2.3 Cabinet as such approves to delegate authority to the Director of Children's Services in consultation with the Portfolio Holder for Learning skills and apprenticeships to alter or amend the formula in line with DfE requirements and to comply with all and any relevant Department for Education regulations for the 2016/17 Schools Funding Formula.

## **3. Report detail**

- 3.1 **Appendix 1** provides a breakdown of the Walsall Council schools funding formula which was used for 2015/16 and has been recommended by Walsall's Schools Forum to remain unchanged for 2016/17. It must be noted that this formula only applies to mainstream schools and academies.
- 3.2 The Education Funding Agency (EFA) directs that as part of schools funding there remains a Minimum Funding Guarantee (MFG). The MFG ensures that the funding schools receive doesn't decrease by more than 1.5% per pupil per year. This ensures that any schools that have lost funding through any changes to the formula have sufficient time to manage this change. This is funded through a cap on schools who have gained which therefore means that these schools potentially have to wait a number of years to see the full benefit of the increase in funding.

### Schools Funding Formula

- 3.3 The funding formula proposed for 2016/17 is the same as that used for 2015/16. Set out below is a brief summary of the principles of the funding formula:

### Age Weighted Pupil Unit (AWPU)

- 3.4 AWPU is the biggest part of the funding formula, it is the funding which has not been allocated to the other specific factors and is allocated on a per pupil basis. The AWPU rates are different for Primary and Secondary children. The EFA insist on minimum AWPU rates per pupil (of at least £2,000 for Primary children and £3,000 for children at key stage 3 and 4).

### Deprivation

- 3.5 Walsall allocates funds to schools to meet the additional needs that children from deprived backgrounds may face for both the Income Deprivation Affecting Children Index (IDACI) measure of deprivation and the number of children who receive free school meals (FSM). Previous work has highlighted that this composite measure should ensure that all schools experiencing deprivation will receive some funding to help them. DfE also allocate Pupil Premium funding outside of Walsall's formula to support deprivation, and this is allocated based on the use of 'Ever 6' Free School Meals (which represents the number of pupils per school who have been eligible for free school meals at any point in the last 6 years).

### Lump Sum

- 3.6 A lump sum is an amount of funding that each school receives without reference to pupil numbers, deprivation, buildings etc. This is designed to cover the costs all schools need to meet regardless of their size. The maximum lump sum allowable under the regulations is currently £175,000 per school, and this is the value included within the Walsall formula.

### Low Attainment

- 3.7 The only factor allowable to take account of Special Educational Needs (SEN) in the funding formula for mainstream schools is low attainment, which looks at the number of Primary pupils identified as not achieving the expected level of development. The Walsall funding formula then allocates an amount of funding to provide schools with the resources required to support these children.

### Looked After Children (LAC)

- 3.8 LAC pupils nationally have some of the lowest levels of educational attainment. To support schools that have LAC children, where they have supported them continuously for 6 months, an additional sum of money, broadly equivalent to 50% of the Primary AWPU value, is allocated as part of the Walsall funding formula. With this extra funding, and the additional funding received through Pupil Premium, this should provide schools with a meaningful amount of money to support improved attainment for these pupils.

### English as an Additional Language

- 3.9 For pupils where English is an additional language funding is allocated through the formula to allow schools to provide additional support for a period of up to 3 years after they enter the statutory school system. For simplicity the funding unit is the same for both Primary and Secondary schools.

### Business Rates

- 3.10 Business rates for each school are funded through the formula based on the Council's estimate of the actual cost.

### Split Sites

- 3.11 The purpose of this factor is to support schools which have unavoidable extra costs because the school buildings are on separate sites.

### Premise Rental – Exceptional Factor

- 3.12 One school in the Borough has to pay extra costs relating to rent. The rationale for allowing this funding factor is that it is similar to business rates. There has been individual agreement with the DfE to allow this factor.
- 3.13 The following factors are allowable but have either not been used in the Walsall funding formula or do not apply:
- Private Finance Initiative (PFI) contracts – Not applicable as there are no schools in Walsall where there are additional unfunded costs due to PFI contracts
  - London fringe – Not applicable as this only applies to authorities who have some but not all of their schools within the London fringe area
  - Post-16 – Not applicable as this can only be used where the authority had such a factor in 2015/16 (which Walsall did not)
  - Pupil Mobility – Not used, however this measure allow authorities to allocate additional funding to schools based on numbers of pupils who entered a school during the last three academic years, but did not start in August or September (or January for reception pupils).
  - Sparsity – Not applicable as this factor is used to support schools in rural areas where there are on average smaller year groups.

## **4. Council priorities**

- 4.1 The funding formula is seen as equitable and is transparent to those who have been consulted when setting the current formula in previous years. The funding formula will not alter the total amount of funding given to Walsall schools. The role that schools play in meeting Council objectives will not be adversely impacted by retaining the current funding formula.

## **5. Risk management**

- 5.1 The DfE, in their consultation with Local Authorities and schools in March 2012, recognised that smaller schools may become less financially viable under the new funding formula that was adopted nationally from 2013/14. Walsall Council's proposed funding formula for 2016/17 continues to provide the maximum allowable lump sum. This will allow smaller schools time to manage these impacts. If the DfE continues with Central Government's announced intention to make school funding fairer and implement a national funding formula, this lump sum will serve to offer some protection to schools until this is fully implemented. There is no further information on what a national funding formula may look like at this stage.

## **6. Financial implications**

- 6.1 The funding that Walsall schools receive for 2016/17 will remain at the same overall level per pupil as that received for 2015/16. The only changes will be if there are more or less pupils at the October census.
- 6.2 No school will lose more than 1.5% of funding per pupil per year to the financial year 2016/17, in line with the MFG. If schools have 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).
- 6.3 The DfE in their consultation of March 2012 emphasised that smaller schools will see financial challenges going forward as the nature of schools funding favours larger schools. It is difficult to define “smaller” schools, but one form entry schools, or schools who have pupil numbers significantly below their published admission number (PAN) is often used to identify them.
- 6.4 It remains important to emphasise that no change has been recommended to the formula for 2016/17. Changes implemented by DfE caused the formula to change significantly in 2013/14 and this will still be impacting on some schools as their MFG decreases. It is worthwhile to emphasise that there may well be inequalities built into the pre-2013/14 formula which had built up over a number of years and are now currently working their way out of the formula. Comparing schools on a per pupil funding basis is a very valid way of comparing budgets rather than looking at historical funding levels. The MFG that ensures that no school loses more than 1.5% is also based on a per pupil measure.
- 6.5 Walsall Schools Forum were presented with alternate options which looked at changes to factor values set out within the formula (specifically reducing the amount of funding allocated to deprivation and increase the per pupil funding within AWPU). Walsall's Schools Forum did not wish to pursue these options and recommended no change to the existing funding formula.

## **7. Legal implications**

- 7.1 The DfE has prescribed the way in which schools should be financed for the 2016/17 financial year. 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.

## **8. Property implications**

- 8.1 Unless any schools in Walsall were to close, there will be no property implications associated with this report.

## **9. Health and wellbeing implications**

- 9.1 The content of this report has taken into account the Marmot objectives and it is confirmed that the proposals have been tested against the relevant considerations in this respect. As such there has been no indication that the

proposed school funding formula would have any adverse impact on the health and wellbeing of staff and pupils based at Walsall schools.

## **10. Staffing implications**

- 10.1 Where individual schools suffer budget reductions there is a risk that staff posts may be reduced. However no schools budget will be reduced by more than 1.5% per pupil per year, and finance officers will continue to work with and support any schools that do experience financial difficulties.

## **11. Equality implications**

- 11.1 With regard to equality implications there is no proposed change to the factors currently utilised within Walsall's schools funding formula, and as such no adverse impact can be identified. The current, and proposed 2016/17, schools funding formula takes account of most of the funding factors that are allowed to be used. Funding is allocated to support looked after children, children where English is an additional language, children with low attainment and to support schools in meeting the additional needs that children from deprived backgrounds may face. There are no further eligible funding factors that can be taken into account to in Walsall's funding formula to provide additional support in terms of equality and deprivation.

## **12. Consultation**

- 12.1 Walsall Schools Forum have received a number of reports on the schools funding formula with a working group of members having met several times throughout the year to review the impact of alternate options which looked at changes to factor values set out within the formula.

## **Background papers**

Walsall Schools Forum report 13 October 2015 - Review of Schools funding formula for mainstream schools and academies for 2016/17

Walsall Schools Forum report 22 September 2015 – Review of Schools funding formula for primary and secondary schools

Walsall Schools Forum report 7 July 2015 – Funding formula review

EFA – Schools Revenue Funding 2016 to 2017 Operational Guide

EFA – “School Funding Reform: Next steps to a fairer system” published on 26 March 2012

EFA – “Review of 2013/14 School Funding arrangements” February 2013

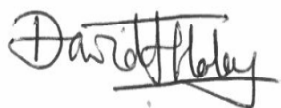
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A handwritten signature in black ink, appearing to read 'David Haley'.

David Haley  
Executive Director  
16 October 2015

A handwritten signature in black ink, appearing to read 'Councillor Towe'.

Councillor Towe  
Portfolio holder  
16 October 2015

## Detail of funding formula allocation factors for 2015/16 with current unit values

Factor		Indicator / Criteria / Data		£ Unit / multiplier	
Basic Entitlement (AWPU) excluding distribution of one off surpluses	mandatory	October 2014 census		Primary	2,884.60
				Secondary	4,344.79
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 1	222.82
			0.25 < 0.3	Band 2	272.34
			0.3 < 0.4	Band 3	346.61
			0.4 < 0.5	Band 4	445.64
			0.5 < 0.6	Band 5	544.67
			0.6 < 1	Band 6	792.25
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	267.39
			0.25 < 0.3	Band 2	326.81
			0.3 < 0.4	Band 3	415.94
			0.4 < 0.5	Band 4	534.78
			0.5 < 0.6	Band 5	653.62
			0.6 < 1	Band 6	950.72
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 &amp; 5.</p> <p>Yrs 1-2 the % pupils not achieving good level of development</p> <p>Yrs 3-5 the % pupils scoring below 78 points on EYFSP</p> <p><i>In secondary</i> – Total of pupils achieving level 3 or below in either English or Maths</p>		214.9979	
Looked After Children	optional	Number of Looked After pupil as at March 2014 mapped to Jan '14 census.		1,406.00	
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.		438.85	



Business Rates	optional	Rateable value of premises as at Jan.'15, 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